PRADA

MILANO

DAL 1913

Annual Report 2019

PRADA spa
(Hong Kong Stock code: 1913)

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The first Prada store
Galleria Vittorio Emanuele II, Milan

THE PRADA GROUP

Miuccia Prada and Patrizio Bertelli

PRESENTATION

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

"Keen 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, has led us to interact with different cultural disciplines, at times apparently far from our own, allowing us to capture and anticipate the spirit of the times. Today this is no longer enough: we must be the agents of change, with the flexibility required to translate the demands of the market and society into tangible actions that inform our way to do business."

Miuccia Prada and Patrizio Bertelli

Mario Prada

PRADA GROUP HISTORY

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

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

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

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

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

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

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

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

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

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

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

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 **2003** Prada entered into a licensing agreement with Italian eyewear manufacturer Luxottica, a global leader in the eyewear industry which currently produces and distributes eyewear under the Prada and Miu Miu brands. Also in **2003** a new partership was established for the production of fragrances, which first release, Amber, was launched in 2004.

In **2006** Miu Miu moved its fashion show venue to Paris to better characterize its own brand identity.

The Prada phone by LG, the world's first touch screen 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, and obtained full ownership in 2018, thus entering the food industry with the acquisition of the historical Milanese patisserie founded in 1824.

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 industrial growth respecting the environment, leading to the inauguration of a new leather goods factory and the renovation of five factories in Tuscany and Umbria. In addition, 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** a restyling plan for Prada and Miu Miu stores was coupled with and a broad program of pop-up events was launched to further support retail activities. Also in 2017, the Prada Group was admitted to the Cooperative Compliance Tax Regime (introduced with Italian Law Decree 128 of 2015) with Italian Tax Authority.

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 the Prada Resort in New York, then in Shanghai in 2019.
Also in 2018, Prada officially began its adventure as the Title and Presenting Sponsor of the 36th edition of America's Cup and the Main Sponsor of the Luna Rossa team, Challenger of Record for the prestigious competition. Lastly, Miuccia Prada receives the Outstanding Achievement Award from the British Fashion Council for her outstanding contribution to creativity and to the global fashion industry.

In October **2019**, Prada obtained full control of the retail network through the acquisition of Fratelli Prada spa, the company responsible for operating the Prada monobrand stores in Milan under a franchising agreement effective for more than ten years.
In December, Prada spa and L'Oréal announced the stipulation of a long-term licensing agreement for the creation, development and distribution of Prada brand luxury cosmetic products. The agreement, effective from January 1, 2021, will enable to connect with a more extensive clientele worldwide and to maximize the brand potential and its already strong identity in the fragrance industry.

