



Annual Report 2021

ANNUAL REPORT 2021

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The first Prada store
Galleria Vittorio Emanuele II, Milan

THE PRADA GROUP



Miuccia Prada and Patrizio Bertelli

PRESENTATION

"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 references, at the core of any evolution, lead 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 Drivers of Change, with the flexibility required to translate the demands of the market and society into tangible actions that inform our way of doing business."

Miuccia Prada and Patrizio Bertelli

RE-THINK
THE RULES

UNIQUENESS
OF TALENTS

INNOVATIVE
TRADITION

BEYOND
BOUNDARIES

SPIRIT OF
EXCELLENCE

SUSTAINABLE
PATHS



Be
DRIVERS OF CHANGE
PRADA Group

for PLANET

for PEOPLE

for CULTURE

The Group is a contemporary interpreter of changing scenarios. In a dialogue that combines the identity of the past with current dynamics and future perspectives, creativity molds ideas that go beyond the ordinary and offer an innovative vision of tomorrow. A fluid perspective that becomes the Group's manifesto, suggesting a unique approach to doing business.

Re-think the rules.

Synonymous with innovation, transformation and independence, the Prada Group offers its brands a shared vision in which they can express their essence. This concept has broadened the horizons of luxury, without fear of facing contradictions.

Innovative tradition.

The Group has been driven by a spirit of constant experimentation and innovation for more than a century.

Spirit of excellence.

Gearing toward excellence is a mental attitude for the people of the Prada Group, who constantly seek perfection, continuously refining and surpassing their previous achievements.

Uniqueness of talents.

Passion, curiosity, attention to detail and expertise are the distinctive qualities of each person in Prada. The promotion of an inclusive work environment stimulates intellectual vitality and the ability to interpret how society is evolving.

Beyond boundaries.

Art, philosophy and cinema are just some of the cultural disciplines that represent constant sources of inspiration for the Group. A network of connections that broaden the horizon to boldly challenge expectations and create scenarios that transcend boundaries.

Sustainable paths.

The value creation model is implemented in harmony with the places and people within the entire sphere of influence of the Group's activities. Interest in the world of culture and the contribution to the contemporary debate complete Prada's vision of sustainability.



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 standards 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 stores opening first in New York and Madrid, and then in 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 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 that 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 **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 experts from important international academic and cultural institutions, it guides 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 **2020**, the year when the beginning of the Covid-19 pandemic wreaked havoc across the globe, Raf Simons became the Creative Co-Director of Prada and other important managers joined the team, with a view to fostering long-term growth even with 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.

In **2021** the 36th edition of America's Cup presented by Prada became the most viewed one ever, and the Luna Rossa sailing team won the Prada Cup Challenger Selection Series for the second time in history. During the year, the Prada Group founded the Aura Blockchain Consortium with LVMH and Cartier and purchased a stake in Filati Biagioli Modesto S.p.A. with the Zegna Group; it also bought out the remaining stakes in the Travel Retail Shop companies dealing with duty-free store activities, and acquired the ownership of Luna Rossa Challenge Srl so as to fully develop the commercial value of the Luna Rossa brand. In addition, a long-term licensing agreement with L'Oréal for the creation, development and distribution of Prada brand luxury cosmetics entered into effect.

THE GROUP'S BRANDS

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

Prada is at the forefront of Italy's design and manufacturing tradition, sophisticated style and outstanding quality. As one of the most innovative fashion brands, intrinsically linked to acumen and intellectual curiosity, it is capable of redefining the norm by anticipating and setting new trends. Prada is radicalism, authenticity and duality. Its essence transcends the creativity of its design process to encompass the most novel forms of production, communication and distribution.

Miuccia Prada has always been a refined 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 urbane, modern, and culturally and socially active. In addition, the prestige of the Luna Rossa collection captures the interest of sports enthusiasts.

A woman with dark hair and eyes closed, wearing a black leather jacket, stands against a solid pink background. The jacket is open, revealing a red belt with a silver buckle. The text "IN THE MOOD FOR" is centered over the jacket in a white, serif font.

IN THE MOOD FOR

A fashion advertisement for Prada. A woman with short black hair is the central figure, wearing a dark brown leather jacket with large, puffed sleeves. She is also wearing a red ribbed belt with a silver Prada triangle logo buckle and a black skirt. In her left hand, she holds a Prada bag with a black and tan diamond-patterned fabric and black leather trim. The bag features a silver Prada triangle logo on the front and a small black tag with the Prada logo at the bottom. The background is a solid, light pink color. The word "PRADA" is printed in white, bold, serif capital letters across the center of the image, partially overlapping the woman's jacket and belt.

PRADA





PRADA

Prada advertising campaign S/S 2022
Talent: Tom Holland

MIU MIU

Miu Miu is the most free-spirited representation of Miuccia Prada's creativity. Intentionally distant from classic aesthetic expressions, and with a nonconformist perspective, 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 quality and culture of innovation behind all the Group's activities. Miu Miu is irreverently sophisticated and characterized by a cutting-edge style that evokes a sense of freedom and intimacy. Miu Miu targets 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 advertising campaign S/S 2022



שוורח שוורח

A fashion advertisement for Church's shoes. The central figure is a man in a light blue dress shirt and a striped tie, sitting on a wooden ledge. He is looking down at his feet, which are wearing black lace-up shoes. To his left and right, the lower legs and feet of other people are visible, also wearing black shoes and white socks. The background is a plain, light-colored wall. The lighting is dramatic, casting shadows on the wall and floor.

Church's

English shoes

CHURCH'S

Church's has challenged the most formal rules of style throughout its history. Church's expresses contemporary luxury, upholding 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 superb craftsmanship. Church's dedicates meticulous attention and care to every detail: it takes approximately 250 manual steps and 8 weeks of labor to make a single pair of shoes.

Left page
Church's advertising campaign S/S 2022

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

With a strong history and tradition, Marchesi 1824 is one of the oldest and most famous pastry shops in Milan, renowned for the excellence of its products, particularly chocolate and Panettone, the typical Milanese cake.

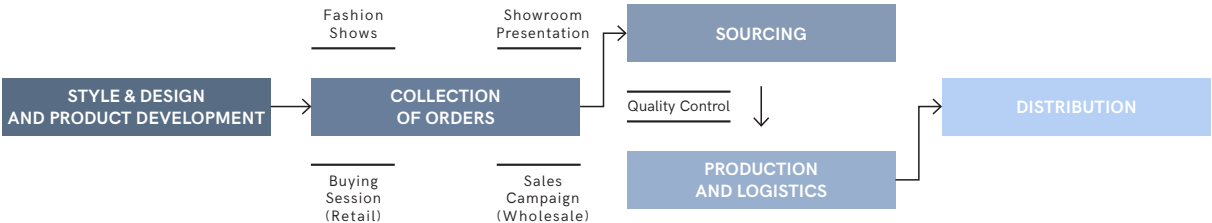




Pasticceria Marchesi 1824
Galleria Vittorio Emanuele II, Milan

BUSINESS MODEL

The success of the Prada 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. It also help retaining flexible capacity, as well as control over know-how, quality and sustainability 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. The appointment in 2020 of Raf Simons as Creative Co-Director of the Prada brand alongside Miuccia Prada produced a new creative authorship model, reiterating the importance and power of dialogue.

With this unique approach Prada anticipates and often influences trends, while constantly 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 quality standards continue to attract talented people from all over the world who want to share the creative

experience. This results in teams in 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 2021 the American magazine WWD awarded Miuccia Prada the John B. Fairchild Honor for Lifetime Achievement to celebrate her enduring influence on fashion.

RAW MATERIALS AND THE PRODUCTION PROCESS

Know-how is the Group's historical asset and represents an element of continuity and balance between creativity and precision. The manufacturing vision is based on two key principles: constant innovation, which ensures the evolution of skills and expertise, and a vocation for craftsmanship, which is an essential asset for the production and value of each 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.

Prada products are made at the 23 manufacturing facilities owned (20 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and by a network of selected and strictly monitored contract manufacturers that are supplied with internally made raw materials and internally made 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 ensures significant flexibility in the organization of production.

The outstanding quality of the production operations gives the Group a competitive advantage, enhanced by continuous research and experimentation on production materials and techniques, and by investments in structures, supply chain and, not least of all, people. 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. For years Prada has been investing heavily in the transmission of manufacturing techniques and core values to younger generations, both with the Prada Academy and by honing its employees' technical skills.



Prada store
La Samaritaine, Paris



Prada store
Seoul The Hyundai, Seoul



Miu Miu store
Sant'Andrea, Milan



Miu Miu store
Taipei Breeze Nanshan, Taipei

DISTRIBUTION

Over the years, the Group has expanded its distribution network to include 635 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 object of ongoing 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 Group’s own e-commerce websites complete the direct customer journey, offering a constantly evolving shopping experience integrated with the physical stores. The DOS serve as more than a primary sales function as they are also an important means of communication: they are the true brand ambassadors, 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 location prestige in the various markets, and enables direct, immediate comparison with the competition. Developments in the omnichannel strategy have led to important partnerships with top online retailers (“e-tailers”).

IMAGE AND COMMUNICATIONS

Sharing information with stakeholders enables being 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 that is 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 fluid content, embodying creative freedom and intellectual curiosity, makes it possible to implement the omnichannel strategy effectively.

Through social media accounts, brand e-commerce websites, the corporate website and digital platforms in general, the Group fosters direct and immediate contact with the audience to enhance the interest in its brands and initiatives. In parallel, the vast editorial coverage given on hundreds of covers of the world’s leading

fashion magazines and in the most influential dailies and weeklies heightens the visibility of the Group's brands.

Special events also promote brand profiles and boost awareness of the most recent collections in local markets, especially in large cosmopolitan cities.

SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

On November 11, 2021, Prada spa's Board of Directors approved the strategic guidelines for sustainable growth, formalized on the basis of the principles and priorities that have always moved the Prada Group, identified in three pillars: people, the environment and culture.

Along with defining the social and environmental sustainability strategy, the Group strengthened the related governance by arranging for three Board members to have specific ESG (environmental, social and governance) capabilities. This organizational structure, made official on January 28, 2022 through the resolution of the PRADA spa general meeting, ensures that the processes for creating the Group's long-term value develop in harmony with the sustainability objectives.

PEOPLE

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, 2021 the Group has 13,140 employees from 107 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 Board of Directors' capabilities, the Diversity, Equity and Inclusion management and the partnerships with authoritative universities and monitoring centers make it possible for Prada's strategies to evolve in tune with the most recent societal shifts. Moreover, the Diversity & Inclusion Advisory Council in the U.S.A., which brings together illustrious activists and experts, educates management further about the social aspects of sustainability, autonomously and independently from any form of Group governance.

In 2021 the Prada Group joined The Valuable 500, an international association

that promotes the inclusion of people with disabilities in company organizations. In this context, the Prada Group prepared a long-term disability integration plan that has taken off with the hiring of individuals affected by Trisomy 21 (Down syndrome) at its Italian stores.

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. The Academy has a global digital platform and a team dedicated to the implementation and continuous updating of projects, content and training plans. It is split up into three macro areas: Industrial, Learning & Development and Stores.

The Industrial area holds courses dedicated to learning craftsmanship in the clothing, footwear and leather goods categories. A substantial structure completely behind the Group's productive strategy, the Industrial Academy's goal is to preserve and pass on to young generations the heritage of knowledge and expertise typical of the organization and of the fashion industry. The Learning & Development area, effectively the Group's corporate area, focuses on courses geared toward the enhancement of relational and behavioral skills, aimed at achieving more effective management of operational complexities.

In the Stores area, store staff are mentored by experienced personnel, and institutional training courses are held for store staff to strengthen relational skills, in part through the use of technology, and product knowledge.

The extensive, merit-based compensation and benefits system ensures equal treatment in terms of gender, seniority and role, 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 the strictest public health emergency protocols. In most locations (offices, warehouses and stores), these risks are limited. Manufacturing facilities present the greatest health and safety risk, although such risk is still low. Safety training and refresher courses, with an emphasis on industrial facilities, helped keep the number of accidents very low in 2021, 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 long-term well-being of its employees and the respective communities. During the Covid-19 pandemic, the Group was among the first businesses in Italy to establish stringent employee safety protocols, allowing it to reopen production facilities in 2020 during the most acute phase of the lockdown.

Over the years the Group has stipulated many supplementary agreements in Italy, the United Kingdom and France whereby it offers better benefits than those already contained in the local collective bargaining agreements. Thanks to respect, dialogue and cooperation with trade unions, no labor strikes occurred in the year or 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 specific policies and has set up dedicated structures. This control system defines the responsibilities and operational behaviors needed to assess the ethical, technical and financial reliability of the suppliers. Specifically for ethical issues, the accreditation and subsequent maintenance of a supplier's qualification requires compliance with the Group's Code of Ethics and the collection

of documents, statements and self-certifications that ensure compliance with laws on remuneration, social security, taxation, occupational health and safety, the environment, privacy and the governance model. Audits carried out at the manufacturing locations of suppliers in recent years, intended to maintain a high level of control over risks of human rights violations and inadequate working conditions, led to the formulation of action plans at some locations. Some audits resulted in the termination of the supply contract.

ENVIRONMENT AND TERRITORY

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 environmental footprint with the greatest priority.

In 2021 the Prada Group completed the measurement of its carbon footprint and then successfully presented greenhouse gas emission reduction targets in accordance with the Science Based Targets Initiative, a best international practice and protocol. Such targets envision a 29% reduction of Scope 1 and Scope 2 emissions (from those of 2019) by 2026, and a 42% reduction of Scope 3 emissions (from those of 2019) by 2029. The first target will be met through an intensive energy-efficiency action plan that has in recent years made the Group one of the industry leaders in this area: by the end of 2026, electric heating and air conditioning systems will be installed in five other plants, the proportion of renewable energy obtained and self-produced will be doubled and new LEED certificates will be obtained for stores; about the latter, the Prada Group has achieved a leadership position having already secured n. 141 LEED certifications (3 for Building Design and Construction, 57 v4. Interior Design and Construction and 81 v4.1 Operations and Maintenance O + M) The second target, cutting emissions along the supply chain, requires the involvement of the suppliers and the formulation of a joint action plan. The Group plans to reach net zero emissions by 2050.

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 are almost all 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 yet. The Prada Valvigna factory, as well as the new logistic hub in Levanella, both in Tuscany, represent the synthesis of these principles: structures capable of generating sustainable efficiency and obtaining harmony between the architectural intervention and the natural surroundings.

With respect to protecting biodiversity, the Prada Group is constantly seeking ways to make footwear, clothing and leather goods increasingly more sustainable, in keeping with its characteristically innovative spirit. The expertise acquired over decades of product research and development made it possible to successfully launch the "Re-Nylon" campaign to completely transition from virgin nylon to regenerated nylon, by now nearly accomplished, and to introduce many new solutions with a smaller carbon footprint, from the catwalks to the collections and, obviously, packaging. Prada became fur free with the 2020 Spring-Summer Women's collection.



PRADA



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

SEA BEYOND



unesco

Intergovernmental
Oceanographic
Commission



2021 United Nations Decade
of Ocean Science
2030 for Sustainable Development



PRADA
RE-NYLON

In 2020, for World Oceans Day, Prada and UNESCO inaugurated the “Sea Beyond” project, embarking on an enduring partnership aimed at spreading awareness about the importance of ocean preservation through the research and reporting activities of the Intergovernmental Oceanographic Commission. Sea Beyond, conceived as an ocean literacy project dedicated to secondary school students in ten cities across the globe, has become part of Prada’s narrative describing the commitment to publicizing this topic. New initiatives are planned for this awareness campaign involving the Group’s employees and a new, more extensive project with the schools.

Last but not least, joining the Fashion Pact on August 23, 2019 at the G7 Meeting in France created a unique opportunity to accelerate environmental sustainability initiatives. Active participation in the coalition’s projects has enabled the Group to acquire expertise, forge new relationships and expand its own knowledge of the actions needed to achieve the objectives of contrasting climate change, restoring biodiversity and protecting the oceans.

Left page
Prada Group and UNESCO educational programme “Sea Beyond”

CULTURE

Art, philosophy, architecture, literature and film are the main cultural disciplines that represent continuous sources of inspiration for the Group. The network of connections made 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 aforementioned 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, 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 essential for the Group's image, are the result of innovative thinking about the shopping concept, revisited and reinvented to create unique places, 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 hub of the Group's cultural events in China.

The interests and passions of Miuccia Prada and Patrizio Bertelli have inspired the Prada Group to support the artistic and cultural activities of Fondazione Prada since 1993.

Fondazione Prada was created in Milan to develop contemporary art exhibitions along with architectural, cinematic, philosophical, science and performing arts projects. The cultural activities of Fondazione Prada make it possible for the Group

to proactively contribute to current debates and observe the changes taking place in society. This collaboration, active in the form of sponsorship, is an important source of inspiration for the creative process and enables the Group to associate the success of Fondazione Prada with its image and share the related value with its stakeholders.

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, the Fondazione has also been operating at its Venetian venue, Ca' Corner della Regina, an eighteenth-century building that has so far hosted nine research exhibitions and an experimental platform dedicated to cinema.

The exhibition program of Fondazione Prada's headquarters in Milan, inaugurated in 2015 and designed by the architectural firm OMA, included in 2021 the site-specific project "Who the Bær" conceived by contemporary artist Simon Fujiwara, and the retrospective exhibition "Domenico Gnoli" conceived by Germano Celant and dedicated to the eponymous twentieth-century artist.



Exhibition view of "Domenico Gnoli"
Fondazione Prada, Milano.
Photo: Roberto Marossi

The multifunctional space of the Deposito, within the Milan venue, hosted for the first time in December 2021 "Riccardo Muti Italian Opera Academy", a training project undertaken by Maestro Muti targeted to five young orchestra conductors and five répétiteurs under the age of 35 from all over the world. Also at the Milan venue, the "Multiple Canvases" and "Proof. Incorporated" film series took place at the Cinema in 2021.

The Venetian venue hosted the "Stop Painting" exhibition, conceived by artist Peter Fischli, and the "AURA | SUL TOCCARE LE COSE" choreographic project, conceived by Virgilio Sieni and presented in collaboration with Fondazione Archivio Luigi Nono.

Osservatorio, the Fondazione's exhibition space dedicated to photography since 2016, is located on the 5th and 6th floors of one of the central buildings in Galleria Vittorio Emanuele II, in Milan.

The "Sturm&Drang" exhibition project, a collaboration between Fondazione Prada and gta exhibitions, ETH Zurich, was held in 2021. Curated by Luigi Alberto Cippini, Fredi Fischli and Niels Olsen, "Sturm&Drang" explored the applications, experiences and environments related to computer-generated imagery (CGI) with the aim of revealing the complexity of computer modeling and analyzing the current production of images. In spring 2021, with the support of Fondazione Prada, the Prada Group presented a different version called "Sturm&Drang Preview Services" on a floor of the Prada Aoyama Tokyo Epicenter in Japan. The entire project was integrated with a program of online lectures on the subjects of the exhibitions, with artists, designers and creatives expert on these technologies, published on the Fondazione's website.

In 2021, "Human Brains," a global project of exhibitions, scientific debates, public meetings and publishing activities dedicated to brain studies, was developed further. The project, which will run until 2022, aims to attract public interest in neuroscience and create a forum to facilitate exchanges among scientists, philosophers and scholars.



Exhibition view of "Stop Painting"
Fondazione Prada, Venezia.
Photo: Marco Cappelletti





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 "Miu Miu Women's Tales", of which the last two episodes - "Shangri-La", directed by Isabel Sandoval and "I and the Stupid Boy", directed by Kaouther Ben Hania - were shown at the 2021 Venice Film Festival as part of the Giornate degli Autori program. The film series, which consists of twenty-two films produced up to December 2021, 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
Miu Miu Women's tales n.22 "I and The Stupid Boy"
Directed by Kaouther Ben Hania



PRADA

PRADA



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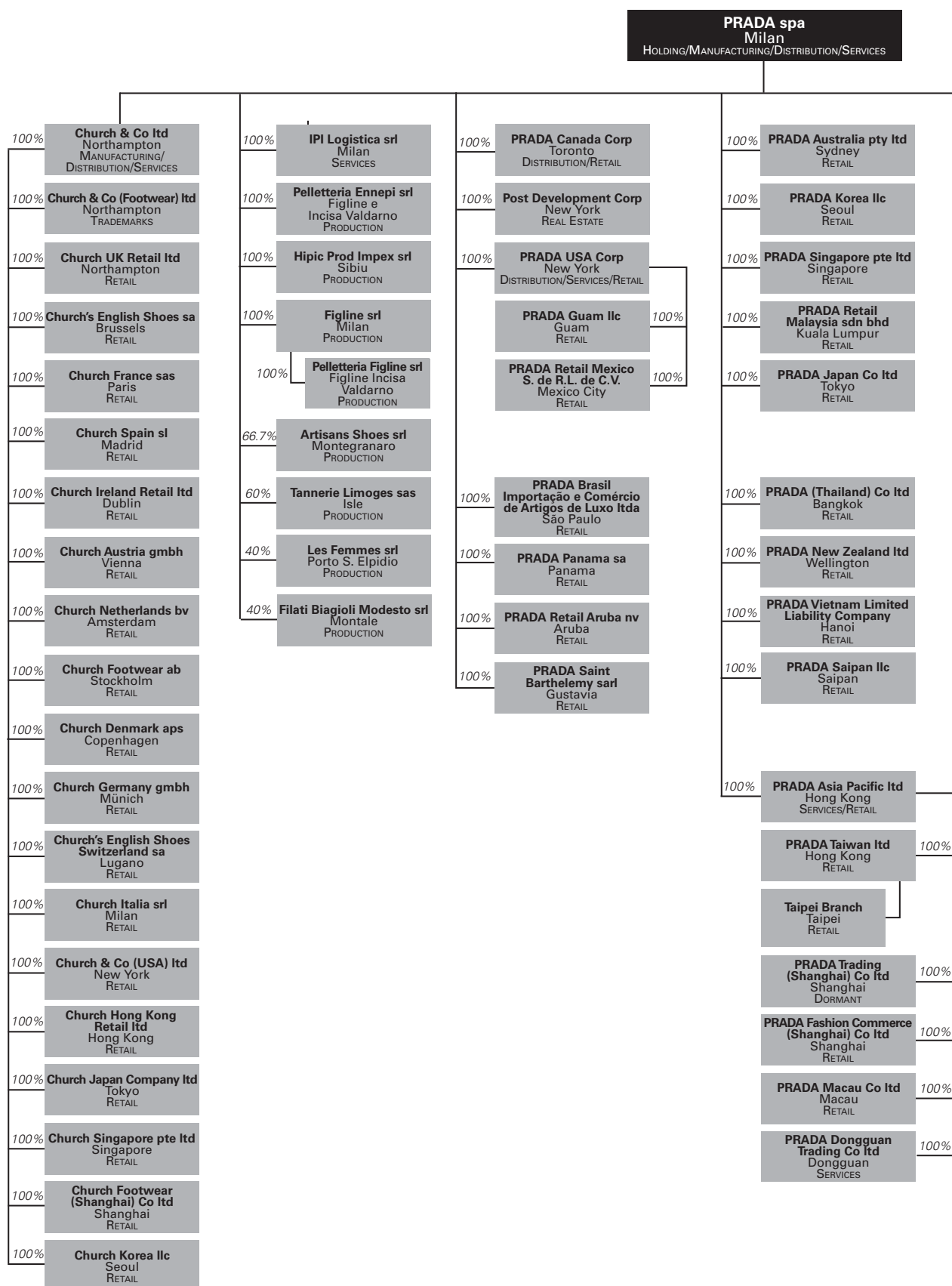
LUNA ROSSA

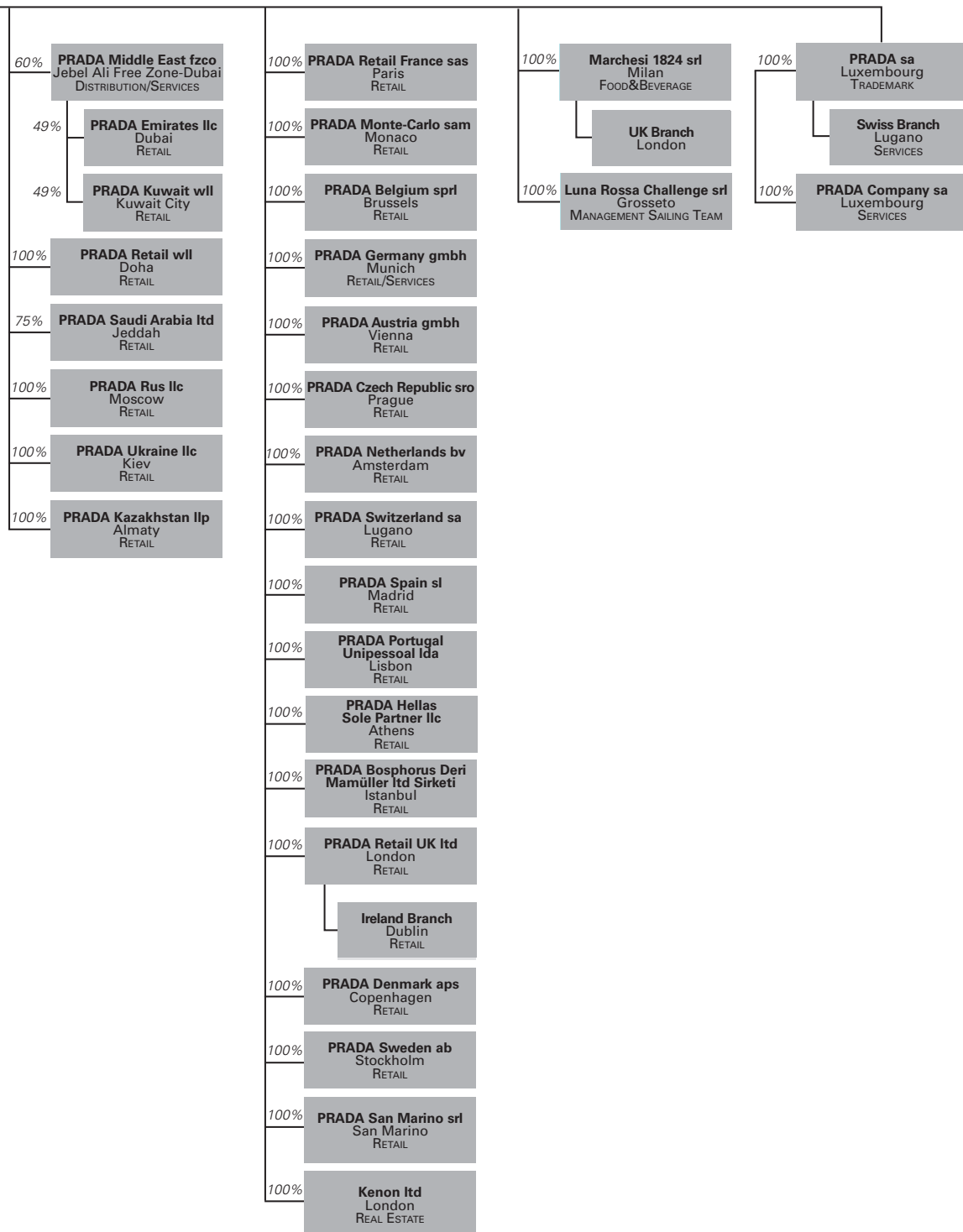
In addition to engaging with the world of art, cinema, architecture and culture in general, the Prada Group, driven by the same spirit of constant pursuit of inspiration, has shown for more than twenty years fervent interest in the world of sailing and the America's Cup race, the most prestigious competition for this sport. Prada sponsors the Luna Rossa team, which was a challenger in the sailing yacht races of 2000, 2003, 2007, 2013 and 2021, won the challenger selection regattas in 2000 and 2021, and reached the finals in 2007 and 2013.

Having thrived from this experience, which increased the Prada brand's visibility and made a huge contribution to the commercial success of the activewear lines, in November 2021 the Group purchased Luna Rossa Challenge Srl, the firm that manages the sailing team and possesses unique and advanced technological and sports know-how in the sector. With this acquisition, the Group has combined the ownership of the Luna Rossa brand with the competitive capability of the team in view of participating in the upcoming 37th America's Cup and fully benefiting from the commercial potential of the Luna Rossa brand.

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

PRADA GROUP STRUCTURE





Note:

PRM Services S. de R.L. de C.V.; Prada Maroc Sarlau; Prada Retail South Africa (pty) ltd; Cor 36 S.r.l. (all 100%, directly or indirectly, owned by Prada S.p.A.) are currently under liquidation process

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	Paolo Zannoni <i>(Chairman & Executive Director)</i> Miuccia Prada Bianchi <i>(Chief Executive Officer & Executive Director)</i> Patrizio Bertelli <i>(Chief Executive Officer & Executive Director)</i> Alessandra Cozzani <i>(Chief Financial Officer & Executive Director)</i> Lorenzo Bertelli <i>(Executive Director)</i> Stefano Simontacchi <i>(Non-Executive Director)</i> Marina Sylvia Caprotti <i>(Independent Non-Executive Director)</i> Maurizio Cereda <i>(Independent Non-Executive Director)</i> Yoël Zaoui <i>(Independent Non-Executive Director)</i> Pamela Yvonne Culpepper <i>(Independent Non-Executive Director)</i> Anna Maria Rugarli <i>(Independent Non-Executive Director)</i>
Audit Committee	Yoël Zaoui <i>(Chairman)</i> Marina Sylvia Caprotti Maurizio Cereda

Remuneration Committee	Marina Sylvia Caprotti (<i>Chairwoman</i>) Paolo Zannoni Yoël Zaoui
Nomination Committee	Maurizio Cereda (<i>Chairman</i>) Lorenzo Bertelli Marina Sylvia Caprotti
Board of Statutory Auditors	Antonino Parisi (<i>Chairman</i>) Roberto Spada David Terracina
<i>Organismo di Vigilanza</i> (Supervisory Body) (Italian Leg. Decr. 231/2001)	Stefania Chiaruttini (<i>Chairwoman</i>) Yoël Zaoui Gianluca Andriani
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Stefania Cane Via A. Fogazzaro, 28 20135 Milan, Italy Ying Kwai Yuen 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.	Patrizio Bertelli Via A. Fogazzaro, 28 20135 Milan, Italy Ying Kwai Yuen 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Alternate Authorized Representative to Patrizio Bertelli in Hong Kong S.A.R.	Wendy Pui-Ting Tong 8th Floor, One Taikoo Place 979 King's Road Quarry 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 ("Prada" or the "Company"), the parent company of the PRADA Group (the "Group" or "Prada Group"). This Financial Review should be read in conjunction with the Consolidated Financial Statements and related explanatory 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 endorsed by the European Union. Some "non-IFRS measures" are also used in the Financial Review in order to represent some 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, 2021	% on net revenues	twelve months period ended December 31, 2020	% on net revenues	twelve months period ended December 31, 2019	% on net revenues
Net Sales	3,316,620	98.5%	2,390,866	98.7%	3,183,339	98.7%
Royalties	49,047	1.5%	31,873	1.3%	42,255	1.3%
Net revenues	3,365,667	100%	2,422,739	100%	3,225,594	100%
Cost of goods sold	(818,309)	-24.3%	(679,361)	-28.0%	(905,982)	-28.1%
Gross margin	2,547,358	75.7%	1,743,378	72.0%	2,319,612	71.9%
Product design and development costs	(115,319)	-3.4%	(102,232)	-4.2%	(127,378)	-3.9%
Advertising and promotion expenses	(294,251)	-8.8%	(206,848)	-8.5%	(231,011)	-7.2%
Selling costs	(1,421,169)	-42.2%	(1,259,827)	-52.0%	(1,470,101)	-45.6%
General and administrative expenses	(227,135)	-6.7%	(154,410)	-6.4%	(184,343)	-5.7%
Total operating expenses	(2,057,874)	-61.1%	(1,723,317)	-71.1%	(2,012,833)	-62.4%
EBIT	489,484	14.5%	20,061	0.8%	306,779	9.5%
Interest and other financial income / (expenses), net	(31,216)	-0.9%	(29,480)	-1.2%	(25,174)	-0.8%
Interest expenses on Lease Liability	(36,773)	-1.1%	(42,670)	-1.8%	(48,980)	-1.5%
Dividends from investments	160	0.0%	277	0.0%	2,135	0.1%
Total financial income/(expenses)	(67,829)	-2.0%	(71,873)	-3.0%	(72,019)	-2.2%
Income / (loss) before taxation	421,655	12.5%	(51,812)	-2.1%	234,760	7.3%
Taxation	(126,552)	-3.8%	(2,556)	-0.1%	22,964	0.7%
Net income / (loss) for the period	295,103	8.8%	(54,368)	-2.2%	257,724	8.0%
Net income / (loss) - Non-controlling interests	849	0.0%	(229)	0.0%	1,936	0.1%
Net income / (loss) - Group	294,254	8.8%	(54,139)	-2.2%	255,788	7.9%

KEY FINANCIAL INFORMATION

Key economic figures (amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020	twelve months ended December 31 2019
Net revenues	3,365,667	2,422,739	3,225,594
Operating income/(loss) - EBIT	489,484	20,061	306,779
% Incidence on net revenues	14.5%	0.8%	9.5%
Net income / (loss) of the Group	294,254	(54,139)	255,788
Earnings / (losses) per share (Euro)	0.115	(0.021)	0.100
Net Operating Cash Flows (*)	750,723	262,100	362,365

(*) 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 2021	December 31 2020	December 31 2019
Net operating working capital	602,038	667,024	702,835
Net invested capital (Right of Use assets included)	4,936,402	5,296,489	5,809,417
Net financial surplus / (deficit)	237,653	(311,357)	(405,544)
Group shareholders' equity	3,113,894	2,832,057	2,967,158

2021 HIGHLIGHTS

The Covid-19 pandemic continued to fuel a transformation process in the luxury goods market in 2021, making it truly evolve. The share of consumers belonging to young generations increased considerably, as did the input of the digital sales channels and local consumers. Ethical products, the social responsibility of the brands and the significance of human beings in the buying experience, even in the new physical-digital ecosystem, have become of paramount importance to the industry's value proposition.

Focusing on being relevant, sustainable and impactful, the Prada Group has succeeded in evolving with the market in this scenario of mutations. The combination of its unique creative prowess and a transformational omnichannel strategy has enhanced the perceived value of the brands and products, paving the way for revenue growth and putting the Group back on the path of long-term value creation.

The commercial strategy was behind this growth with a more profitable sales mix, the elimination of markdowns, and a fully streamlined wholesale distribution channel. The increase in the Group's own e-commerce sites also contributed to the growth, mainly with new customers.

Investments in retail space and processes raised store productivity rates and were critical to strengthening the brand identities. In 2021 alone, 120 store renovations

were completed and 80 pop-up installations were set up, leading to increased footfall in stores and a continuously evolving retail image. The Prada Outdoor, Prada Holiday, Miu Miu Upcycled and Miu Miu Nuit pop-up shops resonated the most, traveling around to some of the most prestigious department stores and malls.

Investments in content and in traditional and digital communication channels led to excellent results even in the online brand visibility metrics. Effective communication campaigns made it possible to expand the involvement of the digital community during successful events, such as the Prada 2022 Spring/Summer fashion show, the first to be presented simultaneously in two cities (Milan and Shanghai), and the 36th America's Cup presented by Prada, the most viewed edition ever.

The omnichannel growth strategy included new investments that will soon lead to additional optimization of back end retail operations and greater use of data, making the customer relationship management (CRM) activities even more effective. Last but not least, having joined the Aura consortium as a founding member enables the Group to further enrich the customer journey: through blockchain technology, the Group's brands will guarantee to customers enhanced transparency and traceability. Moreover, a digital evolution roadmap was approved during the year that will lead to a cutting-edge information system for the Group in terms of engineering and technology, giving another competitive advantage in the performance of all distribution and communication channels and indeed the entire business operation.

The industrial area benefited from important reduction of complexity as well as investments in the verticalization of the production process to enhance artisanal know-how and further boost the high quality standards of the products. Use of operating capacity was optimized at the Levanella logistic hub, a forerunner of technology and sustainability in the industry and a crucial site for integrating manufacturing processes with store procurement ones. Manufacturing activities were also strengthened through the acquisition of the remaining minority stakes in two subsidiaries, and the acquisition of a stake in Filati Biagioli spa, renowned for Italian excellence in the production of cashmere and other noble yarns.

For Capital Markets Day in November, the strategic guidelines for the Group's sustainable growth were communicated as formalized based on the principles and priorities that have always motivated the Prada Group, organized into three pillars: people, environment and culture.

The Group's operating results improved considerably from those of the pre-

pandemic levels, showing increases in both amounts and as a percentage of net revenues. The consequential cash generation, net of investments and resumed dividend payments, enabled the Group to accumulate enough cash assets to face confidently the important short and medium investments.

ANALYSIS OF NET REVENUES

(amounts in thousands of Euro)	twelve months ended December 31 2021		twelve months ended December 31 2020		twelve months ended December 31 2019	
Net Sales by geographical area						
Europe	970,637	29.3%	741,131	31.0%	1,228,437	38.6%
Asia Pacific	1,272,534	38.4%	963,845	40.3%	1,017,593	32.0%
Americas	636,963	19.2%	324,479	13.6%	455,402	14.3%
Japan	309,704	9.3%	280,232	11.7%	386,066	12.1%
Middle East and Other countries	126,782	3.8%	81,179	3.4%	95,841	3.0%
Total Net Sales	3,316,620	100%	2,390,866	100%	3,183,339	100%
Net Sales by brand						
Prada	2,857,693	86.2%	2,012,620	84.2%	2,643,348	83.0%
Miu Miu	401,219	12.1%	329,497	13.8%	450,491	14.2%
Church's	39,551	1.2%	36,964	1.5%	69,801	2.2%
Other	18,157	0.5%	11,785	0.5%	19,699	0.6%
Total Net Sales	3,316,620	100%	2,390,866	100%	3,183,339	100%
Net Sales by product line						
Leather goods	1,698,470	51.2%	1,310,938	54.8%	1,765,799	55.5%
Clothing	908,041	27.4%	604,571	25.3%	729,350	22.9%
Footwear	655,798	19.8%	442,792	18.5%	627,576	19.7%
Other	54,311	1.6%	32,565	1.4%	60,614	1.9%
Total Net Sales	3,316,620	100%	2,390,866	100%	3,183,339	100%
Net Sales by channel						
Net Sales of direct operated stores (DOS)	2,930,856	88.4%	2,115,370	88.5%	2,636,097	82.8%
Sales to independent customers and franchisees	385,764	11.6%	275,496	11.5%	547,242	17.2%
Total Net Sales	3,316,620	100%	2,390,866	100%	3,183,339	100%
Net Revenues						
Net Sales	3,316,620	98.5%	2,390,866	98.7%	3,183,339	98.7%
Royalties	49,047	1.5%	31,873	1.3%	42,255	1.3%
Total Net Revenues	3,365,667	100%	2,422,739	100%	3,225,594	100%

During the year the Prada Group obtained net revenues of Euro 3,365.7 million, an increase at constant exchange rates of 7.8% against those of 2019 and 40.6% against those of 2020. Except for the Chinese renminbi and a few other currencies, the foreign exchange rates of the main currencies weakened against the Euro, and reduced the increase against 2019 by 3.4% and against 2020 by 1.7%.

DISTRIBUTION CHANNELS

Over the twelve-month period, the net sales of the retail channel rose constantly and progressively, thanks to the performance of full-price sales and local customers. Sales of directly operated stores increased by 15.2% at constant exchange rates compared with 2019 (+11.2% at current exchange rates) and by 40.4% compared with 2020 (+38.6% at current exchange rates). Such results need to be contextualized in an economic and operational scenario still characterized by store closures ensuing from the restrictions adopted by governments to combat the pandemic: during the year the Group operated with 10% fewer stores on average (mainly in Europe and Japan).

There were 635 stores at December 31, 2021, after 2 additions net.

Direct e-commerce sales continued to benefit from important growth: 61% from 2020, and more than fivefold from 2019; they account for approximately 7% of the total 2021 retail sales.

The wholesale channel continued to be streamlined, in accordance with the Group's strategies.

MARKETS

The retail sales in Asia Pacific of the twelve months ended December 31, 2021 rose at constant exchange rates by 30.1% from those of 2019 (+28.9% at current exchange rates), with a remarkable growth in the Chinese Mainland, South Korea and Taiwan (P.R.C.). Compared to 2020, the region grew by 29.1% (+30.4% at current exchange rates).

Retail sales in Europe showed a contraction of 11.5% at constant exchange rates compared with 2019 (-15% at current exchange rates), although they resumed growth in the second half of the year; set against the twelve months of 2020, the region showed an increase of 35.1% (+33.4% at current exchange rates). It should be noted that in most of the first half of the year this region was severely affected by restrictions, which forced it to operate with 19% fewer stores on an annual basis.

Retail sales in the American market showed a surge compared to both 2019 (+68.8% at constant exchange rates and +57.8% at current exchange rates) and 2020 (nearly double at constant and current exchange rates). The growth was achieved across all countries in the region.

The Japanese market was especially penalized by the persistent restrictive measures in place. However, the region began to recover in the second half of the year, and its fourth-quarter retail sales were substantially in line with those of the same period of 2019. Set against full year 2019, the region showed a decline of 16.6% at constant exchange rates (-21.5% at current exchange rates), whereas compared with 2020 it reported an increase of 16.3% at constant exchange rates (+9.2% at current exchange rates).

Retail sales in the Middle East were considerably higher than those of 2019 (+42.7% at constant exchange rates and +35.2% at current exchange rates) and 2020 (+61.8% at constant exchange rates and +56.5% at current exchange rates).

PRODUCTS

The Group's retail growth involved all the product categories.

Clothing, the product category that best expresses the Group's design leadership, had 35.5% growth over 2019 in retail net sales and 52.8% over 2020. Footwear, building on the success of lifestyle and new collections, had 15.7% growth over 2019 and 49% over 2020. Leather goods, benefiting from both new products and iconic ones, increased by 7.3% over 2019 and 31.2% over 2020.

BRANDS

Prada retail net sales increased by 20.6% at constant exchange rates versus 2019 (+16.2% at current exchange rates), with 29.2% growth in the last quarter. Miu Miu fell by 6.7%, with the fourth quarter of 2021 almost in line against the same three-month period of 2019. Church's, affected by the geographical exposure in Europe, fell by 41.4%. In contrast, compared with 2020, all the brands reported gains: Prada +44% (+42% at current exchange rates), Miu Miu +19.8% (+18.9% at current exchange rates) and Church's +11.4% (+11.7% at current exchange rates).

ROYALTIES

Royalty income rose by 16.1% from that of 2019 and by 53.9% from that of 2020. The new agreement with L'Oréal gave an important boost to the fragrance segment, whereas the increase for eyewear followed the trend with the long-standing partner, Luxottica.

NUMBER OF STORES

	December 31, 2021		December 31, 2020		December 31, 2019	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	420	21	410	20	410	19
Miu Miu	146	5	152	6	160	6
Church's	61	-	62	-	62	-
Car Shoe	2	-	3	-	3	-
Marchesi 1824 and others	6	-	6	-	6	-
Total	635	26	633	26	641	25

	December 31, 2021		December 31, 2020		December 31, 2019	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	228	-	222	-	229	-
Americas	105	-	108	-	107	-
Asia Pacific	193	21	194	21	198	20
Japan	88	-	88	-	85	-
Middle East	21	5	21	5	22	5
Total	635	26	633	26	641	25

OPERATING RESULTS

The gross margin of the twelve months ended December 31, 2021 corresponded to 75.7% of the net revenues, up substantially from the 72% of 2020 as a result of a better product, channel and country mix. It should also be considered that the 2020 margin had been affected by less absorption of production overheads due to the sales contraction. In the second half of 2021 the gross margin was 76.8%.

The total operating expenses were Euro 2,057.9 million, up by Euro 334.6 million from those of 2020. The increase is attributable to the normalization of expenditure levels, which in 2020 had benefited more from rent discounts and government incentives. Compared with 2019, the increase is reduced to Euro 45.1 million, due essentially to greater communication activities and the purchase of traditional and digital media space.

The operating result (EBIT) was Euro 489.5 million (14.5% of net revenues), versus Euro 20.1 million for 2020. The EBIT was also much higher than for 2019 (Euro 306.8 million, 9.5% of net revenues).

FINANCIAL EXPENSES AND TAXATION

The net financial expenses were Euro 67.8 million, down by Euro 4 million from those 2020. The decrease was due to less interest expenses, due to a smaller amount and time horizon, and less net bank borrowings. Higher foreign exchange net losses partially offset the overall decrease of financial charges.

The income tax expense, net was Euro 126.6 million, corresponding to 30% of the pre-tax income.