THE GROUP'S BRANDS

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

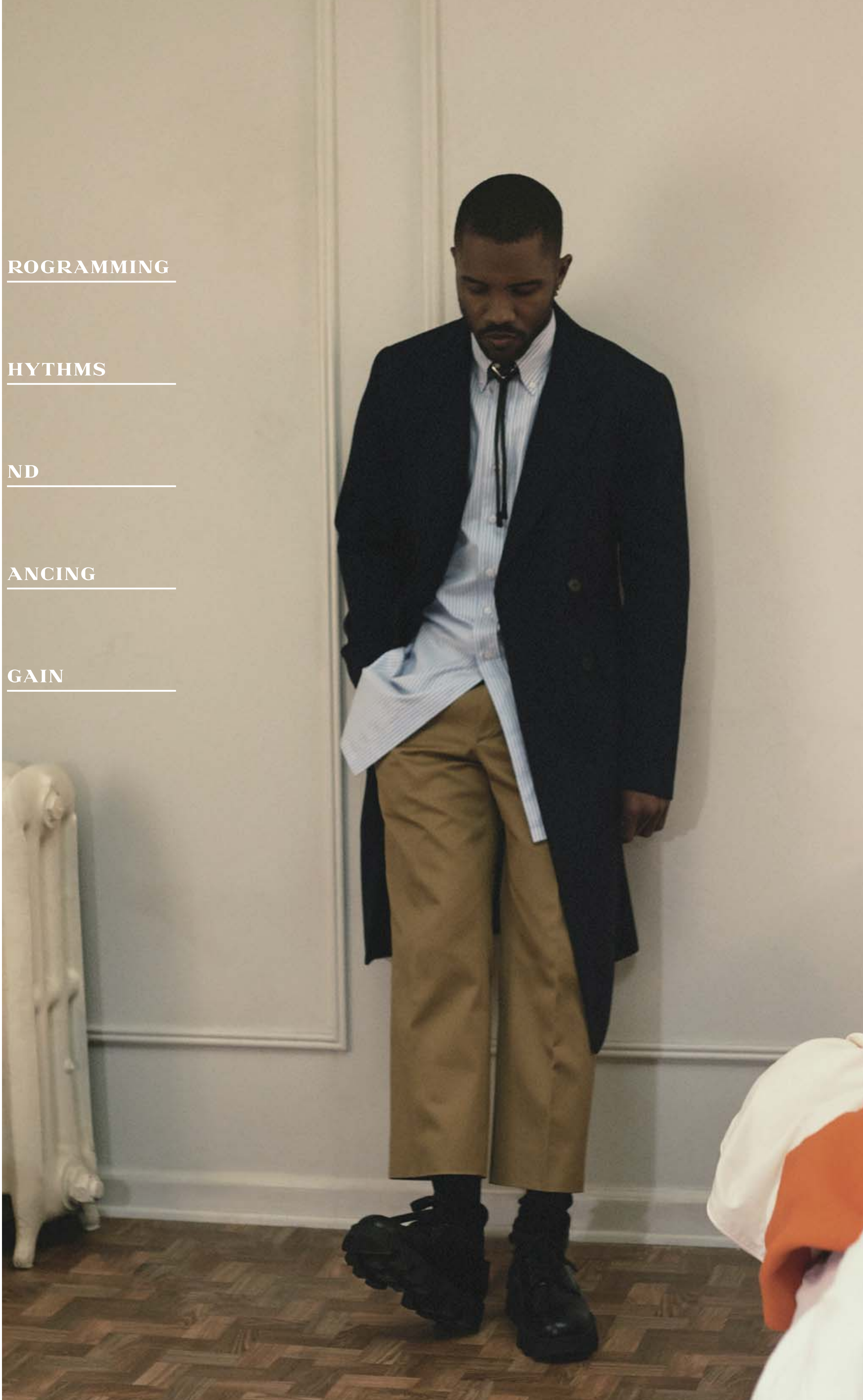
PRADA

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

POWERFULLY
REFINED
AND
DELICATELY
ASYMMETRICAL

Prada advertising campaign S/S 2020

P ROGRAMMING
R HYTHMS
A ND
D ANCING
A GAIN



Prada advertising campaign S/S 2020

MIU MIU

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

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

Right page
Miu Miu advertising campaign S/S 2020


St Ives, Cornwall, 2019
Church's
English shoes

CHURCH'S

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

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

left page
Church's advertising campaign S/S 2020


THE ORIGINAL
CAR SHOE
Patented in 1963

CAR SHOE

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

MARCHESI 1824

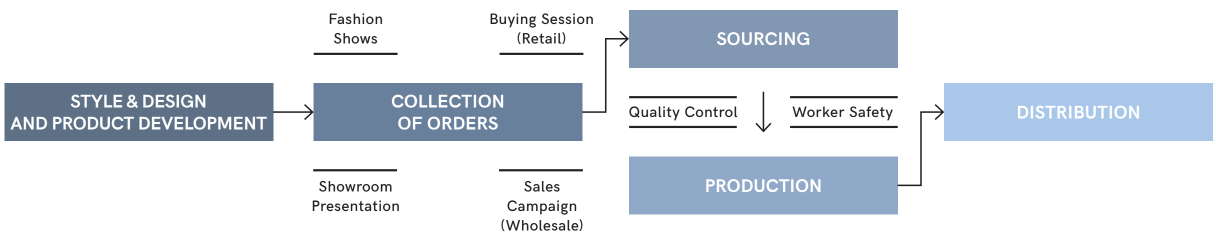
In keeping with its history and tradition, Marchesi 1824 is one of the oldest and most famous pastry shops in Milan, synonymous with excellence due to its products offered, particularly chocolate and Panettone, the typical Milanese cake.

left page
Car Shoe advertising campaign F/W 2019

Pasticceria Marchesi 1824
Galleria Vittorio Emanuele II, Milan

BUSINESS MODEL

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



CREATIVITY

Creativity is at the heart of the manufacturing process.