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 2021	December 31 2020
Right of Use assets	1,956,289	2,054,338
Non-current assets (excluding deferred tax assets), net	2,490,047	2,507,244
Trade receivables, net	329,547	290,380
Inventories, net	662,654	666,222
Trade payables	(390,163)	(289,578)
Net operating working capital	602,038	667,024
Other current assets (excluding items of financial position)	186,866	246,914
Other current liabilities (excluding items of financial position)	(349,915)	(221,421)
Other current assets/(liabilities), net	(163,049)	25,493
Provision for risks	(59,201)	(45,416)
Post-employment benefits	(73,819)	(73,256)
Other long-term liabilities	(73,559)	(61,576)
Deferred taxation, net	257,656	222,638
Other non-current assets/(liabilities), net	51,077	42,390
Net invested capital	4,936,402	5,296,489
Shareholder's equity - Group	(3,113,894)	(2,832,057)
Shareholder's equity - Non-controlling interests	(14,749)	(19,663)
Total Consolidated shareholders' equity	(3,128,643)	(2,851,720)
Long-term financial, net surplus/(deficit)	(491,676)	(450,075)
Short-term financial, net surplus/(deficit)	729,329	138,718
Net financial surplus / (deficit)	237,653	(311,357)
Net financial deficit to Consolidated shareholders' equity ratio	-7.6%	10.9%
Long-term Lease Liability	(1,627,197)	(1,729,819)
Short-term Lease Liability	(418,215)	(403,593)
Total Lease Liability	(2,045,412)	(2,133,412)
Net financial surplus / (deficit), including Lease Liability	(1,807,759)	(2,444,769)
Shareholders' equity and Net financial surplus / (deficit), including Lease Liability	(4,936,402)	(5,296,489)

The net invested capital at December 31, 2021 amounts to Euro 4,936 million, financed by net equity of Euro 3,129 million and lease liability of Euro 2,045 million; the financial position at December 31, 2021 is positive and amounting to Euro 237.7 million.

The right of use assets decreased by Euro 98 million on account of the depreciation charge of Euro 426.2 million, net of the increase due to new leases and remeasurements of existing ones, equal to Euro 277.3 million, and foreign exchange appreciation of Euro 50.8 million.

The non-current assets (net) have remained consistent (Euro 2,490 million at December 31, 2021 against Euro 2,507 million at December 31, 2020) because

the increase in fixed assets (Euro 55.8 million) was offset nearly entirely by the decrease in non-current equity instruments (Euro 60.5 million), due mainly to the disposal of financial investments. The capital expenditures of the year amounted to Euro 216.7 million, against depreciation, amortization and write-downs of Euro 204.5 million. The increase in the item was also affected by foreign exchange gains of Euro 33.4 million, as a result of the main currencies in which the Group's assets are denominated appreciating against the Euro, as well as the acquisition of Luna Rossa for Euro 10.6 million.

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Retail	85,742	61,056
Real estate	59,453	-
Production, Logistics and Corporate	71,549	60,686
Total	216,744	121,742

The capital expenditures regarded primarily store restyling and relocation projects, as well as many technological and digital evolution projects in the retail, manufacturing and corporate areas. In addition, to have greater control over its real estate space, the Group purchased two prestigious buildings in important shopping destination in Europe where Prada stores are located.

The net operating working capital at December 31, 2021 is Euro 602 million, down by approximately Euro 65 million from that of 2020. The contraction was substantially attributable to higher payables resulting from the intensification of the production, commercial and communication activities in the final months of 2021.

The other current liabilities (net) are Euro 163 million at December 31, 2021, turning around from an asset balance of December 31, 2020 as a result of the current taxes due for the year.

The other non-current assets (net) show an increase of Euro 8.7 million from the prior year: deferred tax assets referring to larger temporary differences on the tax bases of inventory were offset in part by liabilities recognized for deferring over the long term royalty income collected during the year.

NET FINANCIAL POSITION

The following table provides details of the net financial position:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Bank borrowing - non-current	(492,801)	(451,200)
Financial payables and bank overdrafts - current	(249,103)	(300,577)
Payables to related parties - current	(3,360)	(3,097)
Total financial payables - current	(252,463)	(303,674)
Total Financial payables	(745,264)	(754,874)
Cash and cash equivalents	981,786	442,392
Financial receivables from related parties - non-current	1,125	1,125
Financial receivables from related parties - current	6	-
Total Financial receivables and Cash and cash equivalents	982,917	443,517
Net financial surplus / (deficit)	237,653	(311,357)

The net operating cash flow for the twelve-month period, after the payment of lease liabilities (Euro 392.8 million), was cash generation of Euro 750.7 million, which enabled to finance the cash outflows for investing activities (Euro 137.3 million), pay dividends (Euro 91.2 million), and convert the initial net financial deficit of Euro 311.4 million into a net financial surplus of Euro 237.7 million.

The total amount of undrawn lines of credit as at December 31, 2021 is Euro 808 million, consisting of Euro 400 million of committed lines and Euro 408 million of uncommitted lines.

All financial covenants were fully complied with at December 31, 2021.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Short-term Lease Liability	418,215	403,593
Long-term Lease Liability	1,627,197	1,729,819
Total Lease Liability	2,045,412	2,133,412

The Lease liability decreased by Euro 88 million from that of December 31, 2020. This is the result of decreases for the payments of the period (Euro 393 million), as well as rent discounts and foreign exchange differences, and increases (Euro 273 million) for new leases and re-measurements (net of the closures of the period).

The lease liability is concentrated mainly in Japan, the U.S.A. and Italy.
The net financial indebtedness, including the lease liability, is Euro 1,808 million at December 31, 2021 (Euro 2,445 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, or at 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 affect 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 it 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 materials and production techniques, the image and locations of DOS, the careful selection of licensees, the communications activities and the corporate profile in general.

Preserving the image and prestige acquired by its brands is a primary objective of the Prada Group. This is pursued by monitoring constantly the changes in society, 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 influence fashion and product trends, and to anticipate shifts in consumer tastes and societal 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 cooperation 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.

Approximately one thousand individuals work in the design department and in the development department. In the first one a mix of different nationalities, cultures and talents contribute to creativity, while in the second one craft skills combined with solid manufacturing processes dominate the area. This enables the Group to keep abreast of emerging consumer trends and lifestyles and remain 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. At a global level, the Group actively opposes all forms of counterfeiting and intellectual property infringement by adopting strong, systematic measures. The wholesale, retail, online and offline markets are monitored daily in close collaboration with customs authorities, tax authorities and the 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 position, accompanied by a unique buying experience featuring a careful revisiting of the physical and digital store concepts and layouts as well as 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 integration 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 train new generations of artisans and to attract and retain people who are qualified in the design, product development, marketing, merchandising and corporate functions.

The Group considers its management structure to be capable of ensuring managerial continuity, and has recently implemented a long-term incentive plan to retain key employees 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 by 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. Most sensitive phases of production, such as the cutting of hides and the controls conducted 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 the 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, audits conducted 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

Cash flow 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 in terms of 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, formalized into 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), enhancing its tax risks internal control system.

Within such regime, the Group has expanded a systematic, open communication channel with both the Italian and the most important foreign tax authorities of the countries where it operates, based on reciprocal transparency and trust, with the purpose of minimizing the level of uncertainty about potentially risky situations.

LEGAL AND REGULATORY RISKS

The Prada Group uses centralized models to comply with the rules and regulations ensuing from the complexity of the global context in which it operates. The guidelines, policies and practices established by Prada spa ensure unequivocal compliance with processes and conduct in order to manage 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 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 with respect to Italian and international laws and regulations regarding 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 simultaneously hold this qualification and participate in the Cooperative Compliance regime with the Italian Revenue Agency.

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 divisional managers, auditors, 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 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 fluctuations. 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 PROTECTION

The Prada Group is aware of the importance of ensuring adequate safeguards to its stakeholders on the processing of data and personal information that each of the companies belonging to the Group performs in the course of its business activities. In order to guarantee the right to protection of personal data and minimize the risks associated with their processing - including risks of non-compliance and cyber attacks - the Prada Group has developed policies and implemented technical and organizational security measures and transparency requirements towards data subjects.

Taking into account the state of technological and regulatory evolution, as well as the risk of varying likelihood and severity for the rights and freedoms of individuals underlying each processing activity, the Prada Group has set up an organizational and operational control system, consisting inter alia of operating procedures, training sessions, periodic risk assessments capable of ensuring that:

- personal data are processed in compliance with the European General Data Protection Regulation (GDPR) and any other applicable privacy law and regulation of the jurisdictions in which the Group operates;
- data are adequately protected against the risk of accidental or unlawful destruction, loss, alteration, unauthorized disclosure or access;
- personal data collected and processed by the Group's companies are handled with the utmost confidentiality and secrecy, may not be used for purposes other than those that justify and permit their collection, processing and storage, and may not be disclosed or transferred to third parties except in cases and in the manner permitted by applicable law;
- any service provider engaged in processing personal data on behalf of the Prada Group, processes such personal data only to the extent necessary for the purposes of the service provided under a contractual obligation of confidentiality and ensures an adequate level of protection of the data subjects' rights and compliance with

the applicable legislation.

As part of the measures adopted, the Prada Group has designated a Data Protection Officer (DPO), whose functions include supervising regulatory compliance, reporting activities and advising on personal data protection matters.

With respect to cybersecurity, considering the growing risk of cyber attacks reported by European Union financial market regulators, at the time of approval of the consolidated financial statements the Prada Group raised the security levels of its information systems, reinforcing the lines of defense and taking the measures necessary to ensure business continuity.

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 IFRS, and in the Directors' Report and Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange rules.

NON-IFRS MEASURES

The Group uses certain financial measures ("non-IFRS measures") to measure its business performance and to help readers understand and analyze the results of its operations and its financial situation. 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 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 and write-downs of 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.

Selling expenses of the closed stores during the lockdowns: as a result of the public health crisis, in 2020 the Group introduced a new non-IFRS measure, "Selling expenses of the closed stores during the lockdowns" regarding the amount of operating expenses directly related to stores that could not generate revenues due to the restrictions imposed during the pandemic. The Group includes this non-IFRS measure to provide additional quantitative information to improve the reader's understanding of the impacts of the Covid-19 pandemic on the business.

The Prada Group's EBIT and EBITDA are reported below:

(amounts in thousands of Euro)	twelve months ended December 31 2021 (unaudited)	% on net revenues	twelve months ended December 31 2020 (unaudited)	% on net revenues	twelve months ended December 31 2019 (unaudited)	% on net revenues
Operating income / (loss) - EBIT	489,484	14.5%	20,061	0.8%	306,779	9.5%
Selling expenses of the closed stores during the lockdowns	43,602	1.3%	115,833	4.8%	-	-
Operating income/(loss) - EBIT excluding Selling expenses of the closed stores during the lockdowns	533,086	15.8%	135,894	5.6%	306,779	9.5%
Depreciation, amortization and impairment on tangible and intangible fixed assets	204,510	6.1%	225,014	9.3%	233,759	7.2%
Depreciation and write-downs of the Right of Use assets (*)	426,221	12.7%	443,910	18.3%	456,310	14.1%
Total depreciation, amortization and impairment	630,731	18.8%	668,924	27.6%	690,069	21.3%
EBITDA	1,120,215	33.3%	688,985	28.4%	996,848	30.8%

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

The caption "Selling expenses of the closed stores during the lockdowns", Euro 43.6 million for 2021, included the main direct costs pertaining to the retail network during the closure periods related to the pandemic (Euro 115.8 million for 2020). The most significant captions were for Euro 16.3 million the depreciation of rights of use assets net of Covid-related lease discounts obtained from lessors (Euro 45.5 million at December 31, 2020), for Euro 11.8 million the labor costs net of

government subsidies (Euro 35.4 million at December 31, 2020), and for Euro 12.6 million the depreciation of tangible fixed assets (Euro 27.7 million at December 31, 2020).

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.

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Net financial position surplus/(deficit)	237,653	(311,357)
Short-term Lease Liability	(418,215)	(403,593)
Long-term Lease Liability	(1,627,197)	(1,729,819)
Total Lease Liability	(2,045,412)	(2,133,412)
Net financial position surplus/(deficit), including Lease Liability	(1,807,759)	(2,444,769)

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 2021	December 31 2020	December 31 2019
Cash Flow from operating activities	1,226,018	691,013	895,573
Cost of net financial debt: interest paid	(8,556)	(11,704)	(10,338)
Lease Liability: interest paid	(36,773)	(42,670)	(49,214)
Tax Paid	(37,161)	(44,220)	(26,126)
Net Cash Flow from operating activities	1,143,528	592,419	809,895
Repayment of Lease Liability	(392,805)	(330,319)	(447,530)
Net Operating Cash Flow	750,723	262,100	362,365
Net cash flow utilized by investing activities	(137,265)	(149,910)	(302,261)
Free Cash Flow	613,458	112,190	60,104

RESEARCH AND DEVELOPMENT ACTIVITIES

The research and development activities are described in the introductory (“The Prada Group”) section of this Annual Report, in the paragraph regarding creativity. The design and product development costs for the twelve months ended December 31, 2021 amount to Euro 115.3 million, as reported in the Consolidated Profit or Loss Statement by destination prepared in accordance with IFRSs.

TREASURY SHARES

As at December 31, 2021 the Group did not own any treasury shares, as reported in the “Corporate Governance” section.

EVENTS AFTER THE REPORTING DATE

At the date of approval of these Consolidated Financial Statements, the Group has suspended its retail operations in Russia.

At December 31, 2021 the Group had assets of approximately RUB 7 billion in Russia (Euro 81 million at the year-end exchange rate), consisting mainly of tangible assets at 13 stores (10 Prada and 3 Miu Miu), working capital and cash assets. The net revenues realized in Russia in 2021 accounted for approximately 2% of the consolidated net revenues.

The ongoing conflict in Ukraine has resulted in a high volatility of the financial markets, a significant devaluation of the Ruble and a context of high uncertainty whose future potential effects on the Group’s consolidated financial statements cannot be determined so far. The Management will continue to closely monitor the evolution of the business and legal scenario in order to ensure the correct valuation of the assets recognized in the consolidated financial statements of the Group.

Chora S.r.l. initiated a lawsuit in January 2022 against Prada spa; more details are provided in Note 28.

OUTLOOK

The Prada Group’s start to 2022 has been strong. The long-term strategy is on track, focused on distinctive brand identity, product quality and industrial know-how, direct distribution and sustainability at the core of corporate values. Decisive actions to evolve the business and navigate the changing luxury market drove outstanding growth and increased profitability in 2021.

These results give the Group confidence to achieve its medium-term targets, even though it is difficult to predict the impact of the Ukraine conflict on the global economy. The concern is for all the colleagues and their families affected by the war, as well as the local communities and all people suffering, to whom the Group will continue to provide support.

Milan, March 14, 2022

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

CHAIRMAN

ZANNONI, Paolo, aged 73, was elected as the Chairman of the Board on May 27, 2021 and conferred executive role on June 4, 2021. He has been international advisor at Goldman Sachs since 2019, providing advice to the firm's business across Italy and the rest of Europe. He is currently member of the Board of Autogrill S.p.A., listed on the Italian Stock Exchange and secretary of the Board of Directors of Beretta Holding S.p.A. He served as Chairman of Dolce & Gabbana Holding S.r.l. from 2007 to 2021 and Chairman of the Italian energy and telecommunications Prysmian Group from 2005 to 2012. Prior to this, Mr. Zannoni spent a number of years enhancing the Goldman Sachs investment banking franchise in Italy. He joined Goldman Sachs in 1994, was named managing director in 1997, partner in 2000 and was Chairman of the Italian investment banking business between 2000 and 2013. He also spent a period as co-chief executive officer of Goldman Sachs Russia. Prior to joining Goldman Sachs, Mr. Zannoni was a vice president at Fiat S.p.A. and a lecturer at Yale University. Mr. Zannoni holds directorships in subsidiaries of the Company. Mr. Zannoni is member of the Remuneration Committee. Save as disclosed herein, Mr. Zannoni has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

EXECUTIVE DIRECTORS

PRADA BIANCHI, Miuccia, aged 73, is Chief Executive Officer of the Company along with Mr. Patrizio Bertelli as well as Prada Co-Creative Director along with Raf Simons and Miu Miu Creative Director. She served as Chairperson of the Board from 2003 to 2014 and was most recently re-elected to the Board in May 2021. After obtaining a degree in Political Science from Milan University, Miuccia Prada began designing for the exclusive family business, founded by her grandfather in 1913. At the end of the '70s, she formed a partnership with Patrizio Bertelli, an entrepreneur and owner of two high quality leather goods companies at the time.

The combination of the two minds made it possible for Prada to become one of the leading luxury companies worldwide.

Miuccia Prada has received several awards for her original vision, innovation, and contribution to international fashion. In 2000, she received an Honorary Doctorate from the Royal College of Art in London. In 2006, Ms. Prada was named *Officier dans l'Ordre des Arts et des Lettres* by the French Ministry of Culture. In 2015, she was granted the title of Knight of the Grand Cross, the highest Order of Merit of the Italian Republic, in recognition of her international success and contribution on behalf of Italy to the fields of creativity, fashion and style. Ms. Prada is the wife of Mr. Bertelli, one of the Chief Executive Officers, and is the mother of Mr. Lorenzo Bertelli, Executive Director and Group Marketing Director. 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 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 75, is Chief Executive Officer of the Company along with Ms. Miuccia Prada. He was first appointed to the Board in 2003 and was most recently re-elected to the Board in May 2021.

His partnership with Miuccia Prada began at the end of the '70s. To his entrepreneurial activity, he combines cultural and sporting interests that he shares with Miuccia Prada. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in 2000 and the "University Seal" from the University of Bologna in 2021.

In 2006, Time Magazine cited him together with Miuccia Prada among the 100 most influential couples in the world and in 2012 he became the first Italian in history to be inducted into the America's Cup Hall of Fame. 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 is the husband of Ms. Prada, one of the Chief Executive Officers, and is the father of Mr. Lorenzo Bertelli, Executive Director and Group Marketing Director. 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 59, 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 May 27, 2021. She has been Group 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.

BERTELLI, Lorenzo, aged 33, joined the Board of Directors as Executive Director in May 2021. Mr. Bertelli has been Group Marketing Director since 2019 and, from 2020, has been appointed Group's Head of Corporate Social Responsibility. He is responsible, on one side, for the Group's Marketing and Communication strategy and, on the other, for the Group's overall approach to sustainability strategy and initiatives. He joined the Group in 2017 as Head of Digital Communication.

Lorenzo Bertelli obtained a degree in Philosophy at San Raffaele University in Milan in 2008.

He is the son of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli, the Chief Executive Officers of the Company. He holds directorship in Prada Holding S.p.A., which is a substantial shareholder of the Company, as well as directorships in subsidiaries of the Company. Mr. Lorenzo Bertelli is a member of the Nomination Committee and the Sustainability Committee. 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.

NON-EXECUTIVE DIRECTORS

SIMONTACCHI, Stefano, aged 51, has been appointed as Non-Executive Director of the Company on April 8, 2016 and most recently re-elected on May 27, 2021. Mr. Simontacchi has been appointed as President of BonelliErede Law Firm, a

leading law firm in Italy, since December 2018 and has been re-appointed for a further three-year term mandate on May 2021. He was the Managing Partner from 2013 to 2018 and 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 reorganizations. In addition, Mr. Simontacchi was 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. In February 2022 he has been appointed as member of Strategic Advisory Board of Nextalia SGR. 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

CAPROTTI, Marina Sylvia, aged 44, was elected as Independent Non-Executive Director on May 27, 2021. She has been Executive Chairperson of Esselunga S.p.A. since 2019. Prior to this, she was a member of its Board of Directors starting from June 1998 and Vice President from 2016 to 2019. She is currently a director in the Board of Fondazione Accademia Teatro alla Scala of Milan. Ms. Marina Sylvia Caprotti obtained a degree in Law at Università Cattolica del Sacro Cuore in Milan in 2004. Ms. Caprotti is the Chairwoman of the Remuneration Committee and member of the Audit Committee and Nomination Committee. Ms. Caprotti 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 58, has been appointed as Independent Non-Executive Director of the Company first on April 27, 2018 and previously has been a Non-Executive Director. 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 NEXI S.p.A. (since December 2021), 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., until 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 Remuneration 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.

ZAOUÏ, Yoël, aged 61, was elected as an Independent Non-Executive Director on May 27, 2021. He is a co-founder of Zaoui & Co., a firm established in 2013 to advise select clients on mergers, acquisitions and other strategic and financial transactions, as well as major investment decisions. Mr. Zaoui began his investment banking career at Goldman Sachs in 1988, and, over a 24-year career at Goldman Sachs, was responsible for some of Europe's largest and more defining corporate transactions in a period of unprecedented growth. Mr. Zaoui was the first European investment banker to have joined Goldman Sachs's top governing body, the management committee, a position he held from 2008 until his retirement in 2012. Prior to Goldman Sachs, Mr. Zaoui worked at Arthur Andersen in Paris (1983-1986). Mr. Zaoui was educated in France and the US; he obtained a diploma from the Ecole des Hautes Etudes Commerciales (HEC, 1982), a DEA doctoral degree in Finance from Université Paris-Dauphine (1983) and an MBA from Stanford University (1988). Mr. Zaoui continues to be actively involved with his alma maters, serving as a member of the Cercle des Grands Donateurs de la Fondation HEC. Mr. Zaoui is decorated by His Majesty the King of Morocco

Mohamed VI of the Order of Wissam. Mr. Zaoui is the Chairman of the Audit committee and a member of the Remuneration Committee. Mr. Zaoui is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CULPEPPER, Pamela Yvonne, aged 57, was elected as Independent Non-Executive Director on January 28, 2022. Ms. Culpepper is one of three co-founders of Have Her Back, LLC., a female-owned, female led culture consultancy focused on advancing equity for all. Before that, Ms. Culpepper was the Chief Human Resources Officer at Cboe Global Markets, Inc., one of the world's largest exchange holding companies, offering cutting-edge trading and investment solutions to investors around the world. At Cboe, Ms. Culpepper served as a trusted advisor to the executive team and Board of Directors on talent management, compensation and benefits and Cboe's recent M&A of a global exchange. As a veteran HR executive, Ms. Culpepper has over 25 years of experience. She joined Cboe from Golin, where she was the company's Chief People Officer. For more than 14 years prior, Ms. Culpepper held various leadership roles with PepsiCo, Inc., including Chief Global Diversity and Inclusion Officer, Vice President, Human Resources for Quaker Foods and Snacks; Vice President, Human Resources for PepsiCo's Beverages Supply Chain; and Vice President, Talent Management and Diversity for Quaker, Tropicana and Gatorade. Before PepsiCo, Ms. Culpepper held progressive roles with McKesson Corporation, Clorox and Wells Fargo. Ms. Culpepper is a former Board Trustee of VSO International, based in the United Kingdom and was a Board member for Navy Pier of Chicago. Ms. Culpepper has a B.A. in Psychology from the University of Arkansas at Little Rock and a Masters of Public Administration in Organizational Change, from California State University, Eastbay. Ms. Culpepper is member of the Sustainability Committee. Ms. Culpepper is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

RUGARLI, Anna Maria, aged 49, was elected as Independent Non-Executive Director on January 28, 2022. Ms. Rugarli is the Corporate Sustainability Vice President of Japan Tobacco International and she is responsible to develop business-integrated strategy at a global level. Ms. Rugarli is a Sustainability & CSR expert with more than twenty years' experience specializing in designing innovative programs and in developing strategies. She initiated and launched Nike's Sustainability & CSR

programs in the Europe, Middle East & Africa regions and was with the company for 12 years pioneering this work at industry level. Ms. Rugarli then led VF's Circular Economy strategy at global level as well as Sustainability, Purpose, and I&D strategy at regional level for 10 years. During this time, she managed broad networks of stakeholders and cross-sector partners and led Sustainability & CSR programs integration across the business. While at VF she was a Board member and then President of European Outdoor Conservation Association for a total of seven years. Ms. Rugarli graduated in Political Sciences and is a certified broker in Cross-Sector Partnerships at Cambridge University. Ms. Rugarli is member of the Sustainability Committee. Ms. Rugarli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

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

AGOSTINI, Cristiano, aged 48, has been Group IT Director since July 2021. He is primarily responsible for overseeing worldwide Transformation and Innovation Technology of IT Department. Mr. Agostini, after earning a degree in Communication Sciences at the University of Turin, has gained many years of experience in the Information Technology sector at prestigious companies and consulting firms. He has managed complex projects of transformation and technological innovation in international contexts, first at the Telecom Italia Research Center and subsequently at Deloitte and Accenture. In 2006 he joined Accenture to cover the role of Managing Director in the Technology Strategy & Advisory area.