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

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

Prada's flair and the strong appeal of the Company's 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 involved at all stages of the creative process: from fashion design to manufacture, from architecture to communication and photography, from store interior design to all unique and special projects in which the Prada Group is involved.

RAW MATERIALS AND THE PRODUCTION PROCESS

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

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

Prada products are made at 22 manufacturing facilities owned by the Group (19 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania), and through a network of contract manufacturers which receive the raw materials, patterns and prototypes realized in-house and undergo thorough controls. This system, which enables close oversight of each step of the process and ensures high-quality workmanship, emphasizes the manufacturing excellence of each facility and guarantees significant flexibility in the organization of production.

Production employees have been working for the Prada Group for an average of 20 years; this ensures an extremely high level of specialization, in-depth knowledge, harmony with the Group’s unique concept, and the seamless transmission of production techniques and core values to younger generations.

DISTRIBUTION

The retail network is regularly revised and improved in order to offer a better customer experience.

Over the years, the Group has expanded its distribution network to 641 directly operated stores (“DOS”) in the most prestigious locations of the major international shopping destinations, consistent with the image, heritage and exclusivity of each brand. This extensive network, the subject of continuous research and renovation, is a true asset for the Group as it showcases the new collections and is the fulcrum of the omnichannel strategy. The DOSs serve as more than a primary sales function as they are also an important means of communication: they are the true ambassadors of the brand, conveying the image of each brand consistently and categorically. The DOS are integrated with the e-commerce strategy and allow the

Prada store
Pacific Place Mall, Hong Kong

Prada store
Shanghai IFC Mall, Shanghai

Prada store
Shanghai IFC Mall, Shanghai

Miu Miu store
Monte Carlo, Monaco

Miu Miu store
Monte Carlo, Monaco

Miu Miu store
Shanghai IFC Mall, Shanghai

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 for their prestige of location and enables direct, immediate comparison with other brands. At the same time, the Group's developments in the digital world have led to new important partnerships, including with top online retailers ("e-tailers").
The retail channel generates 82.8% of the Prada Group's consolidated sales while the wholesale channel accounts for the remaining 17.2%.

IMAGE AND COMMUNICATIONS

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

Meanwhile, as the media continues to showcase the Group's products on hundreds of covers of the world's leading fashion magazines and in the most influential dailies and weeklies, the visibility of Prada brands keeps on growing. Special events also help promote brand profiles and boost awareness of the most recent collections in local markets, especially in large cosmopolitan cities.

The primary importance that the Prada Group attaches to innovation is apparent in the continuous development of communications projects. The recent decision to focus its strategy on digital communications and social media has further helped to strengthen customer relationships and the brand positioning.

HUMAN RESOURCES

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

Working in an ever-evolving global market, the company hires and manages personnel by respecting and making the most of diversity in its broadest social and cultural aspects. At December 31, 2019 the Group had a workforce of 13,988 individuals from 105 different countries, with women making up 62%.

From the outset, Prada has encouraged and rewarded workplace skills, results orientation and teamwork. Employee enthusiasm and craftsmanship are the elements that underpin the innovation and quality of the products of the Group, which 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 physical and virtual place in which knowledge, techniques, and innovative ideas are shared and developed to cultivate talent and ensure the Group's future growth. The Prada Academy aims to develop human capital and convey professional expertise with projects, tools and training modalities diversified into three macro areas: Craftsmanship School, Retail Training and Corporate Training.

Educational paths related to industrial production take place at the Craftsmanship School through courses dedicated to acquisition of footwear, leather goods and clothing manufacturing know-how. The goal is the protection and conservation of the wealth of knowledge and expertise that characterize the Prada Group's typical artistry.

In the area of Retail Training, in addition to the daily support of experienced personnel, the activities conceived for the retail staff include institutional training courses designed to consolidate professional skills, knowledge of the product and the focus on the customer.

The professional training for members of the Corporate team is centered on courses geared toward the enhancement of technical and behavioral skills aimed at achieving more effective management of operational complexities.

The extensive, merit-based compensation and benefits system ensures fair and equal treatment in terms of gender, title and seniority, and makes the Prada Group a true equal opportunity employer. The Group's remuneration policy seeks to attract, reward and retain skilled personnel and expert managers, while bringing the interests of management into line with the primary objective of creating value for the medium/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.

Personal protection is of key significance to the Group: internal policies safeguard the health and safety of employees at all Company locations according to the highest standards and in full compliance with local and international regulations. In most locations (offices, warehouses and stores), these risks are limited. Manufacturing facilities present the greatest risk in terms of health and safety, but still to a small degree. Safety training and refresher courses, with an emphasis on industrial facilities, helped keep the number of accidents very low in 2019, as well as in previous years.

The Prada Group collaborates with trade unions to continuously improve the working conditions of its employees and to foster the medium/long-term well-being of its employees and respective communities. Over the years the Group has stipulated many supplementary agreements, especially in Italy, the United Kingdom and France, whereby it offers better benefits than those in the local collective bargaining agreements.

Thanks to the respect, dialogue and cooperation in place with Italian trade unions, no labor strikes occurred in the year, just as none occurred in 2018.

With regard to the working conditions of employees throughout the supply chain, the Company has identified some industrial supplier risks, for which it has adopted a Qualified Vendor List procedure. This tool defines the responsibilities and operational behaviors required in the assessment of the ethical, technical and financial reliability of the suppliers. Specifically for ethical issues, the accreditation and subsequent maintenance of a supplier’s qualification is based on compliance with Prada’s Code of Ethics and the collection of documents, statements and self-certifications that ensure compliance with the law on remuneration, social security, taxation, occupational health and safety, the environment, privacy and the governance model. In 2019 the Group launched an audit plan at the manufacturing locations of the suppliers and subcontractors in order to further control risks of human rights violations and poor working conditions.

ENVIRONMENT AND TERRITORY

The Prada Group feels responsible for engaging in and cultivating virtuous behaviors that contribute to its sustainable growth and are examples of good practice within its industry.

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 sqm, and almost all are located in Italy. Five of them are new constructions, three are the products of industrial archeology projects, and many more have been converted from sites long abandoned and in obvious disrepair.

For four of its largest industrial projects, Prada hired architect Guido Canali, Italy’s leading proponent of sustainable architecture. This relationship, initiated in the 1990s and still underway in a new, important phase, was developed while business ethics were being introduced voluntarily and spontaneously at a time in history in which the significance of adopting such values had not been realized yet. The Prada Valvigna factory, as well as the new logistic hub in Levanella, both in Tuscany, represent the synthesis of these principles: a structure that fits in well with the local environment, is capable of generating responsible and sustainable efficiency, and whose design is harmonious with its natural surroundings.

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


PRADA

Recently the Group has extended its commitment to reduce its environmental footprint by promoting responsible sourcing of raw materials and packaging materials, investing substantial amounts in long-term energy efficiency investment projects, and stipulating contracts to purchase renewable energy.

In 2019 the Group announced the Prada Re-Nylon campaign, an ambitious plan to fully replace its use of virgin nylon with that of regenerated nylon, employing one of the most iconic fabrics of its stylistic identity to show its commitment to a healthier environment.

The energy-efficiency action plan has set into motion a number of measures, including the construction of 10 photovoltaic power stations, the gradual replacement of all air conditioning and cooling systems with latest-generation technology, a campaign for the complete, definitive coverage of all lit spaces with low-energy LED lamps, and the installation of technologies to improve the recording and consequential reduction of energy consumption.

These measures have earned the Group 37 certifications from LEED (Leadership in Energy and Environmental Design, the world's most widely used system for green building assessment) for its factories and stores.

Participation in the Fashion Pact, which was signed on August 23, 2019 at the G7 Meeting in France, is a fundamental step for achieving significant impacts in terms of contrasting climate change, restoring biodiversity and protecting the oceans. By signing this historical Pact, which includes more than 50 leading fashion, luxury, fast-fashion and sportswear companies, the Group has undertaken to implement important activities that will mark the Company's environmental commitment in the years to come.

Prada Re-Nylon campaign 2019

SPECIAL PROJECTS

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

Prada's interest in architecture has always been evident in its aforementioned cutting-edge manufacturing sites, with the requalification and conversion of former factories into showrooms and offices, and development of revolutionary retail concepts.

Prestigious partnerships with some of the most influential architectural firms in the world have characterized the Group's history, especially in the retail area.