ANDRIANI, Gianluca, aged 47, 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.

BERTONCINI, Francesca, aged 51, 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 54, has been Regional Director Middle East 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 50, 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 59, 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 49, 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, Beijing 2015 and New York 2016.

COVIELLO, Letizia, aged 54, 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 41, joined the Group in July 2019 as Retail Innovation and E-Commerce Director. 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.

IWATA, Timothy, aged 50, has been Prada Jewellery Director since September 2021. He is primarily responsible for overseeing worldwide operations and strategy of Prada Jewellery sector. After gaining his professional experience in the Investment Banking sector in Asia, Timothy Iwata moved to New York where he founded his Consulting agency and innovation studio serving the luxury industry, working for clients such as Cartier, Tiffany and L'Oreal. He returned to Europe in 2018, where he most recently covered the role of Innovation Director at Cartier, Richemont Group.

MANZATTO, Denni, aged 37, has been appointed as Managing Director of the Church Group on January 2022. He is responsible for overseeing the Church brand operations worldwide. Prior to this appointment Mr. Manzatto has been Group Commercial Director with responsibility of the commercial development of the wholesale and marketplace channels of the Prada, Miu Miu and Car Shoe brands. He directly managed Prada wholesale channel as well as the eyewear and fragrance licenses for both Prada and Miu Miu. Moreover, he was 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 62, 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 57, 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 36, 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 59, 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 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.

SESIA, Davide, aged 54, has been Regional Director Japan and Islands 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 54, has been appointed as Prada Co-Creative Director 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 55, 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 55, has been Regional Director Asia Pacific 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 49, has been appointed 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 49, 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 Master's Degree in Science from Auburn University. She started her career at Guilford Mills New York (1997-2000); 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 59, 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 45, 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.

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

CANE, Stefania, aged 43, is the joint company secretary of the Company and the secretary of the Board of Directors. Ms. Cane has been appointed as Director of Group Corporate Affairs in October 2021. She is responsible for the governance matters of the Company and its subsidiaries worldwide (around 90 companies). Prior to joining the Company in 2011 as Corporate Affairs Counsel, she worked as an associate at the banking and finance department of BonelliErede Law Firm from September 2006 to January 2009 and then worked as a senior associate at the corporate department of Paul Hastings, Janofsky & Walker (Europe) LLP Law Firm from January 2009 to June 2011. Ms. Cane graduated from Università degli Studi di Milano (The University of Milan) in 2003 with a Master's degree cum laude (with praise) in Law and has been a qualified lawyer in Italy since 2006. Ms. Cane 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 55, has joined the Company as a joint company secretary since May 2011 and is responsible for corporate secretarial duties. Ms. Yuen has over 25 years of experience in the corporate secretariat and compliance areas of listed companies 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 obtained a Master's degree in Business Administration (Executive) from City University of Hong Kong in 2003. Ms. Yuen has been a fellow of both The Hong Kong Chartered Governance Institute (formerly known as "The Hong Kong Institute of Chartered Secretaries" (HKICS)) and The Chartered Governance Institute in the United Kingdom 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, franchise stores, and a selected number of luxury department stores and independent retailers, the Group operates in all major international markets worldwide.

The Company is a joint-stock company with limited liability, incorporated and domiciled in Italy. Its registered office is at Via A. Fogazzaro 28, 20135 Milan (MI), 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, 2021 (the "2021 Year"), and the material factors underlying its economic 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. Details of material events affecting the Group that have occurred since the end of the reporting period are set out in note 44 to the 2021 Year Group's consolidated financial statements (the "Consolidated Financial Statement"). These discussions form part of this directors' report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has adopted specific compliance procedures aimed at ensuring compliance with all applicable laws, rules and regulations, in particular those that have a significant impact at a worldwide level, as the Group's products are distributed and sold across more than 70 countries.

To properly address this matter, in 2010 the Group established an Industrial Compliance Committee to oversee the compliance of the Group's products with the international and local legal standards and requirements of all the manufacturing and distribution processes 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 enhance value creation for its stakeholders by combining economic profitability with employee and customer satisfaction, respecting ethical and environmental values, and ensuring sustainability.

Environmental protection is one of main commitments of the Group, which is engaged in implementing and enforcing virtuous behaviors that contribute to its sustainable growth, and that represent examples of good practices within the entire luxury industry.

Commitment to environmental respect is a key element of the Code of Ethics, applied both within the Group's organization, by implementing staff awareness, and to the 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 worldwide. 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 outstanding qualities with

the values of the Group.

As of December 31, 2021 the Group had 13,140 employees (headcount), of whom 38.7% working in Italy and with women making up 62% of the total workforce.

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 for the Group 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 is a leader in style, maker of outstanding products, and provides excellent customer service.

The distinctive features and the prestige of the Group, which derived from an original management of the creative and industrial processes, places the Group in a position to offer customers worldwide unique products, representing an inimitable synthesis of creativity, quality and exclusivity. In addition, the Group believes that an effective communication with customers 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 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 are 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. The procurement process, import, use, and export of raw materials, are carried out in full compliance with all the applicable international and local laws, rules, and regulations. Every raw material used in the manufacturing process has a certificate of origin that attests its geographical origin. In addition, raw materials are subject to strict quality controls by the Group's inspectors and experts.

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

In order to achieve the highest quality standards, the Group carries out a strict process for the selection and retention of its suppliers, with the aim to establish long-term business relationships.

SHAREHOLDERS

One of the main corporate goals of the Group is to enhance corporate value to its shareholders by granting dividends 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, as well as of the relationships with the key stakeholders (employees, customers, suppliers and shareholders), will be included in the Group's Social Responsibility Report 2021, which will be published in due course.

RESULTS AND DIVIDENDS

The results of the Group for the 2021 Year are set out in the Consolidated Statement

of Profit and Loss.

The Board recommends for the 2021 Year the distribution of final dividends of Euro 179,117,680 (Euro 0.07 per share).

The final dividends will be subject to the shareholders' approval at the forthcoming shareholders' general meeting of the Company to be held on Thursday, April 28, 2022.

Subject to the shareholders' approval of the recommended final dividends, such dividend will be paid on Friday, May 27, 2022.

The final dividend will be paid to the shareholders recorded on the Company's shareholders register on Friday, May 6, 2022 only, net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is equal to 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 2021 Year are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in the Company's Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution to the shareholders in accordance with the Company's by-laws amounted to Euro 1,523 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the 2021 Year are set out in Note 15 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

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

During the 2021 Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CAPITAL GAINS TAX IN ITALY

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

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2021, are set out in Note 42 to the Consolidated Financial Statements.

DIRECTORS

The current Directors of the Company as of the date of this director's report are:

EXECUTIVE DIRECTORS

Mr. Paolo ZANNONI (Chairman of the Board, elected on May 27, 2021)

Ms. Miuccia PRADA BIANCHI (Chief Executive Officer, re-elected on May 27, 2021)

Mr. Patrizio BERTELLI (Chief Executive Officer, re-elected on May 27, 2021)

Ms. Alessandra COZZANI (Chief Financial Officer, re-elected on May 27, 2021)

Mr. Lorenzo BERTELLI (elected on May 27, 2021)

NON-EXECUTIVE DIRECTOR

Mr. Stefano SIMONTACCHI (re-elected on May 27, 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Marina Sylvia CAPROTTI (elected on May 27, 2021)

Mr. Yoël ZAOUI (elected on May 27, 2021)

Mr. Maurizio CEREDA (re-elected on May 27, 2021)

Ms. Pamela Yvonne CULPEPPER (elected on January 28, 2022)

Ms. Anna Maria RUGARLI (elected on January 28, 2022)

CEASED DIRECTORS

The Directors of the Company ceased during 2021 Year are:

Mr. Carlo MAZZI (former Chairman of the Board and Executive Director, mandate expired on May 27, 2021)

Mr. Gian Franco Oliviero MATTEI (Independent Non-Executive Director, mandate expired on May 27, 2021)

Mr. Giancarlo FORESTIERI (Independent Non-Executive Director, mandate expired on May 27, 2021)

Mr. Sing Cheong LIU (Independent Non-Executive Director, mandate expired on May 27, 2021)

BIOGRAPHICAL INFORMATION OF DIRECTORS

A brief biography of each current Director 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 any contract entered into by the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") that is or was in force during the 2021 Year 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, other than employment contracts and directors' service contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into, or was effective, during the 2021 Year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has 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 2021 Year, none of the Directors of the Company held any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Company or the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2021, 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 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"):

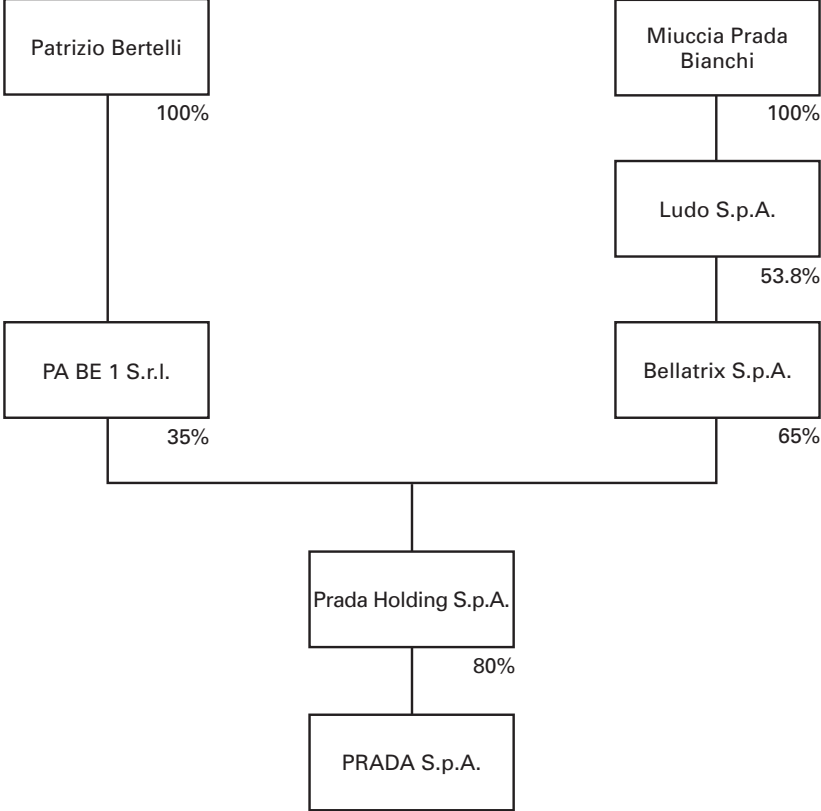
(a) Long positions in shares and underlying shares of the Company

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, therefore, is the holding company of the Company.
2. Ms. Miuccia Prada Bianchi controls, indirectly through Ludo S.p.A., 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 controls, 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, 2021 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	5,066,000	Beneficial Owner	100%
	Ludo S.p.A.	Class B shares	4,965,100	Beneficial Owner	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	Controlled Corporation	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%
	MFH Munich Fashion Holding GmbH	Registered Share	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, 2021, 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 under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2021, 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
<u>Long Positions</u>			
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%

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 2021 Year are set out in the Consolidated Statement of Changes in Shareholders' Equity and Note 30 to the Consolidated Financial Statements.

DIRECTORS' INTERESTS 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, no transaction, arrangement, or contract of significance to the Group's business was entered into or subsisted at any time during the 2021 Year in which the direct or indirect interest of a Director, or an entity connected with a Director, was material.

During the 2021 Year, 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, 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 members of the Group, issued any debt securities during the 2021 Year.

CONTINUING CONNECTED TRANSACTIONS

During the 2021 Year, 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) 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 full compliance by Prada Japan with all its obligations under the Lease Agreement (the "Guarantee").

As a result of the purchase of 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 2021 Year 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.

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

On May 26, 2017, PH-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 the purchase of 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, being 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 2021 Year 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, as disclosed in the Company’s announcement dated May 26, 2017.

(c) Luna Rossa Sponsorship Agreement

On December 1, 2017, the Company entered into a sponsorship agreement with Luna Rossa Challenge S.r.l., a company at that time 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 was 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 sponsorship agreement, was due for the period from January 2018 to June 2021, as disclosed in the Company’s announcement

dated December 1, 2017 (the "Luna Rossa Sponsorship Agreement").

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

The total annual cap of the sponsorship contribution paid by the Company to Luna Rossa Challenge S.r.l. under the Luna Rossa Sponsorship Agreement and as amended by the Amended Sponsorship Agreement for the 2021 Year was Euro 17 million.

The Luna Rossa Sponsorship Agreement expired on June 30, 2021.

(d) COR 36 Sponsorship Agreement

As disclosed in the Company's announcement dated March 1, 2020, the Company entered into a sponsorship agreement ("COR36 Sponsorship Agreement") with Challenger of Record 36 S.r.l. ("COR36"), a company owned by Luna Rossa Challenge S.r.l., thus at that time 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 was 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 2021 Year was Euro 5 million.

The COR 36 Sponsorship Agreement expired on June 30, 2021.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the 2021 Year:

	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, 2021
(a) 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	101.5	2,142.2
(b) 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	(12)	618
(c) Luna Rossa Sponsorship Agreement			
	Euro million	Euro million	Euro million
Sponsorship contribution	21.23	(18.53)	2.7
(d) COR 36 Sponsorship Agreement			
	Euro million	Euro million	Euro million
Sponsorship contribution	11.5	(6.5)	5.0

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) on normal commercial terms or better; and
- (iii) according to the agreements governing them on terms that are 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. Based on the work performed, the auditors have provided a letter to the Directors of the Company (with a copy to the Stock Exchange) to confirm that nothing has come to their attention causing 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 cap.

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 November 30, 2021, the Company acquired the entire capital of Luna Rossa Challenge S.r.l. from PA BE 1 S.r.l. at a purchase price Euro 12 million plus an earn-out of up to Euro 5 million, details of which were disclosed in the Company’s announcement dated November 30, 2021. PA BE 1 S.r.l. is a company 100% owned by Mr. Patrizio Bertelli, a Chief Executive Officer, an Executive Director, and a substantial shareholder (as defined in the Listing Rules) of the Company.

As a result of this acquisition, Luna Rossa Challenge S.r.l. ceased to be a connected person of the Company.

BANK LOANS AND OTHER BORROWINGS

Details of the Group’s bank loans and other borrowings as at December 31, 2021 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 of them have confirmed that they have complied with the standard set out in the Model Code throughout the 2021 Year.

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, 2021 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 available to the Company and within the knowledge of the Directors, the Company has maintained such minimum public float 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, 2021, to ensure 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' general meeting of the Company, on the basis of a proposal made by 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. Therefore, the Company's auditor is appointed and its remuneration is determined every three years at the shareholders' general meeting of the Company under the applicable Italian laws.

On March 14, 2022, 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 28, 2022 to reappoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years ending December 31, 2024, and to fix its remuneration.

By order of the Board

Paolo Zannoni
Chairman

A handwritten signature in black ink, appearing to read 'Paolo', followed by a horizontal line extending to the right.

March 14, 2022

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance to create long-term sustainable value for all its stakeholders, including its shareholders.

The corporate governance model adopted by the Company consists of a set of rules and standards aimed at 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 complies with the applicable laws and regulations in Italy, where the Company is incorporated, as well as the principles set out in the Corporate Governance Code (the "Code") 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 year ended December 31, 2021 ("2021 Year"). This Corporate Governance report summarizes how the Company has applied the principles and implemented the code provisions contained in the Code for the 2021 Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written procedure governing Directors' securities transactions on terms no less exacting than those set out in the Model Code. In response to specific enquiry by the Company, all Directors confirmed that they complied with the required standard set out in the Model Code and the Company's procedure at all applicable times during the 2021 Year. There were no incidents of non-compliance during the 2021 Year.

The Company has also adopted a written procedure governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. This procedure is on terms no less exacting than those set out in the Model Code.

Directors' interests as at December 31, 2021, 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 made up of eleven Directors, of which five are Executive Directors, one is Non-Executive Director and five are Independent Non-Executive Directors. The Board has an appropriate mix of skills and experience that is relevant to the Company's strategy, governance and business, and underpins its management effectiveness and efficiency. Its approach to achieving diversity is set out in the Board Diversity Policy, which is discussed in more detail in the paragraph headed Nomination Committee.

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.

B. BOARD MEETINGS

During the 2021 Year, the Board held eight meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget and 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 eight meetings (all held through electronic means) was 88.9%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Stefania Cane. Minutes of the Board meetings and all Board Committees meetings are sent to the relevant Directors and are available for inspection by any Director by giving reasonable notice to the Company.

C. BOARD ATTENDANCE

The details of attendance at Board meetings, Board Committees meetings and shareholders' general meeting held during the 2021 Year are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Paolo ZANNONI ¹ (Chairman)	5/5		2/2		
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	3/8				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	8/8				1/1
Ms. Alessandra COZZANI (Chief Financial Officer)	8/8				1/1
Mr. Lorenzo BERTELLI ²	4/5			1/2	
Non-Executive Director					
Mr. Stefano SIMONTACCHI	6/8				1/1
Independent Non-Executive Directors					
Ms. Marina Sylvia CAPROTTI ³	5/5	4/4	2/2	2/2	
Mr. Maurizio CEREDA ⁴	8/8	9/9	1/1	2/2	1/1
Mr. Yoël ZAOUÏ ⁵	5/5	4/4	2/2		
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	8/8				1/1
Mr. Roberto SPADA	7/8				1/1
Mr. David TERRACINA	8/8				1/1
Date(s) of Meeting	Jan 5, 2021 Mar 10, 2021 Apr 16, 2021 Jun 4, 2021 Jun 28, 2021 Jul 29, 2021 Nov 11, 2021 Dec 17, 2021	Jan 29, 2021 Feb 25, 2021 Mar 8, 2021 Apr 8, 2021 May 18, 2021 July 16, 2021 July 28, 2021 Nov 11, 2021 Nov 11, 2021 Dec 2, 2021	Mar 31, 2021 Jun 28, 2021 Dec 17, 2021	Feb 26, 2021 Apr 1, 2021 July 29, 2021 Dec 17, 2021	May 27, 2021
Average Attendance Rate of Directors	88.9%	100%	100%	91.7%	77.8%
Notes:					
1. Member of Remuneration Committee					
2. Member of Nomination Committee					
3. Chairwoman of Remuneration Committee and Member of Audit Committee and Nomination Committee					
4. Chairman of Nomination Committee and Member of Audit Committee and Former Chairman of Remuneration Committee					
5. Chairman of Audit Committee and Member of Remuneration Committee					
* Mr. Carlo MAZZI, former Chairman of the Board (3/3 attendance); former Member of Remuneration Committee (1/1 attendance) and former Member of Nomination Committee (2/2 attendance); Shareholders' Meeting (1/1 attendance)					
* Mr. Gian Franco Oliviero MATTEI, former member of the Board (3/3 attendance); former Chairman of Audit Committee (5/5 attendance) and Nomination Committee (2/2 attendance), former Member of Remuneration Committee (1/1 attendance); Shareholders' Meeting (1/1 attendance)					
* Mr. Giancarlo FORESTIERI, former member of the Board (3/3 attendance); former member of Audit Committee (5/5 attendance); Shareholders' Meeting (0/1 attendance)					
* Mr. Sing Cheong LIU, former member of the Board (3/3 attendance); former member of Nomination Committee (2/2 attendance); Shareholders' Meeting (1/1 attendance)					

D. ROLES AND RESPONSIBILITIES

The Board is the highest decision making body of the Company vested with the power to manage all ordinary and extraordinary matters of the Company. The Board has the power to perform all acts it deems necessary or useful to the pursuit of the Company's corporate purposes, except for those acts specifically reserved for approval by the shareholders by relevant laws or the By-laws. In particular, the Board is responsible for setting the overall strategy, as well as reviewing the operational and financial performance of the Company and the Group. Therefore, the Board considers and decides on all matters concerning the overall Group strategy, including the sustainability strategy, the Group's strategic objectives, annual budgets, annual and interim results, approval of major transactions, connected transactions and any other significant operational and financial matters. The Board is also responsible for evaluating on an ongoing basis the effectiveness of the internal control and risk management system.

During the 2021 Year, all Board members were provided with monthly updates, prepared by the Executive Directors with the support of the management. The purpose of such updates were to provide a balanced and comprehensive assessment of the performance, position and prospects of the Group in sufficient detail, in order to enable each Director to discharge his/her duties. In addition, due to the continued uncertainty at a worldwide level caused by the Covid-19 pandemic, the Board devoted additional time in meetings held during the 2021 Year to discuss the actual impact of such uncertainty on the Group's business as well as the measures adopted by 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 Board's approval;
- the execution of business strategies and other initiatives adopted by the Board;
- the monitoring of operating budgets adopted by the Board;
- the design, implementation and monitoring of the internal control and risk management system; and
- the 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 provide 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 conflicts of interests may 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

Independent Non-Executive Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge. Their independence is assessed upon appointment, annually, and whenever the circumstances warrant reconsideration.

All of the Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and have, as required by the Listing Rules, provided the Company with the written confirmations as to their independence. The independence of the Independent Non-Executive Directors was further confirmed following the review by the Nomination Committee conducted on March 14, 2022. 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 corporate activities. The insurance coverage is reviewed on an annual basis.

H. DIRECTORS' TRAINING

Upon appointment to the Board, Directors are provided with a comprehensive induction program to ensure that they have a thorough understanding of the key areas of business operations and practices of the Company, as well as their role and responsibilities under the relevant laws, rules and regulations.

During the 2021 Year, Mr. Paolo Zannoni, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Lorenzo Bertelli, Mr. Stefano Simontacchi, Ms. Marina Sylvia Caprotti, Mr. Maurizio Cereda and Mr. Yoël Zaoui participated in continuous professional training to develop and refresh their knowledge and skills and received regular updates on development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. Ongoing training helps Directors keep abreast of current trends and issues facing the Group, while enabling them to update and refresh their skills and knowledge necessary to perform their duties.

Directors were required to provide the Company with their training records during the 2021 Year. The records are maintained by the Joint Company Secretaries, Ms. Stefania Cane and Ms. Yuen Ying Kwai.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Chairman is Mr. Paolo Zannoni 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 provides leadership to the Board. He is responsible for ensuring that the Board is functioning effectively 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.

RELATIONSHIPS BETWEEN DIRECTORS

The Chief Executive Officers are husband and wife. Mr. Lorenzo Bertelli (an Executive Director of the Company) is the son of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli.

APPOINTMENT OF THE BOARD MEMBERS

At the shareholders' general meeting of the Company held on May 27, 2021 ("2021 AGM"), the Board (consisting of nine Directors) was appointed for a term of three financial years. The mandate of the Board will lapse on the date of the shareholders' general meeting to approve the financial statements of the Company for the year ending December 31, 2023. Two additional Independent Non-Executive Directors were appointed at the shareholders' general meeting of the Company held on

January 28, 2022 for the remaining term of the current Board's mandate.

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 implementation of the Company's 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 directors and employees;
- (v) to review relevant Environmental, Social and Governance ("ESG") matters;
- (vi) to review the Company's compliance with the Code and the 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 2021 Year, the Board completed the following with respect to 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 system of the Company through the Internal Audit 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, in compliance with the Code. The Regulation and membership of all Board Committees are disclosed on the websites of the Company and the Stock Exchange. The Regulation of the Committees are no less exacting than those set out in the Code.

The Board has established a Sustainability Committee on February 4, 2022.

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 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. Yoël Zaoui (Chairman), Ms. Marina Sylvia Caprotti and Mr. Maurizio Cereda. The primary duties of the Audit Committee are to assist the Board in providing an independent view on the effectiveness of the Company's financial reporting process and its internal control and risk management system, to oversee the external audit process, the internal audit process, to implement the Company's risk management functions and to perform any other duties and responsibilities assigned to it by the Board.

During the 2021 Year, the Audit Committee held nine 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 Regulation and to make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the 2021 Year, 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 2020, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2020 and the interim financial results as at June 30, 2021), before recommending them to the Board for approval.

The Audit Committee also held two meetings on February 23, 2022 and March 9,

2022, to review the Group results for the 2021 Year, before recommending them 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 2021 Year and for the year ended December 31, 2020, 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 2021	twelve months ended December 31 2020
Audit services	Deloitte & Touche spa	PRADA spa	508	450
Audit services	Deloitte & Touche spa	Subsidiaries	136	106
Audit services	Deloitte Network	Subsidiaries	1,129	1,066
Total audit fees to Deloitte Network			1,773	1,622
Other advisory services	Deloitte & Touche spa	PRADA spa	24	31
Other advisory services	Deloitte Network	Subsidiaries	69	111
Total non-audit fees to Deloitte Network			93	142
Total compensation to Deloitte Network			1,866	1,764

B. REMUNERATION COMMITTEE

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, Ms. Marina Sylvia Caprotti (Chairwoman) and Mr. Yoël Zaoui and of the Chairman of the Board, Mr. Paolo Zannoni.

During the 2021 Year, the Remuneration Committee held three meetings (with an attendance rate of 100%) to recommend the aggregate basic remuneration of the Board for each year of its three-year term, to appoint its Chairwoman, to review and recommend the remuneration package for directors vested with special authorities, to review and recommend certain updates to the long term incentive plan and to the management through objective plan for executives and Directors.

REMUNERATION POLICY

The Group's remuneration policy is aimed at attracting, rewarding and retaining its personnel, who is considered as the key to the success of the Group's business. This 'Human Capital' is preserved through constant monitoring in order to maintain engagement with the Company and a remuneration policy that is in line with the market. To ensure the Company's ability to attract and retain talent, the Company's remuneration policy is built upon the principles of providing an equitable and market-competitive remuneration package that supports the performance culture and enable the achievement of strategic business goals.

The Group's remuneration policy is designed to reward and retain highly professional staff and skilled managers, new 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 comprises fixed and variable, direct and deferred, components tailored for the relevant position and professional qualifications, and is 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, 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 executive directors, senior managers and key managers for retention purposes. Entitlement to benefits under such plans would vest in the eligible executive director, senior manager or key manager 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 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, the Executive Directors and members of the Board Committees) is determined by the Board after having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current remuneration package, the Executive Directors receive remuneration 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 contributions to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive remuneration 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 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. Maurizio Cereda (Chairman) and Ms. Marina Sylvia Caprotti and one Executive Director, Mr. Lorenzo Bertelli.

During the 2021 Year, the Nomination Committee held four meetings (with an average attendance rate of 91.7%) to perform the annual review of the independence of the Independent Non-Executive Directors for the 2020 year, to recommend to the shareholders the structure and composition of the Board which was to be elected at the 2021 AGM for a term of three financial years, to appoint its new Chairman, to recommend the proposal of the change of number of Directors from nine to eleven and to recommend the appointment of Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli, both being experts in the ESG fields, as Independent Non-Executive Directors of the Company.

The Nomination Committee held one meeting on March 14, 2022 to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the 2021 Year.

In the discharge of its duties, the Nomination Committee has recommended 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 to attain its strategic objectives and its development. The Board diversity policy was adopted by the Board in September 2013 (the "Board Diversity Policy"). According to the principles set out in the Board Diversity Policy, all Board appointments are based on merit and candidates are proposed and selected based on objective criteria, with due regard for 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 implementation 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 approval.

On March 15, 2019, the Board adopted the nomination policy for directors ("Director Nomination Policy"), which provides guidance on 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 regulate the nomination process of directors so as to ensure that all nominations of Board members are made in a fair and transparent manner in order to maintain an appropriate balance of skills, experience and diversity within the Board that are relevant to the Company's strategy, governance and business, and which can contribute to the effectiveness and efficiency of the Board's management.

The Director Nomination Policy contains a number of factors for assessing the suitability of a proposed candidate, including the high ethical character and reputation for integrity, professional qualifications, skills, knowledge and experience, available time commitment, merit and potential contributions to the Board, as well as the independence criteria under the Listing Rules (where applicable).

The Nomination Committee will consider the candidates proposed by shareholders for new directorship or for re-election and make recommendations for the Board's consideration. The Board will then decide whether the proposed 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. SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises two Independent Non-Executive Directors, Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli, and one Executive Director, Mr. Lorenzo Bertelli.

The Sustainability Committee assists and supports the Board with proposing and advisory functions in its assessments and decisions on sustainability, meaning the processes, initiatives and activities aimed at overseeing the Company's commitment to sustainable development along the value chain. Moreover, the Committee supports the preparation and review of non-financial reports, including the annual Sustainability Report, and communications concerning sustainability to be submitted to the Board for approval.

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, its By-laws, the principles of proper management and, in particular, on the adequacy and functioning of the organizational, administrative and accounting structure adopted by the Company.

At the shareholders' general meeting of the Company held on May 27, 2021, the Board of Statutory Auditors was appointed for a term of three financial years. The mandate of the current Board of Statutory Auditors will expire at the shareholders' general meeting to approve the financial statements of the Company for the year ending December 31, 2023.

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 Ms. Fioranna Negri.

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Consolidated Financial Statements of the Company for the 2021 Year to ensure 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 prudent and reasonable judgments and estimates. 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 2021 Year.

With respect to 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, 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 achieving 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 Group's operations and the regulatory framework to which it is subject.

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

The Board has acknowledged its responsibility for the internal control and risk management system - including financial, operational and compliance controls functions - and for the ongoing monitoring and review of its effectiveness. Such system is designed to manage rather than eliminate risks and is aimed at providing reasonable and not absolute assurance against material misstatement or loss.

The management, with the support of the Internal Audit Department, has the responsibility, as delegated by the Board, to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve any material internal control defects that arise.

In particular, the measures, which were adopted by the Group to contain the effects of the spread of the Covid-19 pandemic on the Company's activities and mitigating the health and safety risk at work, have been continuously assessed during the 2021 Year.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control and risk management system. The audit plan is discussed and agreed every year by the Audit Committee before being 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 approval.

The Board has received specific confirmation from the relevant management personnel of the Company on the effectiveness of the Group's internal control and risk management system throughout the 2021 Year.

During the 2021 Year, no significant control failings or weaknesses were identified.

The Board, with the support from the Audit Committee, has been reviewing the internal control and risk management system of the Group 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 system has functioned effectively and has been adequate for the Group as a whole, throughout the 2021 Year.

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 2021 Year.

"ORGANISMO DI VIGILANZA"

In compliance with Italian Legislative Decree no. 231 of June 8, 2001 ("Decree"), the Company established an "Organismo di Vigilanza" whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Organization, Management and Control Model, adopted by the Company pursuant to the Decree. The "Organismo di Vigilanza" has three members appointed by the Board and selected among qualified and experienced individuals. The "Organismo di Vigilanza" consists of Ms. Stefania Chiaruttini (Chairwoman), Mr. Yoël Zaoui, Independent Non-Executive Director, and Mr. Gianluca Andriani, Head of Internal Audit Department.

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 identified 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 a few selected members of the management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman (Mr. Paolo Zannoni), the Chief Executive Officer (Mr. Patrizio Bertelli) and an Executive Director (Mr. Lorenzo Bertelli). 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. Stefania Cane 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 have Ms. Stefania Cane and Ms. Yuen Ying Kwai as the joint company secretaries. During the 2021 Year, each of Ms. Stefania Cane 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 SHAREHOLDERS' GENERAL MEETING AT 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 Article 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. The proposals should be directed to the Company by email at corporatesecretary@prada.com.

C. MAKING AN ENQUIRY TO THE BOARD

Enquiries about matters to be put forward to the Board should be directed to the Company by email at corporatesecretary@prada.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

On May 27, 2021, the Company has adopted a new set of By-Laws ("Amended By-Laws") mainly to provide for the possibility of holding general meetings, Board of Directors and Board of Statutory Auditors' meetings by electronic means only, to insert the office of an honorary chairperson of the Company to be appointed by the Board of Directors, to delete references to provisions under the Italian laws that are not applicable to the Company and to make consequential as well as other house-keeping amendments to the then By-laws. The Amended By-Laws are available for viewing on the websites of the Company and the Hong Kong Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

A. DIVIDEND POLICY

On March 15, 2019, the Board formalized and adopted a Dividend Policy to set out the framework that the Company has put in place in relation to dividend payouts 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 (including under Italian law and the Company's By-laws) on payment of dividends.

The Board reviews the Dividend Policy from time to time and may adopt changes, as appropriate, to ensure the effectiveness of the Dividend Policy.

At the 2021 AGM, the shareholders approved the distribution of a final dividend of Euro 0.035 per share for the financial year ended December 31, 2020, representing a total dividend of Euro 89,558,840, which was paid on June 30, 2021.

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 a regular dialogue with and fair disclosure to 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 27, 2021 exclusively by way of electronic means (the "2021 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 2021 AGM.

The Company has also held a shareholders' general meeting on January 28, 2022 to appoint two additional Independent Non-Executive Directors (the "2022 SGM").

All resolutions put to the shareholders at the 2021 AGM and 2022 SGM were duly passed and the voting results of such resolutions were disclosed in the announcements of the Company dated May 27, 2021 and January 28, 2022 respectively. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2021 AGM and 2022 SGM.

D. CORPORATE COMMUNICATIONS

In order to increase the 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 the means of receipt of the corporate communications, either 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 2021	December 31 2020
Assets			
Current assets			
Cash and cash equivalents	9	981,786	442,392
Trade receivables, net	10	329,547	290,380
Inventories, net	11	662,654	666,222
Derivative financial instruments - current	12	1,762	10,691
Receivables from, and advance payments to, related parties - current	13	22,866	51,035
Other current assets	14	171,220	194,188
Total current assets		2,169,835	1,654,908
Non-current assets			
Property, plant and equipment	15	1,564,853	1,506,011
Intangible assets	16	829,405	832,445
Right of Use assets	17	1,956,289	2,054,338
Investments in equity instruments	18	5,696	66,191
Deferred tax assets	36	287,462	251,888
Other non-current assets	19	144,346	142,712
Receivables from, and advance payments to, related parties - non-current	13	1,125	19,434
Total non-current assets		4,789,176	4,873,019
Total Assets		6,959,011	6,527,927
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term lease liability	20	418,215	403,593
Short-term financial payables and bank overdraft	21	249,103	300,577
Payables to related parties - current	22	8,360	3,481
Trade payables	23	390,163	289,578
Tax payables	24	144,159	68,863
Derivative financial instruments - current	12	29,683	7,789
Other current liabilities	25	180,048	153,382
Total current liabilities		1,419,731	1,227,263
Non-current liabilities			
Long-term lease liability	20	1,627,197	1,729,819
Long-term financial payables	26	492,801	451,200
Long-term employee benefits	27	73,819	73,256
Provision for risks and charges	28	59,201	45,416
Deferred tax liabilities	36	29,806	29,250
Other non-current liabilities	29	123,027	110,754
Derivative financial instruments non-current	12	4,786	9,249
Total non-current liabilities		2,410,637	2,448,944
Total Liabilities		3,830,368	3,676,207
Shareholders' Equity			
Share capital		255,882	255,882
Total other reserves		2,496,324	2,633,673
Translation reserve		67,434	(3,359)
Net income / (loss) for the period		294,254	(54,139)
Net Equity attributable to owners of the Group	30	3,113,894	2,832,057
Net Equity attributable to Non-controlling interests	31	14,749	19,663
Total Net Equity		3,128,643	2,851,720
Total Liabilities and Total Net Equity		6,959,011	6,527,927
Net current assets		750,104	427,645
Total Assets less current Liabilities		5,539,280	5,300,664

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Note	twelve months ended December 31 2021	% on net revenues	twelve months ended December 31 2020	% on net revenues
Net revenues	32	3,365,667	100%	2,422,739	100%
Cost of goods sold	33	(818,309)	-24.3%	(679,361)	-28.0%
Gross margin		2,547,358	75.7%	1,743,378	72.0%
Operating expenses	34	(2,057,874)	-61.1%	(1,723,317)	-71.1%
Operating income / (loss) - EBIT		489,484	14.5%	20,061	0.8%
Interest and other financial income/(expenses), net		(31,216)	-0.9%	(29,480)	-1.2%
Interest expenses on Lease Liability		(36,773)	-1.1%	(42,670)	-1.8%
Dividends from investments		160	0.0%	277	0.0%
Total financial income/(expenses)	35	(67,829)	-2.0%	(71,873)	-3.0%
Income / (loss) before taxation		421,655	12.5%	(51,812)	-2.1%
Taxation	36	(126,552)	-3.8%	(2,556)	-0.1%
Net income / (loss) for the period		295,103	8.8%	(54,368)	-2.2%
Net income / (loss) - Non-controlling interests	31	849	0.0%	(229)	0.0%
Net income / (loss) - Group	30	294,254	8.8%	(54,139)	-2.2%
Basic and diluted earnings / (losses) per share (in Euro per share)	37	0.115		(0.021)	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Net income / (loss) for the period - Consolidated	295,103	(54,368)
A) Items recyclable to P&L:		
Change in Translation reserve	72,230	(66,321)
Tax impact	-	-
Change in Translation reserve less tax impact	72,230	(66,321)
Change in Cash Flow Hedge reserve	(14,331)	4,402
Tax impact	4,247	(1,727)
Change in Cash Flow Hedge reserve less tax impact	(10,084)	2,675
B) Item not recyclable to P&L:		
Change in Fair Value in equity instruments reserve	845	(15,206)
Tax impact	-	-
Change in Fair Value in equity instruments reserve less tax impact	845	(15,206)
Change in Actuarial reserve	4,248	(4,676)
Tax impact	(1,734)	1,041
Change in Actuarial reserve less tax impact	2,514	(3,635)
Consolidated comprehensive income / (loss) for the period	360,608	(136,855)
Comprehensive income / (loss) for the period - Non-Controlling Interests	1,717	(1,754)
Comprehensive income / (loss) for the period - Group	358,891	(135,101)

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Income / (loss) before taxation	421,655	(51,812)
Profit or loss adjustments		
Depreciation and write-downs of the Right of Use assets	426,221	443,910
Depreciation and amortization of property, plant and equipment and intangible assets	197,997	203,720
Impairment of property, plant and equipment and intangible assets	6,513	21,294
Non-monetary financial (income) expenses	25,267	36,700
Gain on disposal of fixed assets	-	(36,942)
Interest expenses on Lease Liability	36,773	42,670
Other non-monetary (income) expenses	33,848	(74,598)
Balance Sheet changes		
Other non-current assets and liabilities	5,491	59,210
Trade receivables, net	(29,790)	16,186
Inventories, net	11,502	9,134
Trade payables	90,297	(34,894)
Other current assets and liabilities	244	56,435
Cash flows from operating activities	1,226,018	691,013
Interest paid (net), including interest paid of Lease Liability	(45,329)	(54,374)
Taxes paid	(37,161)	(44,220)
Net cash flows from operating activities	1,143,528	592,419
Purchases of property, plant and equipment and intangible assets	(219,628)	(109,557)
Disposals of property, plant and equipment and intangible assets	364	2,320
Real estate sale to related party	20,000	-
Dividends from investments	103	277
Disposals of equity instruments	76,464	-
Acquisition of additional shares from Non-Controlling Interests	(7,827)	-
Business combination	(6,741)	(42,950)
Net cash flow utilized by investing activities	(137,265)	(149,910)
Dividends paid to shareholders of PRADA spa	(89,559)	-
Dividends paid to Non-Controlling shareholders	(1,674)	-
Repayment of Lease Liability	(392,805)	(330,319)
Repayment of current portion of long-term borrowings - third parties	(217,277)	(205,593)
Arrangement of long-term borrowings - third parties	240,000	175,000
Change in short-term borrowings - third parties	(33,412)	(35,608)
Repayment of loans from related parties	-	2,000
Loans to related parties	-	(750)
Net cash flows generated/(utilized) by financing activities	(494,727)	(395,270)
Change in cash and cash equivalents, net of bank overdrafts	511,536	47,239
Foreign exchange differences	27,858	(25,916)
Opening cash and cash equivalents, net of bank overdraft	442,392	421,069
Closing cash and cash equivalents, net of bank overdraft	981,786	442,392
Cash and cash equivalents, net of bank overdraft	981,786	442,392
Closing cash and cash equivalents, net of bank overdraft	981,786	442,392

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	Net Equity attributable Non-controlling interests	Total Net Equity
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
Allocation of 2020 net loss	-	-	-	-	-	-	-	(54,139)	(54,139)	54,139	-	-	-
Dividends	-	-	-	-	-	-	-	(89,559)	(89,559)	-	(89,559)	(1,674)	(91,233)
Capital reduction in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(141)	(141)
Gains/(losses) on sales of Investments in equity instruments	-	-	-	-	-	-	13,351	922	14,273	-	14,273	-	14,273
Acquisition of additional shares from Non-Controlling Interests	-	-	(574)	-	-	(66)	-	-	(66)	-	(640)	(4,816)	(5,456)
Acquisition of Luna Rossa Challenge srl	-	-	-	-	-	-	-	(1,128)	(1,128)	-	(1,128)	-	(1,128)
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	71,367	-	(10,084)	-	-	-	(10,084)	294,254	355,537	1,712	357,249
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	2,509	845	-	3,354	-	3,354	5	3,359
Balance at December 31, 2021	2,558,824,000	255,882	67,434	410,047	(15,878)	(5,708)	(10,992)	2,118,855	2,496,324	294,254	3,113,894	14,749	3,128,643

PRADA SPA SEPARATE FINANCIAL STATEMENTS

PRADA SPA STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Assets		
Current assets		
Cash and cash equivalents	396,777	103,295
Trade receivables, net	683,087	526,652
Inventories, net	269,947	295,694
Derivative financial instruments - current	3,058	12,445
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - current	415,146	265,627
Other current assets	95,509	143,154
Total current assets	1,863,524	1,346,867
Non-current assets		
Property, plant and equipment	788,786	791,076
Intangible assets	205,587	200,497
Right of Use assets	343,835	294,420
Investments	907,468	903,272
Deferred tax assets	43,324	43,923
Other non-current assets	70,304	74,457
Derivative financial instruments - non-current	3,518	6,768
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - non-current	72,525	201,298
Total non-current assets	2,435,347	2,515,711
Total Assets	4,298,871	3,862,578
Liabilities and Shareholders' equity		
Current liabilities		
Short-term lease liability	50,507	42,146
Short-term financial payables and bank overdraft	171,973	177,787
Financial payables and other payables to parent company, subsidiaries, associates and related parties - current	86,000	63,801
Trade payables	635,780	635,002
Tax payables	84,781	24,124
Derivative financial instruments - current	29,683	7,789
Other current liabilities	145,298	145,773
Total current liabilities	1,204,022	1,096,422
Non-current liabilities		
Long-term lease liability	312,767	275,612
Long-term financial payables	441,013	385,868
Long-term employee benefits	39,810	35,704
Provisions for risks and charges	16,051	1,581
Deferred tax liabilities	1,960	1,711
Other non-current liabilities	116,661	104,000
Derivative financial instruments - non-current	4,786	9,249
Financial payables and other payables to parent company, subsidiaries, associates and related parties - non-current	-	13,878
Total non-current liabilities	933,048	827,603
Total Liabilities	2,137,070	1,924,025
Share capital	255,882	255,882
Total other reserves	1,595,269	1,698,847
Net income / (loss) for the period	310,650	(16,176)
Total Net Equity	2,161,801	1,938,553
Total Liabilities and Total Net Equity	4,298,871	3,862,578

PRADA SPA STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Net revenues	1,854,692	1,188,628
Cost of goods sold	(719,202)	(598,424)
Gross Margin	1,135,490	590,204
Operating expenses	(675,067)	(595,638)
Operating income / (loss) - EBIT	460,423	(5,434)
Interest and other financial income / (expenses), net	(45,679)	(52,856)
Interest expenses on Lease Liability	(3,420)	(2,952)
Dividends from investments	23,785	37,014
Total financial income/(expenses)	(25,314)	(18,794)
Income / (loss) before taxation	435,109	(24,228)
Taxation	(124,459)	8,052
Net income / (loss) for the period	310,650	(16,176)

PRADA SPA STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Net income / (loss) for the period	310,650	(16,176)
A) Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	(17,695)	5,809
Tax impact	4,247	(1,394)
Change in Cash Flow Hedge reserve less tax impact	(13,448)	4,415
B) Items not recyclable to P&L:		
Change in Fair Value in equity instruments reserve	845	(15,206)
Tax impact	-	-
Change in Fair Value in equity instruments reserve less tax impact	845	(15,206)
Change in Actuarial reserve	634	(346)
Tax impact	(152)	405
Change in Actuarial reserve less tax impact	482	59
Comprehensive income / (loss) for the period	298,529	(26,908)

PRADA SPA STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Income / (loss) before taxation	435,109	(24,228)
Profit or loss adjustments		
Depreciation and write-downs of the Right of Use assets	48,354	43,561
Depreciation and amortization of property, plant and equipment and intangible assets	71,479	65,242
Impairment of property, plant and equipment and intangible assets	1,030	515
Losses/(gains) on disposal of non-current assets	(18)	(36,748)
Impairment of investments	39,216	40,353
Interest expenses on Lease Liability	3,420	2,952
Non-monetary financial (income) expenses	(27,321)	(34,537)
Other non-monetary (income) expenses	31,278	24,087
Balance sheet changes		
Trade receivables, net	(162,624)	224,162
Inventories, net	13,663	31,769
Trade payables	1,138	(230,123)
Other current assets and liabilities	4,628	19,222
Other non-current assets and liabilities	(6,010)	7,591
Cash flows from operating activities	453,342	133,818
Interest paid (net), including interest paid of Lease Liability	(1,714)	(2,814)
Taxes paid	8,560	(4,159)
Net cash flows from operating activities	460,187	126,845
Investing activities		
Purchase of property, plant and equipment and intangible assets	(74,901)	(49,054)
Disposal of property, plant and equipment and intangible assets	20,000	2,320
Investments in subsidiaries	(92,826)	(6,614)
Financial investments	76,363	-
Dividends from investments	23,785	37,014
Net cash flow utilized by investing activities	(47,579)	(16,334)
Financing activities		
Dividends paid to shareholders	(89,559)	-
Change in short-term borrowing - third parties	-	(45,000)
Change in intercompany loans	(4,447)	27,563
Loans repaid by subsidiaries	23,537	14,052
Repayment of Lease Liability	(56,132)	(53,728)
Loans made to subsidiaries	(42,640)	(23,486)
Repayment of short-term portion of long-term borrowings - third parties	(189,889)	(177,889)
Arrangement of long-term borrowings - third parties	240,000	175,000
Net cash flows utilized by financing activities	(119,130)	(83,488)
Change in cash and cash equivalents, net of bank overdraft	293,478	27,023
Fratelli Prada spa - Opening cash and cash equivalents, net of bank overdraft	-	5,574
Opening cash and cash equivalents, net of bank overdraft	103,293	70,696
Closing cash and cash equivalents, net of bank overdraft	396,771	103,293
Cash and cash equivalents, net of bank overdraft	396,771	103,293
Closing cash and cash equivalents, net of bank overdraft	396,771	103,293

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 Investments in equity instruments Reserve	Total other reserves	Net result for the period	Total equity
Balance at December 31 2019	2,558,824,000	255,882	410,047	51,176	182,899	881,086	(3,711)	(9,982)	1,511,515	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 income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	59	-	(15,206)	(15,146)	-	(15,147)
Balance at December 31 2020	2,558,824,000	255,882	410,047	51,176	234,075	1,028,031	704	(25,188)	1,698,846	(16,176)	1,938,552
Allocation of 2020 net loss	-	-	-	-	-	(16,176)	-	-	(16,176)	16,176	-
Other movements	-	-	-	-	-	929	-	13,351	14,280	-	14,280
Dividends	-	-	-	-	(51,176)	(38,382)	-	-	(89,558)	-	(89,558)
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	-	-	-	-	(13,448)	-	(13,448)	310,650	297,202
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	482	-	845	1,327	-	1,327
Balance at December 31 2021	2,558,824,000	255,882	410,047	51,176	182,899	974,884	(12,744)	(10,992)	1,595,271	310,650	2,161,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

PRADA spa ("Prada" or the "Company"), together with its subsidiaries (collectively the "Group" or "Prada 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.