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, which continue to be a central part of Prada's image, have been the result of innovative thinking about the shopping concept, revisited and reinvented in order to create unique stores, where luxury goods, technology, design and architecture combine seamlessly with a vast range of exclusive services and sensory and audiovisual experiences. On occasion, the Epicenters host movie screenings, exhibitions, debates and other cultural events.

A recent project is the rehabilitation of Rong Zhai in 2017, a historic residence in downtown Shanghai, which has become a flexible venue for the Group's cultural events in China after a scrupulous, six-year restoration. The rehabilitation of Rong Zhai is the result of a fruitful partnership with Western architects, historians, and Chinese artisans and represents Prada's interest in the restoration of historic buildings.

The interests and the passions of Miuccia Prada and Patrizio Bertelli have led the Prada Group to support Fondazione Prada's activities in the fields of art and culture since 1993.

Fondazione Prada was created as a platform to conceive and develop art exhibitions along with architecture, cinema and philosophy projects.
The program of Fondazione Prada's headquarters in Milan, unveiled in 2015 and designed by the architectural firm OMA, included two temporary exhibitions, a new permanent project, an extensive film program, a music project and a dance event.

Among the most important projects of the year, it is worth mentioning the exhibition "Il sarcofago di Spitzmaus e altri tesori", a collaboration between Fondazione Prada and the Kunsthistorisches Museum in Vienna conceived by Film director Wes Anderson and illustrator and writer Juman Malouf. The project, which included 538 works of art and rare objects, was a reflection on the motivations behind the act of collecting and the ways in which a collection is preserved, presented and experienced.

“Il sarcofago di Spitzmaus e altri tesori” at Fondazione Prada, Milano.
Photo: Andrea Rossetti

In 2019 Fondazione Prada's Cinema continues its activity every weekend with a program that includes a wide variety of formats, visual languages and a series of special events and public meetings. For "Soggettiva" section, three film selections were presented by directors Nicolas Winding Refn, Pedro Almodóvar and artist John Baldessari, who shared the films that contributed to their cultural and intellectual education.

The second edition of the musical project "I WANT TO LIKE YOU BUT I FIND IT DIFFICULT", curated by Craig Richards, was presented in the external spaces of Fondazione Prada in Milan. The three events of this program explored a plurality of musical genres and languages hosting international artists.
Belgian choreographer Elie Tass created the dance project "Emergency Entrance". Conceived for the spaces of the Deposito, occupied by the temporary set of Prada Woman Spring/Summer 2020 fashion show, the choreography involved 15 dancers from Civica Scuola di Teatro Paolo Grassi in Milan.
In addition to the cultural activities, the educational program of "Accademia dei bambini" continued with new cycles of workshops conceived and curated by experts from different disciplines.

The program of Osservatorio, the exhibition space inaugurated in December 2016 in Galleria Vittorio Emanuele II and dedicated to photography, continued with two new exhibitions: "Surrogati. Un amore ideale" and "Training Humans". The latter, conceived by scholar Kate Crawford and artist Trevor Paglen, was the first major photographic exhibition dedicated to training images: repertoires of photographs used by scientists to teach artificial intelligence systems how to "see" and classify the world.

Presentation Event of "Soggettiva Pedro Almodóvar" at Fondazione Prada's Cinema.
Photo: Ugo Dalla Porta

"Training Humans" at Osservatorio Fondazione Prada.
Photo: Marco Cappelletti

"Jannis Kounellis" at Fondazione Prada, Venezia.
Photo: Agostino Osio - Alto Piano

Since 2011, the foundation has also been operating from its venetian venue, Ca' Corner della Regina, an eighteenth-century building that has hosted 8 research exhibitions and an experimental platform dedicated to cinema. In 2019, a large retrospective devoted to Jannis Kounellis and curated by Germano Celant was presented in this space. A selection of more than 60 works from 1959 to 2015 on loan from important museums and private collections in Italy and abroad explored the artistic and exhibition history of Kounellis.

Miuccia Prada's personal interest in cinema, as a contemporary form of art, has led to other invaluable collaborations such as the eighteen short films produced up to December 2019 entitled "The Miu Miu Women's Tales", in which female directors of international fame and different intellectual backgrounds were called upon to explore the world of women.