The Group 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 635 at December 31, 2021. The Prada Group's products are also sold through the brands' e-commerce channels, in selected high-end 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 December 31, 2021 (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.

The Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of PRADA spa on March 14, 2022.

2. BASIS OF PREPARATION

The Consolidated Financial Statements of the Prada Group as at December 31, 2021, which consist of the "Consolidated Statement of Financial Position", the "Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2021", the "Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2021", the "Consolidated Statement of Cash Flows for the twelve months ended December 31, 2021", 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

Amendments to existing standards issued by the International Accounting Standard Board (“IASB”), endorsed by the European Union and applicable to the Prada Group from January 1, 2021.

Amendments to existing standards	Effective date for Prada Group	EU endorsement dates
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
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	April 1, 2021	Endorsed in August 2021

The introduction of these amendments, with the exception of that relating to IFRS 16, did not have any effect on these Consolidated Financial Statements.

AMENDMENT TO “IFRS 16 LEASES” REGARDING COVID-RELATED RENT CONCESSIONS

On March 31, 2021, the IASB extended by one year the period of application

of the IFRS 16 practical expedient previously approved by the IASB on May 28, 2020. With this amendment, issued in response to the duration of the Covid-19 pandemic, immediate recognition in profit and loss of rent discounts is applicable if the reduction regards payments originally due on or before June 30, 2022 (and no longer by the original date of June 30, 2021), whereas the other terms of the standard and practical expedient adopted in 2020 remain valid.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Note that during the annual reporting period, the Group accounted for Covid-related concessions of Euro 34.4 million in the Statement of Profit or Loss, basically none of which regarded the 2021 amendment, as no significant related cases had emerged at the reporting date.

Amendments to existing standards issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada Group because they are effective for annual periods beginning on or after January 1, 2022.

Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 3 Business Combinations	January 1, 2022	Endorsed in June 2021
IAS 16 Property, Plant and Equipment	January 1, 2022	Endorsed in June 2021
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Endorsed in June 2021
Annual Improvements 2018-2020	January 1, 2022	Endorsed in June 2021
IFRS 17 Insurance contracts	January 1, 2022	Endorsed in November 2021
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	January 1, 2023	Endorsed in March 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	January 1, 2023	Endorsed in March 2022

New standards and amendments issued by the IASB, but not yet endorsed by the European Union at December 31, 2021.

New IFRS Standards and Amendments to existing standards	Date of possible application	EU endorsement status
Amendment to IAS 1 Presentation of Financial Statements (issued on 23 January 2020)	January 1, 2023	Not endorsed yet
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	Not endorsed yet
Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative information (issued on 9 December 2021)	January 1, 2023	Not endorsed yet

At the date of the Consolidated Financial Statements, the Directors had not yet completed the analysis necessary to assess the impacts of the new standards and interpretations not yet applicable to the Prada Group, in terms of both those

already endorsed by the European Union and those undergoing the endorsement process.

4. SCOPE OF CONSOLIDATION

The consolidated financial information comprises the accounts of PRADA spa and the Italian and foreign companies over which such 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 use that power to affect its returns from 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 using the full consolidation method from the date on which the Group gains control until the date on which that control ceases.

Associated undertakings (“associates”) are consolidated using the equity method. Associates are companies in which the Group has significant influence but does not exercise control. 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 procedures used to prepare the Consolidated Financial Statements are explained below:

- the separate financial statements of PRADA spa are prepared in accordance with IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information all have the same reporting date;
- the financial statements of subsidiaries are consolidated using the full

consolidation method, incorporating the entire amount of the assets, liabilities, revenues and expenses of each company irrespective of the percentage of ownership held, and eliminating the carrying amount of the consolidated equity interests owned directly or indirectly by the Company against the corresponding portion of the related equity;

- for fully consolidated companies that are not wholly owned by the Parent Company, the portions of equity and annual profit or loss belonging to third parties are shown separately as “equity attributable to non-controlling interests” in the Consolidated Statement of Financial Position and “net income/(loss) of non-controlling interests” in the Consolidated Statement of Profit or Loss;
- for business combinations, the difference between the purchase price of the equity interest acquired and the corresponding portion of equity at the acquisition date is allocated, if positive, to the identifiable assets acquired and liabilities assumed measured at their fair value. Any residual amount, if positive, is recognized as goodwill, and if negative is recognized immediately in the Statement of Profit or Loss. The difference between the cost of acquisition of an additional controlling interest and the related value of the interest acquired is recognized directly in equity reserves. If the business combination is achieved in stages (a step acquisition), the previous held interest owned in the company acquired is remeasured at fair value at the date on which control is acquired. Differences identified in this manner are recognized in profit or loss. In business combinations under common control, the difference between the purchase price of the equity interest acquired and the corresponding portion of equity is recognized directly in equity.
- the acquisition cost of an equity interest or an activity that does not constitute a business, and which therefore does not originate a business combination, is allocated to the individual assets acquired and liabilities assumed measured at their fair value at the acquisition date;
- the resulting profits, losses, assets and liabilities of associates are accounted for using the equity method. Under such method, the investments in associates are recognized in the Statement of Financial Position at cost, subsequently adjusted to reflect post-acquisition changes and any impairment losses. Losses exceeding the Parent Company’s owners’ interest in the associate are not recognized, unless the Group has taken on an obligation to cover such losses. An excess of the cost of acquisition over the Company’s share of the fair value of the assets acquired and liabilities assumed at the acquisition date is accounted

for as goodwill. Goodwill is included in the carrying amount of the investment and is tested for impairment. A deficit between the cost of acquisition and the Company's share of the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date is recognized in the Statement of Profit or Loss of the period of acquisition;

- during the consolidation process, all payables, receivables, expenses and revenues deriving from transactions between the consolidated companies are eliminated in full. Any unrealized profits and losses deriving from transactions between the Group's consolidated companies and included in the inventory valuation at the reporting date are eliminated. Unrealized losses are eliminated except where the transaction provides evidence of impairment of the asset transferred, in which case the value of the transferred asset is written down;
- dividends distributed by the consolidated companies are eliminated from the Profit or Loss Statement and added to the retained earnings if and to the extent that they were extracted from them;
- the financial statements of subsidiaries are prepared in their respective local currency. Assets and liabilities are translated into Euro using the end-of-period exchange rate, and income and expenses are translated using the average exchange rate of the period. If translation at the average exchange rate does not present the transaction fairly, the exchange rate prevailing at the date of the transaction is used to translate its effect on the consolidated profit or loss. Differences arising on translating Statement of Financial Position balances at the beginning and at the end of the period, and differences arising on translating Statement of Profit or Loss items at the average exchange rate for the period (or another exchange rate, as mentioned above) and at the end of the period, are recognized in a translation reserve in consolidated equity until the disposal of the investee. The translation reserve includes the accumulated translation differences generated since first-time consolidation (January 1, 2004). In the preparation of the Consolidated Statement of Cash Flows, the cash flows of subsidiaries are translated using the average exchange 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 translation reserve and subsequently released to profit or loss upon disposal of the investment;
- the reporting currency of the Consolidated Financial Statements is the Euro. All amounts are expressed in thousands of Euro unless stated otherwise.

6. MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognized at their nominal value. Cash equivalents include all highly liquid investments originally with a short-term maturity.

Solely for the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand, bank accounts and deposit accounts. Bank overdrafts and the current portions due to banks on medium and long-term loans are recognized as short-term financial payables and bank overdrafts.

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 recognized 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 lease 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 recognized 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 determined 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 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 to 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 contract currency 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 or 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, 2022;
- 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.

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 recognized 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 recognized 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. The recognition of these benefits is usually subject to the attainment of specific earnings by the Group, and their payment, deferred over time to keep the beneficiaries in the organization, is remeasured using indices relating to the Group's profitability or market value. 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 through profit or loss rather than through net equity.

PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT ASSETS

The Prada Group is mainly involved in civil and tax disputes and the related provisions for risks and charges are booked in the financial statements both on the basis of historical experience and on the basis of assumptions concerning future events that are difficult to predict as also depending on factors that are not under the full control of the Group. Therefore it is possible that after the reporting period, departures between the estimates made and the actual results materialize so that it might be necessary to make adjustments to the values of the liabilities recognized.

Application of exemptions to some or all of the disclosures required by IAS 37 are applied when these could prejudice seriously the position the Group in a dispute with other parties on the on the subject matter of the provision, contingent liability or contingent asset.

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 and 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, for equity method accounting, when determining provisions for risks and charges, the provision for bad debts, the inventory obsolescence provision, the post-employment benefits, the tax computation, the measurement of derivatives, the lease term of contracts with renewal or early termination options (in accordance with IFRS 16) 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 at the reporting date it does not identify particular items of assets and liabilities subject to estimation processes that can be significantly influenced by climate change matters.

7. MERGERS AND ACQUISITIONS

On January 29, 2021, the Prada Group signed an agreement with DFS Group L.P. to purchase the residual minority stake in the "Travel Retail Shop" companies, managed together with the latter group on the basis of a joint venture agreement that expired on January 31, 2021.

Pursuant to this transaction, since February 1, 2021 Prada Group has wholly owned TRS Hong Kong ltd, TRS Saipan llc, TRS Hawaii llc, TRS Okinawa kk and TRS Guam ltd; TRS Singapore pte ltd, for which a liquidation process had already initiated and finished in November 2021, was not part of the acquisition. The consideration for the share purchase was Euro 6 million.

After the acquisition, in order to simplify the Group structure, some extraordinary transactions were carried out.

On April 15, 2021, PRADA spa established the company PRADA S.M. srl with the aim of expanding commercial activities in the area of central Italy.

On April 23, 2021, PRADA spa exercised the purchase option on the remaining 10% of the share capital of Pelletteria Ennepi srl. As a result of such agreement, the Prada Group wholly owns that company.

On May 26, 2021, PRADA spa exercised the purchase option on the remaining 20% of the share capital of Hipic Prod Impex Srl. As a result of such agreement, the Prada Group wholly owns that company.

On June 22, 2021, the Prada Group and the Ermenegildo Zegna Group signed an agreement to acquire share capital of Filati Biagioli Modesto S.p.A., a company renowned for Italian excellence in the production of cashmere and other noble yarns located in Tuscany (Montale, Pistoia). In July, the two new shareholders subscribed the respective 40% stakes in the company.

On November 30, 2021, the Prada Group acquired from a related party, PA BE 1 S.r.l., the entire share capital of Luna Rossa Challenge S.r.l., the company that organizes and manages the Luna Rossa sailing team for the participation in America's Cup and other high-profile sailing events. Luna Rossa Challenge S.r.l. also wholly owns COR 36 S.r.l., whose activities are about to be liquidated since they relate exclusively solely to the organization of the 36th edition of the

America's Cup race.

As a result of this acquisition, the Group has combined the title over the Luna Rossa brand, which it had already owned, with the activity of the sailing team, in view of maximizing the economic value of the brand.

The acquisition is outside the scope of IFRS 3 - Business Combination, as it is considered a transaction "under common control", because Prada spa and Luna Rossa Challenge srl are ultimately controlled by the same group of individuals. For this reason, the excess amount of Euro 1.1 million paid by Prada spa, i.e. the difference between the consideration paid (Euro 12 million) and accrued (Euro 5 million) and the net assets acquired at their acquisition-date carrying amount (Euro 15.9 million), was deducted from the Group's equity.

The cash-out for the acquisition was equal to Euro 6.7 million, corresponding to the agreed consideration of Euro 12 million net of the cash of Euro 5.3 million included in the net assets acquired.

(amounts in thousands of Euro)	December 31 2021
Cash	5,255
Property, plant and equipment/intangible assets	10,649
Other current assets/(liabilities)	(12,621)
Tax credits	12,589
Carrying amount of net assets acquired	15,872
Consideration paid at November 30, 2021	12,000
Earn-out accrued at December 31, 2021	5,000
Reduction of Group equity	1,128

The consolidation of Luna Rossa Challenge srl from December 1, 2021 did not have a material effect on the Group's Consolidated Statement of Profit or Loss for the year ended at December 31, 2021.

8. OPERATING SEGMENTS

IFRS 8, "Operating Segments", requires detailed information to 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 adopt decisions 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 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 the net revenues by distribution channel, brand, geographical area and product are provided in the Financial Review together with the related comments.

GEOGRAPHICAL INFORMATION

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Europe	3,005,722	3,016,375
Americas	471,229	515,662
Asia Pacific	536,218	533,832
Japan	417,887	477,799
Middle East and Africa	57,344	66,181
Total	4,488,400	4,609,849

The total amount of Euro 4,488 million (Euro 4,610 million at December 31, 2020) refers to the Group's non-current assets excluding, as per IFRS 8, those relating to derivatives, 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 2021	December 31 2020
Cash on hand	36,636	25,818
Bank deposit accounts	189,306	120,563
Bank current accounts	755,844	296,011
Total	981,786	442,392

At December 31, 2021, the bank accounts and deposits accruing interest income had yields in the range of 0% and 5.1% annually (0% and 2.1% at December 31, 2020).

10. TRADE RECEIVABLES, NET

Trade receivables, net are detailed below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Trade receivables - third parties	338,931	297,953
Allowance for bad and doubtful debts	(10,990)	(11,979)
Trade receivables - related parties	1,606	4,406
Total	329,547	290,380

The change in the Allowance for doubtful debts is set forth below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Opening balance	11,979	9,354
Exchange differences	546	(317)
Increases	581	4,135
Reversals	(1,129)	(109)
Utilization	(987)	(1,084)
Closing balance	10,990	11,979

11. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Raw materials	99,837	99,827
Work in progress	29,938	20,386
Finished products	585,547	586,917
Return assets	7,246	6,974
Allowance for obsolete, slow-moving inventories and return assets	(59,914)	(47,882)
Total	662,654	666,222

The net inventories are consistent with the prior year's balance, mainly as a result of the streamlining of the production and logistics processes.

The changes in the Allowance for obsolete, slow-moving inventories 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	24,449	23,433	47,882
Exchange differences	9	251	260
Increases	6,300	6,740	13,040
Utilization	(23)	(784)	(807)
Reversal	-	(461)	(461)
Closing balance	30,735	29,179	59,914

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 2021	December 31 2020
Financial assets regarding derivative instruments - current	1,762	10,691
Total Financial Assets - Derivative financial instruments	1,762	10,691
Financial liabilities regarding derivative instruments - current	(29,683)	(7,789)
Financial liabilities regarding derivative instruments - non-current	(4,786)	(9,249)
Total Financial Liabilities - Derivative financial instruments	(34,469)	(17,038)
Net carrying amount - current and non-current portion	(32,707)	(6,347)

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 2021	December 31 2020	IFRS7 Category
Forward contracts	1,394	7,770	Level II
Options	368	2,921	Level II
Positive fair value	1,762	10,691	
Forward contracts	(10,139)	(3,006)	Level II
Options	(17,486)	(2,030)	Level II
Interest rate swaps	(6,844)	(12,002)	Level II
Negative fair value	(34,469)	(17,038)	
Net carrying amount - current and non-current	(32,707)	(6,347)	

All the above derivative instruments are classified 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 or "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 rate and interest rate fluctuations.

FOREIGN EXCHANGE RATE TRANSACTIONS

The cash flows of the Group are exposed to exchange rate volatility because it operates on an international scale. 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 expected 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, 2021, reported in Note 38) are as stated below.

Contracts in effect as of December 31, 2021 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2021
Currency			
Chinese Renminbi	280,762	37,528	318,290
US Dollar	150,980	42,380	193,360
Korean Won	133,692	-	133,692
Japanese Yen	46,019	37,966	83,985
GB Pound	42,962	5,355	48,317
Russian Ruble	9,203	14,537	23,740
Taiwan Dollar	19,144	-	19,144
Canadian Dollar	18,481	-	18,481
Other currencies	27,686	44,970	72,656
Total	728,929	182,736	911,665

Contracts in effect as of December 31, 2021 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts	December 31 2021
Currency		
GB Pound	73,785	73,785
Swiss Franc	29,716	29,716
US Dollar	13,597	13,597
Malaysia Ringgit	5,298	5,298
Other currencies	28,919	28,919
Total	151,315	151,315

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
Korean Won	37,912	48,353	86,265
GB Pound	24,660	45,571	70,231
Canadian Dollar	-	20,585	20,585
Hong Kong Dollar	3,857	15,006	18,863
Taiwan Dollar	4,294	10,981	15,275
Swiss Franc	-	14,229	14,229
Russian Ruble	-	12,174	12,174
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

All contracts in place at December 31, 2021 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, 2021 and December 31, 2020 are summarized below:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2021	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	31,167	1.457%	May-2030	(2,015)	Euro/000	Term Loan	31,167	May-2030
IRS	Euro/000	50,000	-0.094%	Feb-2022	(153)	Euro/000	Term Loan	50,000	Feb-2022
IRS	GBP/000	46,050	2.778%	Jan-2029	(4,676)	GBP/000	Term Loan	46,050	Jan-2029
Total fair value (amounts in thousands of Euro)					(6,844)				

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)				

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	981,786	-	981,786	9
Trade receivables, net	329,547	-	329,547	10
Derivative financial instruments	-	1,762	1,762	12
Investments in equity instruments	2,964	-	2,964	18
Other Investments	2,732	-	2,732	18
Total at December 31, 2021	1,317,029	1,762	1,318,791	

(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	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	745,264	-	745,264	21,22,26
Trade payables	390,163	-	390,163	23
Derivative financial instruments	-	34,469	34,469	12
Lease liabilities	2,045,412	-	2,045,412	20
Total at December 31, 2021	3,180,839	34,469	3,215,308	

(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 liabilities	2,133,412	-	2,133,412	20
Total at December 31, 2020	3,177,868	17,038	3,194,906	

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

The Lease liability is reported at its present value, while all other financial liabilities are stated 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. However, according to management, the Group's credit risk regards essentially the trade receivables generated in the wholesale channel and the cash holdings. The Group has implemented specific control systems to manage such risk, as explained in the section describing risk factors in the Financial Review.

TRADE RECEIVABLES

The following table contains an aging analysis of Trade receivables before accounting the Allowance for bad and doubtful debts:

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	340,537	284,762	11,103	15,126	4,187	3,759	21,600
Total at December 31, 2021	340,537	284,762	11,103	15,126	4,187	3,759	21,600

(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

The increase in the aging of receivables compared to 2020 is mainly due to open positions for outstanding retail collections with department stores and malls.

With reference to these delays, the management does not expect any losses also considering that the payments have been settled in the first months of 2022.

The following table contains an aging analysis of Trade receivables after accounting the Allowance for bad and doubtful debts at the reporting date:

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	329,547	283,363	10,968	15,045	4,146	3,751	12,274
Total at December 31, 2021	329,547	283,363	10,968	15,045	4,146	3,751	12,274

(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

BANK CURRENT ACCOUNTS AND DEPOSITS

Bank deposits accounts are broken down by currency as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Hong Kong Dollar	120,469	62,305
Chinese Renmimbi	29,073	37,606
Korean Won	8,912	-
Other Currencies	30,852	20,652
Total bank deposit accounts	189,306	120,563

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 2021	December 31 2020
Euro	404,164	108,877
US Dollar	202,107	76,925
GB Pound	13,965	10,953
Hong Kong Dollar	4,023	6,439
Korean Won	16,288	5,027
Other Currencies	115,297	87,790
Total bank current accounts	755,844	296,011

The Group considers no significant risk to exist on bank accounts given that their use is strictly related to operating activities and business processes and, therefore, they are present in a large number of countries.

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 requirements arising from investing activities, working capital management, punctual loan repayment and dividend payment.

At December 31, 2021, the Group has undrawn cash credit lines of Euro 808 million available at banks (Euro 1,009 million as of December 31, 2020), of which Euro 400 million of committed loans and Euro 408 million of uncommitted ones.

An aging analysis of the Trade payables is set forth below:

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	390,163	348,256	14,226	5,854	3,450	2,580	15,797
Total at December 31, 2021	390,163	348,256	14,226	5,854	3,450	2,580	15,797

(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

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, 2021	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	(10,139)	(5,492)	(4,647)	-	-	-	-
Net cash flows (outflows/inflows) of options	(17,486)	(9,783)	(6,851)	(305)	(214)	(187)	(146)
Net amount	(27,625)	(15,275)	(11,498)	(305)	(214)	(187)	(146)

(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)

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, 2021	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	(6,844)	(1,123)	(756)	(1,132)	(946)	(850)	(2,037)
Net amount	(6,844)	(1,123)	(756)	(1,132)	(946)	(850)	(2,037)

(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	(12,002)	(1,095)	(1,063)	(2,347)	(1,783)	(1,565)	(4,149)
Net amount	(12,002)	(1,095)	(1,063)	(2,347)	(1,783)	(1,565)	(4,149)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2021	Future contractual cash flows at Dec. 31, 2021	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)	2,045,412	2,170,899	-	232,498	217,379	347,633	303,106	246,392	823,891
Financial liabilities - third parties (without deferred costs on loans)	742,983	763,745	-	202,228	51,019	99,175	88,465	138,681	184,177
Financial liabilities - related parties	3,360	3,360	-	-	3,360	-	-	-	-
Total	2,791,755	2,938,004	-	434,726	271,758	446,808	391,571	385,073	1,008,068

(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

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 it 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, 2021:

(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	(977)	246	548	(1,431)
Hong Kong Dollar	3,689	4,143	(4,101)	(4,639)
Japanese Yen	434	3,656	(451)	(4,044)
US Dollar	1,206	7,917	(1,506)	(10,381)
Chinese Renminbi	(3,629)	6,481	4,324	(9,199)
Korean Won	(2,647)	1,439	2,449	(3,786)
Other currencies	(5,973)	(2,086)	6,356	1,115
Total	(7,897)	21,796	7,619	(32,365)

The total impact on equity (positive for Euro 21.8 million and negative for Euro 32.4 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 strengthening or weakening 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.

With particular reference to the Russian Ruble, a sensitivity analysis was carried out with a range of hypothetical fluctuation towards Euro of 20% which led to the

results of the table below:

(amounts in thousands of Euro)	Euro strengthens by 20%		Euro weakens by 20%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
Russian Ruble	(7,094)	(4,457)	10,642	6,225

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, 2021:

(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	(1,053)	(338)	1,053	312
GB Pound	(204)	1,164	204	(1,164)
Hong Kong Dollar	622	622	(622)	(622)
Japanese Yen	(338)	(338)	338	338
US Dollar	996	996	(996)	(996)
Other currencies	974	974	(974)	(974)
Total	997	3,080	(997)	(3,106)

The total impact on equity (positive and negative for Euro 3 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 are described in the Financial Review.

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

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Prepaid sponsorship	-	25,032
Other receivables and advances	22,866	26,003
Receivables from and advances to related parties - current	22,866	51,035

Euro 18 million of the amount of other receivables and advances refers to the short-term portion of the receivable due from the 2020 sale of the Via della Spiga 18 property in Milan.

The prepaid sponsorship were for the 36th America's Cup race and were entirely released in the period due to the expiration of the contracts and the completion of the sporting event.

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Other receivables and advances	-	18,309
Financial receivables	1,125	1,125
Receivables from and advances to related parties - non-current	1,125	19,434

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 2021	December 31 2020
VAT	31,121	34,677
Taxation and other tax receivables	56,864	100,406
Other assets	11,937	4,605
Prepayments	63,068	48,319
Deposits	8,230	6,181
Total	171,220	194,188

OTHER ASSETS

The Other assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Advances to suppliers	3,005	1,250
Incentives for retail investments	5,804	20
Other receivables	3,128	3,335
Total	11,937	4,605

PREPAYMENTS

The Prepayments are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Rental costs	3,394	1,689
Insurance	2,199	1,957
Design costs	25,836	21,198
Fashion shows and advances on advertising campaigns	15,063	6,911
Other	16,576	16,564
Total	63,068	48,319

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.

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 improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
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
Historical cost	1,006,801	241,686	1,355,364	639,481	212,361	51,027	3,506,720
Accumulated depreciation	(176,517)	(184,977)	(1,065,208)	(370,561)	(144,604)	-	(1,941,867)
Net carrying amount at December 31, 2021	830,284	56,709	290,156	268,920	67,757	51,027	1,564,853

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 improvements	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Opening balance	762,501	58,676	317,681	266,182	62,639	38,332	1,506,011
Change in the consolidation area	-	508	224	252	9,669	-	10,653
Additions	61,094	5,885	44,665	33,568	4,406	35,241	184,859
Depreciation	(18,328)	(11,993)	(83,831)	(36,891)	(10,035)	-	(161,078)
Disposals	-	(21)	(249)	(70)	(24)	-	(364)
Exchange differences	13,332	111	11,620	5,315	241	321	30,940
Other movements	11,685	3,557	3,221	3,784	949	(22,851)	345
Impairment	-	(14)	(3,175)	(3,220)	(88)	(16)	(6,513)
Closing balance	830,284	56,709	290,156	268,920	67,757	51,027	1,564,853

The change in the consolidation area regarded the acquisition of Luna Rossa Challenge S.r.l. and its subsidiary COR 36 S.r.l., as described in Note 7. The amount for other tangibles refers to the net value of the AC75 hulls.

The additions to Land and buildings referred to the purchase of two prestigious buildings where Prada stores are located in Athens and Moscow, conducted to have greater control over the real estate space.

The increases in Furniture and fittings and in Leasehold improvements regarded primarily store restyling and relocation projects.

Assets under construction at the end of the period concern retail and industrial projects that are nearly completed.

The Euro 6.5 million impairment for the period referred substantially to the writedown of store assets due to early closures or renovations in the period.

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 rights	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
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
Historical cost	427,371	580,721	49,793	220,958	65,968	13,936	1,358,747
Accumulated amortization	(210,141)	(67,235)	(49,324)	(141,484)	(61,158)	-	(529,342)
Net carrying amount at December 31, 2021	217,230	513,486	469	79,474	4,810	13,936	829,405

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	210,405	513,486	770	80,968	5,831	20,985	832,445
Change in the consolidation area	-	-	-	2	66	-	68
Additions	637	-	7	16,387	1,019	13,835	31,885
Amortization	(13,693)	-	(351)	(19,982)	(2,893)	-	(36,919)
Exchange differences	2,481	-	(1)	31	4	-	2,515
Other movements	17,400	-	44	2,068	783	(20,884)	(589)
Closing balance	217,230	513,486	469	79,474	4,810	13,936	829,405

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 2021	December 31 2020
Miu Miu	121,789	127,362
Church's	69,385	70,757
Prada	5,095	5,141
Other trademarks and other intellectual property rights	20,961	7,145
Total	217,230	210,405

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

The capital expenditures for software refer to technological and digital evolution projects in the retail, manufacturing and corporate areas.

The total capital expenditure for Tangible and Intangible assets in the twelve months ended December 31, 2021 was Euro 216.7 million, as broken down below:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Retail	85,742	61,056
Real Estate	59,453	-
Production, Logistics and Corporate	71,549	60,686
Total	216,744	121,742

IMPAIRMENT TEST

As required by IAS 36, "Impairment of Assets," intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least once per year. The Group does not report intangible assets with indefinite useful lives other than goodwill. At December 31, 2021, goodwill amounted to Euro 513.5 million, detailed by cash generating unit ("CGU") as shown below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail and Pasticceria Marchesi 1824	33,825	33,825
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	13,906
Total	513,486	513,486

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. In light of the performance of certain retail businesses during the period, CGUs other than those shown above were also tested for impairment. The method used to identify the recoverable amount (value in use) of the CGUs consists 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. Value in use is 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).

The business plans used for the impairment tests cover a period of five years and were constructed on the basis of the 2022 budget prepared by management. The plans do not take into account either significant improvements in the performance of the assets existing at December 31, 2021 or future developments of new activities, except for the investments planned in the 2022 budget for the retail premises' restyling and renovation projects.

The rate used to discount cash flows was calculated using the weighted average cost of capital (WACC). For the year ended December 31, 2021, the weighted average WACC (based on the enterprise value of the CGUs) used for discounting purposes is 5.2%. Each WACC was determined taking into due consideration the risk profile of the CGU's activities, as well as the parameters specific to the geographical area to which it belongs: 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 to minimize the dilutive effect on rates of the expansionary monetary policies adopted by central banks.

The "g" rate of growth used to calculate the terminal value ranged between 1.5% (Asia Pacific) and 20% (Turkey), in light of the diverging inflation prospects and GDP growth outlooks of the various countries. However, the prevalent growth rate was 1.5%, which can be considered prudent given the average growth expected in the long term for the luxury goods market in general.

For the Church's Group, classified as a single CGU, the impairment test did not identify any impairment loss. This CGU was measured, consistently with last year, by comparing the carrying amount of net invested capital items with their fair value (less costs to sell), deemed the best approach for expressing the value of the Group. In the specific case of the trademark (Euro 69.5 million at December 31, 2021), the fair value was measured by using the royalty relief method, i.e. by estimating the cash flows obtainable from a hypothetical licensing of the asset, assuming to earn a gross 9% royalty, in line with observable comparable market transactions. The remaining part of the net invested capital, Euro 66 million (including Euro 42 million for right-of-use assets and Euro 10.2 million for net operating working capital), was considered to approximate its fair value.

In order to ensure that the potential changes in the main assumptions did not significantly affect the results of the impairment tests, sensitivity analysis were conducted on 90% of the goodwill recognized in the Statement of Financial Position. These stress tests, in which the "g" growth rate for the terminal period was reduced by up to 50 basis points and the WACC rate was increased by up to 50 basis points, continued to show significant headrooms. Further sensitivity analysis were furthermore as carried out on the WAAC, using particularly conservative parameters to determine the market risk premium and risk-free rates. In this sensitivity analysis the weighted average WACC (based on the enterprise value of the CGUs) was equal to 6.8%. These additional stress tests did not indicate any impairment loss either. Finally, the "break-even" weighted average WACC was set at 14%, the threshold above which write-off for impairment test occur.

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 other tangible or intangible assets will not be subject to impairment in the future. In accordance with IAS 10, Management considered the potential impacts deriving from the Ukrain conflict which began in February 2022 as non adjusting events that occurred after the end of the financial year (Note 44) and consequently did not take them into consideration for the impairment test performed as at 31 December 2021.

17. RIGHT OF USE ASSETS

The changes in the Net book value of the Right of Use assets for the year ended December 31, 2021 are shown below:

(amounts in thousands of Euro)	Real Estate	Other	Total net carrying amount
Opening balance	2,050,768	3,570	2,054,338
New contracts, initial direct costs and remeasurements	304,325	2,582	306,907
Depreciation	(424,352)	(1,851)	(426,203)
Contracts termination	(28,740)	(862)	(29,602)
Exchange differences	50,833	16	50,849
Closing balance	1,952,834	3,455	1,956,289

The increase for New leases, initial direct costs and remeasurements is attributable to lease renewals (mainly in Asia Pacific and Europe) 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 30 million for the period and referred mainly to leases in Europe.

The exchange differences of the period impacted the Right to Use assets considerably, as a result of Euro depreciation versus the main currencies of the countries where the Group operates.

The caption "Other", amounting to Euro 3.5 million, includes plant and machinery, vehicles and hardware.

18. INVESTMENTS IN EQUITY INSTRUMENTS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Investments in equity instruments	2,964	64,203
Other investments	2,732	1,988
Total	5,696	66,191

The decrease for the year in the caption Investments in equity instruments referred to the disposal of securities.

19. OTHER NON-CURRENT ASSETS

The Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Guarantee Deposits	61,842	60,051
Deferred rental income	383	533
Pension fund surplus (Note 27)	13,309	11,277
Prepayments for commercial agreements	54,253	58,427
Other long-term assets	14,559	12,424
Total	144,346	142,712

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Nature:		
Stores	56,003	53,637
Offices	3,982	3,847
Warehouses	158	123
Other	1,699	2,444
Total	61,842	60,051

(amounts in thousands of Euro)	December 31 2021
Maturity	
between one to two years	13,417
between two to five years	23,251
After more than five years	25,174
Total	61,842

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

20. LEASE LIABILITY

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Short-term Lease Liability	418,215	403,593
Long-term Lease Liability	1,627,197	1,729,819
Total	2,045,412	2,133,412

The Lease liability decreased by Euro 88 million from that of December 31, 2020. This is the result of decreases for the payments of the period (Euro 393 million), as well as rent discounts and foreign exchange differences, and increases (Euro 273 million) for new leases and re-measurements (net of the closures of the period).

The Lease liability is concentrated mainly with Japan, the U.S.A. and Italy.

21. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Short-term bank loans	61,578	97,115
Current portion of long-term loans	187,887	203,861
Deferred costs on loans	(362)	(399)
Total	249,103	300,577

The short-term bank loans at December 31, 2021 consist of the use of credit lines by PRADA Japan co ltd. Some of these credit lines contain covenants based on the financial statement results of PRADA Japan co ltd, all of which were satisfied at December 31, 2021.

Short-term bank loans are broken down by currency below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Euro	-	576
Japanese Yen	61,578	96,462
Other currencies	-	77
Total	61,578	97,115

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

22. PAYABLES TO RELATED PARTIES - CURRENT

The current Payables to related parties are shown below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Financial payables	3,360	3,101
Other payables	5,000	380
Payables to related parties - current	8,360	3,481

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

23. TRADE PAYABLES

The Trade payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Trade payables - third parties	382,208	286,653
Trade payables - related parties	7,955	2,925
Total	390,163	289,578

The increase is attributable to the intensification of production, commercial and communication activities in the final months of 2021.

24. TAX PAYABLES

The tax payables are detailed hereunder:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Current taxation	77,466	15,691
VAT and other taxes	66,693	53,172
Total	144,159	68,863

The Group recognizes current tax liabilities of Euro 77.5 million at December 31, 2021 (Euro 15.7 million at December 31, 2020) against tax receivables shown within the current assets of Euro 56.9 million (Euro 100.4 million at December 31, 2020), as reported in Note 14.

25. OTHER CURRENT LIABILITIES

The Other current liabilities are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Payables for capital expenditure	43,575	39,958
Accrued expenses and deferred income	30,308	24,944
Other payables	106,165	88,480
Total	180,048	153,382

The Other payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Short-term benefits for employees and other personnel	70,397	55,525
Customer advances	17,290	16,980
Returns from customers	16,118	14,006
Other	2,360	1,969
Total	106,165	88,480

26. LONG-TERM FINANCIAL PAYABLES

The Long-term financial payables are as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Long-term bank borrowings	493,518	451,695
Deferred costs on loans	(717)	(495)
Total	492,801	451,200

In 2021 PRADA spa took out three new bank loans totaling Euro 240 million, two of which are sustainability-linked loans; in fact, both have a mechanism to adjust the annual interest based on the achievement of sustainability goals regarding the quantity of scrap regenerated and reintroduced into new operating cycles and energy production from new photovoltaic plants. There were 4 ESG-linked loans in place, accounting for 37% of the total bank debt.

PRADA spa's loans covenants were fully satisfied at December 31, 2021 and are expected to be met in the next 12 months as well.

In 2021, the Parent Company and the other Group companies repaid current portions of long-term loans for an amount of Euro 217.3 million.

The long-term bank borrowings at December 31, 2021, 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	50,000	Term-loan	EUR	02/2022	0.406%	50,000	-	-
PRADA spa	50,000	Term-loan	EUR	06/2022	0.179%	50,000	-	-
PRADA spa	31,167	Term-loan	EUR	05/2030	2.737%	3,667	27,500	Mortgage loan
PRADA spa	30,000	Term-loan	EUR	10/2024	0.600%	10,000	20,000	-
PRADA spa	100,000	Term-loan	EUR	04/2025	0.157%	-	100,000	-
PRADA spa	100,000	Term-loan	EUR	07/2026	0.069%	-	100,000	-
PRADA spa	90,000	Term-loan	EUR	02/2026	1.250%	12,600	77,400	-
PRADA spa	55,555	Term-loan	EUR	06/2024	0.137%	22,222	33,333	-
PRADA spa	57,000	Term-loan	EUR	01/2025	0.232%	18,000	39,000	-
PRADA spa	50,000	Term-loan	EUR	11/2026	0.184%	5,556	44,444	-
PRADA Japan Co.Ltd	5,752	Syndicate loan	JPY	09/2022	0.457%	5,752	-	-
PRADA Japan Co.Ltd	5,752	Syndicate loan	JPY	09/2022	0.457%	5,752	-	-
Kenon Ltd	54,804	Term-loan	GBP	01/2029	4.477%	3,838	50,966	Mortgage loan
Tannerie Limoges sas	1,375	Term-loan	EUR	07/2024	1.200%	500	875	Mortgage loan
Total	681,405					187,887	493,518	

(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, 2021		December 31, 2020	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	77%	23%	65%	35%
Long-term financial payables	84%	16%	71%	29%

27. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Post-employment benefits	49,293	54,160
Other long-term employee benefits	24,526	19,096
Total liabilities for long-term benefits	73,819	73,256
Pension plan surplus (note 19)	(13,309)	(11,277)
Net liabilities for long-term benefits	60,510	61,979

POST-EMPLOYMENT BENEFITS

The net balance of Long-term employee benefits as at December 31, 2021 is a liability of Euro 60.5 million (Euro 62 million as of December 31, 2020) and all the benefits fall within the scope of defined benefit plans.

The Post-employment benefits consist of Euro 25.8 million (Euro 28.1 million at December 31, 2020) in liabilities accounted for by Italian companies and Euro 23.4 million by the foreign subsidiaries (Euro 26.1 million in at December 31, 2020).

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 at December 31, 2021 as per Italian law to the estimated future date of employment termination, and then 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, 2021:

(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	28,050	26,111	(11,277)	19,095	61,979
Current service cost	698	5,243	355	15,090	21,386
Financial charges (income)	(123)	129	(142)	(254)	(390)
Actuarial (gains)/losses	(505)	(2,488)	(1,242)	(1,706)	(5,941)
Benefits paid	(2,275)	(5,040)	-	(7,924)	(15,239)
Contributions	-	-	(186)	-	(186)
Exchange differences	-	(507)	(817)	225	(1,099)
Closing balance	25,845	23,448	(13,309)	24,526	60,510

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		(1,045)	(867)
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	540	(1,621)	1,470
Actuarial (gains)/losses	(505)	(2,488)	(1,242)

The current service cost and financial charges/(income) are recognized in the statement of profit or loss. For Other long-term employee benefits only, the actuarial differences 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 involved variables such as the probabilities of death, retirement, resignations and dismissals; contract

expiration; leaving indemnity advances; and supplementary pension schemes.

The Post-employment benefits are stated net of the pension plan surplus for the Group companies operating in the United Kingdom that supply pension services to their employees. As at December 31, 2021, the fair value of such pension plans was a surplus of Euro 13.3 million (Euro 11.3 million as of December 31, 2020). 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 2021	December 31 2020
Fair value of plan assets	73,190	72,009
Fair value of plan liabilities	(59,881)	(60,732)
Pension plan surplus	13,309	11,277

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Equities	21,385	24,819
Alternatives	15,967	5,860
Bonds	27,318	34,515
Cash	8,520	5,919
Other	-	896
Total	73,190	72,009

The main actuarial assumptions used as at December 31, 2021 are as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.7	15	11
Average increase in remuneration	1.10%	3.07%	2.61%
Rate of inflation	1.50%	3.07%	N/A

The main actuarial assumptions used as of December 31, 2020 were 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 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, 2021 liability, a sensitivity analysis was performed on the main actuarial variables such as the 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 6 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 the Group's key-figures. Their actuarial valuation at December 31, 2021, calculated using PUC methodology, resulted in Euro 24.5 million (Euro 19.1 million as at December 31, 2020), 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	389	1,858	43,169	45,416
Exchange differences	4	78	3,119	3,201
Reversals	-	-	(491)	(491)
Utilized	(120)	(656)	(2,978)	(3,754)
Increases	10,626	1,026	3,177	14,829
Closing balance	10,899	2,306	45,996	59,201

The Provisions for risks and charges represent management's best estimate of the maximum amount of possible liabilities. In the Directors' opinion, based on the information available to them and , the total amount accrued 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 pursuant to appeals filed by the Company in 2019 and 2020. The Company has already paid the related amount due and is awaiting the notice of the hearing for all three cases.

Meanwhile, the Company established an appropriate method for measuring the value of imported products starting from May 2020, with retroactive effectiveness for the assessable years, in agreement with the Italian Customs Agency. The application of such method led to the estimate, for the previous years, of an end-of-period liability of approximately Euro 0.5 million.

Other liabilities for customs duty risks are recognized at the reporting date in an amount of Euro 1.4 million, consisting of Euro 0.8 million for a mistaken customs classification of footwear imported into the United States and Euro 0.6 million for risks of assessments regarding price adjustments, split among various non-EU countries.

LEGAL DISPUTES

Chora S.r.l., a company controlled by Prada's former Board Chairman, Carlo Mazzi, initiated a lawsuit in January 2022 against Prada in the Court of Milan claiming for a one-off compensation following the non-renewal of the strategic consulting agreement with Chora S.r.l..

Prada, taking into consideration the independent opinion of its legal counsels, considered reasonable a provision of Euro 10 million, which represents the best estimate at this time of the contingent liability. The Company will continue to monitor this case and will adjust the amount allocated for it at December 31, 2021, as necessary, in view of any new facts and/or circumstances.

OTHER RISK PROVISIONS

The Other risk provisions amount to Euro 46 million as at December 31, 2021 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 2021	December 31 2020
Deferred costs for lease payments	6,143	4,362
Deferred income for commercial agreements	116,661	104,000
Other non-current liabilities	223	2,392
Total	123,027	110,754

Deferred income for commercial agreements increased by Euro 12 million compared to December 31, 2020 as a result of amounts collected under commercial agreements whose effects on income are expected for more than 12 months.

30. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,118,855	2,262,759
Actuarial reserve	(5,708)	(8,151)
Fair value Investments in equity instruments reserve	(10,992)	(25,188)
Cash flow hedge reserve	(15,878)	(5,794)
Translation reserve	67,434	(3,359)
Net income/(loss) for the period	294,254	(54,139)
Total	3,113,894	2,832,057

SHARE CAPITAL

As at December 31, 2021, approximately 80% of PRADA spa's Share capital was 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, 2020.

TRANSLATION RESERVE

Changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve increased from Euro -3.4 million at December 31, 2020 to Euro 67.4 million.

OTHER RESERVES

The Other reserves amount to Euro 2,118.9 million as at December 31, 2021, down by Euro 143.9 million compared to December 31, 2020 mainly as a result of the 2020 loss and the distribution of dividends.

NET RESULT FOR THE PERIOD

The Group's net result for the twelve months ended December 31, 2021 is a profit of Euro 294.3 million (versus a loss of Euro 54.1 million for the twelve months ended December 31, 2020).

31. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The following table shows the changes in the Non-controlling interests during the years ended December 31, 2021 and December 31, 2020:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Opening balance	19,663	21,417
Translation differences	863	(1,526)
Dividends	(1,674)	-
Net income/(loss) for the period	849	(229)
Actuarial reserve	5	1
Capital reduction in subsidiaries	(141)	-
Sale of shares to the Group	(4,816)	-
Closing balance	14,749	19,663

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For a better understanding of the economical and operating performances of 2021, 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 2021	twelve months ended December 31 2020
Net sales	3,316,620	2,390,866
Royalties	49,047	31,873
Total	3,365,667	2,422,739

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 2021	twelve months ended December 31 2020
Purchases of raw materials and manufacturing services	497,841	417,119
Depreciation, amortization and impairment on tangible and intangible fixed assets	17,967	17,025
Depreciation and write-downs of the Right of Use assets	3,178	3,035
Labor cost	131,219	117,702
Short-term and low value lease (IFRS 16)	58	597
Logistics costs, duties and insurance	154,966	103,808
Change in inventories	13,080	20,075
Total	818,309	679,361

The incidence of the cost of goods sold on net revenues for the twelve months ended December 31, 2021 was 24.3%, a substantial decrease from the 28% of 2020. The improvement was due largely to economies of scale in the manufacturing division facilitated by the sales acceleration in 2021.

34. OPERATING EXPENSES

The Operating expenses are detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2021	% of net revenues	twelve months ended December 31 2020	% of net revenues
Product design and development costs	115,319	3.4%	102,232	4.2%
Advertising and communications costs	294,251	8.8%	206,848	8.5%
Selling costs	1,421,169	42.2%	1,259,827	52.0%
General and administrative costs	227,135	6.70%	154,410	6.4%
Total	2,057,874	61.10%	1,723,317	71.1%

The total operating expenses were Euro 2,057.9 million, up by Euro 334.6 million from those of 2020. The increase was attributable to the normalization of expenditure levels, which in 2020 had benefited to a greater extent from rent discounts and government incentives, and more communication activities.

The following table sets forth depreciation, amortization, impairment, cost of labor (net of the government subsidies for the Covid-19 pandemic) 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 2021	twelve months ended December 31 2020
Depreciation, amortization and impairment on tangible and intangible fixed assets	186,543	207,989
Depreciation and write-downs of the Right of Use assets (*)	423,043	440,875
Labor cost	617,862	548,056
Pure variable lease (IFRS 16)	173,730	127,830
Short term and low value lease (IFRS 16)	12,676	9,028

(*) 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 2021	twelve months ended December 31 2020
Interest expenses on borrowings	(9,239)	(10,239)
Interest income	2,591	1,954
Interest income / (expenses) IAS 19	151	212
Exchange gains / (losses) - realized	(4,117)	(2,501)
Exchange gains / (losses) - unrealized	(18,696)	(16,318)
Other financial income / (expenses)	(1,906)	(2,588)
Interest and other financial income / (expenses), net	(31,216)	(29,480)
Interest expenses on Lease Liability	(36,773)	(42,670)
Dividends from investments	160	277
Total financial expenses	(67,829)	(71,873)

The net financial expenses were Euro 67.8 million, down by Euro 4 million from those 2020. The decrease was due to less interest expenses, due to a smaller amount and time horizon, and less net bank borrowings. Higher foreign exchange net losses partially offset the overall decrease of financial charges.

36. TAXATION

Income taxes have the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Current taxation	151,210	22,636
Deferred taxation	(24,658)	(20,080)
Total	126,552	2,556

The income tax expense, net was Euro 126.6 million, corresponding to 30% of the pre-tax income.

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 2021
Group's weighted theoretical tax rate (calculated in absolute values on the basis of subsidiaries' pre-taxable income/loss)	26.7 %
Non deductible expenses, net of not taxable income	2.2%
Write-off of the deferred tax asset and utilization of tax losses carried forward	0.0%
Tax losses generated in the year on which no deferred tax assets were recognized	0.0%
Prior year taxes adjustments	0.1%
Withholding and other income taxes	1.0%
Effective tax rate of the Group	30.0%

The changes in Deferred tax assets and liabilities are set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Opening balance	222,638	214,869
Exchange differences	8,185	(10,889)
Deferred taxes on acquisition	-	(1,318)
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	4,247	(1,727)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	(1,740)	1,034
Other movements	(331)	590
Deferred taxes for the period in profit or loss	24,657	20,079
Closing balance	257,656	222,638

The Deferred tax assets and liabilities are classified by nature hereunder:

(amounts in thousands of Euro)	December 31, 2021		December 31, 2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	159,548	-	123,078	-
Receivables and other assets	1,767	1,510	1,177	1,548
Useful life of non-current assets	36,832	7,587	34,975	8,447
Deferred taxes due to acquisitions	-	12,462	-	12,699
Provision for risks / accrued expenses	16,465	394	13,135	429
Non-deductible / taxable charges/income	5,394	2,246	6,148	1,639
Deferred tax assets on rental contracts	43,515	423	40,630	504
Tax loss carryforwards	4,961	-	12,189	-
Derivative financial instruments	5,095	-	1,508	222
Long term employee benefits	10,421	3,327	10,911	2,262
Other	3,464	1,857	8,137	1,500
Total	287,462	29,806	251,888	29,250

The Tax loss carryforwards as of December 31, 2021, including those already recognized in the Group's financial statements, are detailed below:

(amounts in thousands of Euro)	December 31 2021
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 profit (or net loss) attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding.

	twelve months ended December 31 2021	twelve months ended December 31 2020
Group net income / (loss) in Euro	294,253,615	(54,138,620)
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	0.115	(0.021)

DIVIDENDS PER SHARE

The Board of Directors of the Company has proposed a final dividend of Euro 179,117,680 for the twelve months ended December 31, 2021 (Euro 0.07 per share).

During 2021, the Company distributed dividends of Euro 89,558,840 (Euro 0.035 per share), as approved at the General Meeting held on May 27, 2021 to approve the December 31, 2020 financial statements.

The dividends and the related Italian withholding tax due (Euro 4.7 million),

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

The dividends paid in the past three years are detailed hereunder:

	Financial statements ended December 31 2020	Financial statements ended December 31 2019	Financial statements ended December 31 2018
Total dividends paid (Euro)	89,558,840	-	153,529,440
Dividends per Share (Euro)	0.035	-	0.06
Date of approval by Shareholders' Meeting	27/05/2021	26/05/2020	30/04/2019
Date of payment	June 2021	-	May 2019

38. ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES

The average FTE (calculated through ratio between effective working hours and standard working hours) of the employees, by business division, is presented below:

(number of employees)	twelve months ended December 31 2021	twelve months ended December 31 2020
Production	2,829	2,838
Product design and development	936	946
Advertising and Communications	180	161
Selling	7,696	7,669
General and administrative services	931	934
Total	12,572	12,548

In 2021 new criteria for determining Full-Time Equivalents were adopted, which entailed revision of those published in 2020 in order to ensure correct comparison between the two periods.

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 2021	twelve months ended December 31 2020
Production	126,692	109,481
Product design and development	60,618	56,384
Advertising and Communications	19,682	15,456
Selling	440,189	390,248
General and administrative services	97,373	85,968
Total	744,554	657,537

The types of employee remuneration are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Wages and salaries	558,616	492,529
Post-employment benefits and other long-term benefits	37,804	34,368
Social contributions	116,067	102,828
Other	32,067	27,812
Total	744,554	657,537

DISTRIBUTABLE RESERVES OF THE PARENT COMPANY, PRADA SPA

(amounts in thousands of Euro)	December 31 2021	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	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	974,885	A, B, C	930,013	-	345,441
Fair Value reserve	(10,992)	-	-	-	-
Time Value reserve	618	-	-	-	-
Intrinsic Value reserve	(13,363)	-	-	-	-
Distributable amount	-	-	1,522,959	-	345,441

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.

Reserves for Euro 85 million are restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8. These reserves are subject to taxation in the event of distribution, on which deferred taxes had not been allocated as their distribution is not foreseen.

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, 2021 and December 31, 2020 are listed hereunder.

(amounts in thousands of Euro)	Average rate December 31 2021	Average rate December 31 2020	Closing rate December 31 2021	Closing rate December 31 2020
UAE Dirham	4.348	4.191	4.160	4.507
Australian Dollar	1.575	1.656	1.562	1.590
Brazilian Real	6.379	5.882	6.310	6.374
Canadian Dollar	1.484	1.529	1.439	1.563
Swiss Franc	1.082	1.070	1.033	1.080
Czech Koruna	25.646	26.451	24.858	26.242
Danish Kronor	7.437	7.455	7.436	7.441
GB Pound	0.860	0.889	0.840	0.899
Hong Kong Dollar	9.200	8.850	8.833	9.514
Japanese Yen	129.837	121.773	130.380	126.490
Korean Won	1,353.833	1,344.894	1,346.380	1,336.000
Kuwait Dinar	0.357	0.350	0.343	0.373
Kazakhstani Tenge	503.806	469.976	489.100	516.790
Moroccan Dirham	10.626	10.822	10.518	10.882
Macau Pataca	9.471	9.117	9.113	9.792
Mexican Peso	23.987	24.513	23.144	24.416
Malaysian Ringgit	4.903	4.792	4.718	4.934
New Zealand Dollar	1.673	1.756	1.658	1.698
Qatari Riyal	4.363	4.192	4.158	4.535
Chinese Renminbi	7.637	7.870	7.195	8.023
Romanian Leu	4.921	4.838	4.949	4.868
Russian Ruble	87.248	82.598	85.300	91.467
Saudi Riyal	4.440	4.282	4.254	4.603
Swedish Kronor	10.144	10.491	10.250	10.034
Singapore Dollar	1.590	1.573	1.528	1.622
Thai Baht	37.802	35.686	37.653	36.727
Turkish Lira	10.421	8.033	15.234	9.113
Taiwan Dollar	33.070	33.605	31.342	34.468
Ukrainian Hryvna	32.294	30.808	30.923	34.740
US Dollar	1.184	1.141	1.133	1.227
Vietnamese Dong	27,415.961	26,478.377	26,212.000	28,469.000
South African Rand	17.463	18.758	18.063	18.022

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, 2021 and December 31, 2020 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 2021	twelve months ended December 31 2020
Audit services	Deloitte & Touche spa	PRADA spa	508	450
Audit services	Deloitte & Touche spa	Subsidiaries	136	106
Audit services	Deloitte Network	Subsidiaries	1,129	1,066
Total audit fees to Deloitte Network			1,773	1,622
Other advisory services	Deloitte Network	PRADA spa	24	31
Other advisory services	Deloitte Network	Subsidiaries	69	111
Total non-audit fees to Deloitte Network			93	142
Total compensation to Deloitte Network			1,866	1,764

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, 2021

(amounts in thousands of Euro)	Directors' fees	Remuneration	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Paolo Zannoni	875	-	33	-	-	908
Miuccia Prada Bianchi	14,830	-	144	-	24	14,998
Patrizio Bertelli	14,830	-	144	1	24	14,999
Alessandra Cozzani	-	388	453	13	261	1,115
Lorenzo Bertelli	-	64	252	3	69	388
Stefano Simontacchi	50	-	-	-	2	52
Marina Sylvia Caprotti	53	-	-	-	8	61
Yoël Zaoui	64	-	-	-	10	74
Maurizio Cereda	70	-	-	-	3	73
Total	30,772	452	1,026	17	401	32,668

The Director's fees include the allocation of what was resolved by the Shareholders' Meeting on May 27, 2021 as well as the additional emoluments approved by the Board of Statutory Auditors due to the specific activities carried out by the Directors. During the year, remuneration was also paid to two former directors of the Group

(Carlo Mazzi for Euro 481,000 and Gian Franco Oliviero Mattei for Euro 77,000).
Remuneration of PRADA spa Board of Directors for fiscal year 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 FIVE HIGHEST PAID INDIVIDUALS

The Group's five highest paid individuals included two Board of Director members for 2021 and three Board Members for 2020. The total remuneration of the remaining three highest paid individuals in the twelve months ended December 31, 2021 and the remaining two highest paid individuals in the twelve months ended December 31, 2020 is set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Remuneration and other benefits	20,916	19,800
Bonuses and other incentives	12,099	8,250
Non-monetary benefits	593	-
Pension/social security, healthcare and TFR contributions	63	28
Total	33,671	28,078

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 2021	twelve months ended December 31 2020
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	2
Total individuals	3	2

SENIOR MANAGERS REMUNERATION

The remuneration of the Senior Managers is as follows:

(amounts in thousands of Euro)	twelve months ended December 31 2021	twelve months ended December 31 2020
Remuneration and other benefits	27,290	27,018
Bonuses and other incentives	16,978	9,894
Non-monetary benefits	2,197	1,976
Pension/social security, healthcare and TFR contributions	1,980	1,600
Total	48,445	40,488

There were 24 Senior Managers as of December 31, 2021, and 25 Senior Managers as of December 31, 2020.

The remuneration range of the Senior Managers is as follows:

	twelve months ended December 31 2021	twelve months ended December 31 2020
Less than HKD 4,000,000	9	13
between HKD 4,000,000 and HKD 8,000,000	6	7
between HKD 8,000,000 and HKD 16,000,000	5	3
between HKD 16,000,000 and HKD 50,000,000	2	-
more than HKD 50,000,000	2	2
Total individuals	24	25

The amounts included in the tables Remuneration of Board of Directors, Five Highest Paid Individuals and Senior Managers represent the amounts recognized in the profit or loss.

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, 2021, 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 real estate 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, 2021

(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	569	6	1,125	-	2,676	-	-	-
FILATI BIAGIOLI MODESTO S.P.A	-	-	-	-	2,877	-	-	-
SPELM SA	-	-	-	4,174	-	-	4,225	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	-	994	-	-
LUDO DUE S.R.L.	-	-	-	9,972	-	-	10,942	-
Chora Srl	-	4,711	-	-	433	-	-	-
Peschiera Immobiliare srl	-	-	-	3,294	41	-	3,869	-
Premiata Srl	2	-	-	-	234	-	-	-
Conceria Superior S.p.A.	1	-	-	-	1,351	-	-	-
Perseo srl	2	-	-	-	288	-	-	-
PA BE 1 S.r.l.	-	-	-	-	-	5,000	-	-
Al Tayer Group LLC	-	-	-	-	2	-	-	-
Al Tayer Insignia LLC	995	-	-	-	12	2,366	-	-
Danzas LLC	-	-	-	-	38	-	-	133
Al Sanam Rent a Car LLC	-	-	-	-	1	-	-	-
PRADA HOLDING S.P.A.	11	-	-	-	-	-	-	-
Orexis S.r.l.	-	18,000	-	74	-	-	81	-
PH-RE	-	149	-	231,046	-	-	256,219	-
Others	3	-	-	-	2	-	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	-	1,702
Total at December 31, 2021	1,583	22,866	1,125	248,560	7,955	8,360	275,336	1,835

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 PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Interest income	Interest expenses
Les Femmes Srl	-	5,455	-	11	-
CECCO BRUNA 2011 SRL	-	2	-	-	-
FILATI BIAGIOLI MODESTO S.P.A	-	3,777	36	-	-
SPELM SA	-	-	531	-	36
LUDO DUE S.R.L.	-	-	1,121	-	56
Ludo Tre S.r.l.	-	-	(1)	-	-
Chora Srl	-	-	856	-	-
Peschiera Immobiliare srl	-	42	530	-	35
Premiata Srl	-	70	707	-	-
Conceria Superior S.p.A.	-	11,972	64	-	-
Perseo srl	-	723	-	-	-
Al Tayer Group LLC	-	-	32	-	-
Al Tayer Insignia LLC	1,956	-	136	-	-
Danzas LLC	-	44	64	-	-
Al Sanam Rent a Car LLC	-	-	10	-	-
Luna Rossa Challenge NZ LTD	-	-	(12)	-	-
COR 36 New Zeland Branch Ltd	(275)	-	189	-	-
Luna Rossa Challenge Srl	4	-	(4)	-	-
Luna Rossa Challenge Srl (sponsorship)	-	-	21,232	-	-
COR 36 S.r.l.	1	13	(2)	-	-
COR 36 S.r.l. (sponsorship)	-	-	11,500	-	-
PRADA HOLDING S.P.A.	-	-	(4)	-	-
Orexis S.r.l.	-	-	74	-	1
PH-RE	-	-	18,845	-	2,414
Others	(10)	-	79	-	-
Total at December 31, 2021	1,676	22,098	55,983	11	2,542

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

The foregoing tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures", while the following transactions also fall 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 of two buildings in Aoyama, Tokyo for Prada and Miu Miu stores. The transactions reported for the twelve months ended December 31, 2021 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, 2021 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").

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.

The transactions with related party Orexis srl refer to the 2020 transaction in which PRADA spa 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 2021 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 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017 (*)
Net revenues	3,365,667	2,422,739	3,225,594	3,142,148	2,741,095
Gross margin	2,547,358	1,743,378	2,319,612	2,262,594	2,030,696
Operating income (EBIT)	489,484	20,061	306,779	323,846	315,878
Group net income	294,254	(54,139)	255,788	205,443	217,721
Total assets	6,959,011	6,527,927	7,038,439	4,678,812	4,739,375
Total liabilities	3,830,368	3,676,207	4,049,864	1,781,743	1,873,204
Total Group shareholders' equity	3,113,894	2,832,057	2,967,158	2,877,986	2,844,652

(*) 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 Ennepi Srl (*)	EUR	93	100	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
Luna Rossa Challenge Srl (*)	EUR	10	100	Grosseto	Italy	12/01/2021	Management sailing team
COR 36 Srl	EUR	10	100	Milan	Italy	12/01/2021	Event management 36th America's Cup
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	4,350	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	Sweden	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

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
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	32,124	100	Sibiu	Romania	04/15/2016	Manufacturing
Church Germany Gmbh	EUR	200	100	Munich	Germany	09/18/2018	Retail
Prada San Marino (*)	EUR	26	100	Falciano	San. Marino	04/15/2021	Retail
Americas							
PRADA USA Corp. (*)	USD	152,211	100	New York	U.S.A.	10/25/1993	Distribution/ Services/ Retail
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	86,592	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	340,000	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 P.R.C.	09/16/1993	Retail
PRADA Retail Malaysia Sdn. Bhd. (*)	MYR	1,000	100	Kuala Lumpur	Malaysia	01/23/2002	Retail
PRADA Singapore Pte Ltd (*)	SGD	1,000	100	Singapore	Singapore	10/31/1992	Retail
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
Prada Guam Llc	USD	0.001	100	Guam	Guam	02/04/2021	Retail
Prada Saipan Llc (*)	USD	1,405	100	Northern Marianas Islands	Saipan	01/20/2021	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/Dormant
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	146,246,570	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
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

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
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, 2021 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 S.r.l.	66.7	EUR	38,215	7,869	53,720	118	-
Prada Emirates Llc	29.4	AED	74,096	(12,746)	68,296	2,771	-
Prada Middle East Fzco	60	AED	102,841	44,133	66,641	724	-
Prada Kuwait Wll	29.4	KWD	17,919	2,945	23,314	993	-
Prada Saudi Arabia Ltd	75	SAR	18,832	5,106	14,832	351	-
Tannerie Limoges S.A.S.	60	EUR	9,158	123	5,926	(23)	-

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 Ennepi srl	90	EUR	5,771	1,898	-	(615)	-

There were 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 an agreement expiring on December 31, 2021 to develop the Prada and Miu Miu brands in the Middle East retail business (the "joint venture"). That agreement resulted in the establishment of subsidiary Prada Middle East fzco, followed by Prada Emirates llc and Prada Kuwait llc. At the date of approval of these Consolidated Financial Statements, Prada and Al Tayer were managing the joint venture under principles of ordinary administration while negotiating the expired contractual terms. Management is confident that through the negotiations the Prada Group can acquire full control of such companies upon the payment of an amount that does not differ significantly from the corresponding non-controlling interest in equity stated in the financial statements.

44. EVENTS AFTER THE REPORTING DATE

At the date of approval of these Consolidated Financial Statements, the Group has suspended its retail operations in Russia.

At December 31, 2021 the Group had assets of approximately RUB 7 billion in Russia (Euro 81 million at the year-end exchange rate), consisting mainly of tangible assets at 13 stores (10 Prada and 3 Miu Miu), working capital and cash assets. The net revenues realized in Russia in 2021 accounted for approximately 2% of the consolidated net revenues.

The ongoing conflict in Ukraine has resulted in a high volatility of the financial markets, a significant devaluation of the Ruble and a context of high uncertainty whose future potential effects on the Group's consolidated financial statements cannot be determined so far. The Management will continue to closely monitor the evolution of the business and legal scenario in order to ensure the correct valuation of the assets recognized in the consolidated financial statements of the Group.

Chora S.r.l. initiated a lawsuit in January 2022 against Prada spa; more details are provided in Note 28.

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.

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, 2021, 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, 2021, 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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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, which is unchanged compared to the previous year, allocated to the cash generating units (“CGUs”) identified by Management. 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, in light of the performance of certain retail businesses during the period, CGUs other than those which include goodwill were also tested for impairment.

In order to measure the recoverable amount of the tested CGUs, Management determined the “value in use” using present value techniques, whilst the “fair value less costs of disposal” method has been used for the impairment test carried out on the Church’s CGU, deemed by Management as the best approach for expressing the value of the tested assets. In this context, the fair value of the Church’s brand has been estimated by using the relief royalty method. No impairment losses have been identified as a result of the tests performed.

The determination of the recoverable amount of each CGU is based on estimates and assumptions made by Management using, among other, projected cash flows of the CGUs, appropriate discount rates (WACC), long-term growth rates (g-rate) and royalty rates for the Church’s brand fair value assessment.

Management also performed sensitivity analysis (some of which specifically related to 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.

In accordance with IAS 10 Management has considered the potential impacts arising from the Russia - Ukraine conflict commenced on February 24, 2022 as non-adjusting events occurred after the reporting period and has not accordingly taken them in account for the impairment test.

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 the CGUs and analyzed these methods and the related assumptions used by Management in the impairment test.

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;
- Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts, through sector data analysis (reports on the fashion and luxury industry) 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 Church's brand 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2021 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.

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.

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.



Marco Ricci
Partner

Milan, Italy
March 14, 2022



Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

**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, 2021, 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, 2021, 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.

- 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 the Group as at December 31, 2021, 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 the Group as at December 31, 2021 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 the Group as at December 31, 2021 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
Marco Ricci
Partner

Milan, Italy
March 14, 2022

This report has been translated into the English language solely for the convenience of international readers.