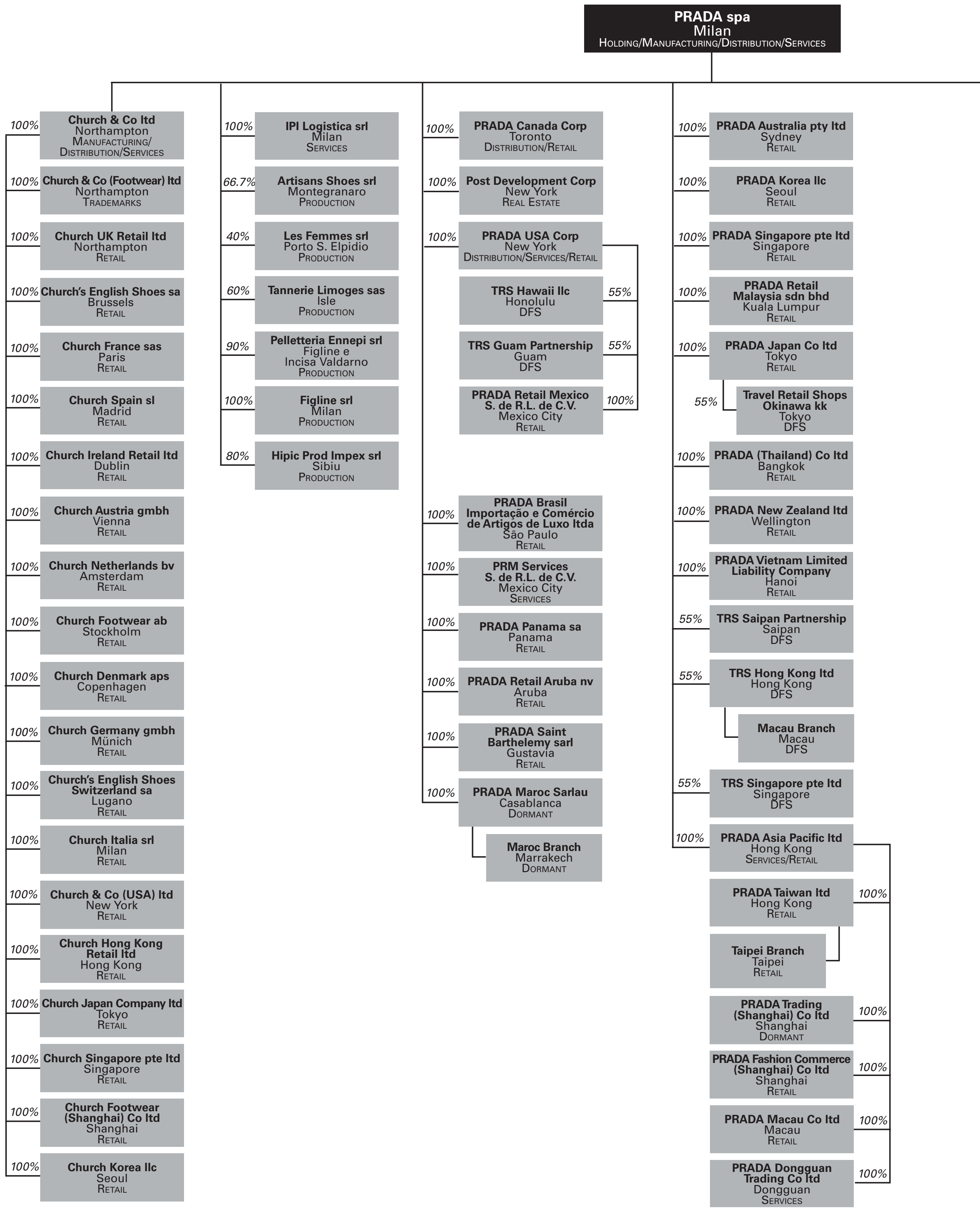
Moreover, interaction with the world of cinema has created various other partnerships with internationally renowned film directors, such as "The Delivery Man" (2018), created and directed by Ryan Hope and interpreted by Academy Award winner J.K. Simmons, "Past Forward" (2016) by Academy Award winner David O. Russell, "A Therapy" (2012) by Roman Polanski, and "Thunder Perfect Mind" (2006) by Jordan and Ridley Scott.

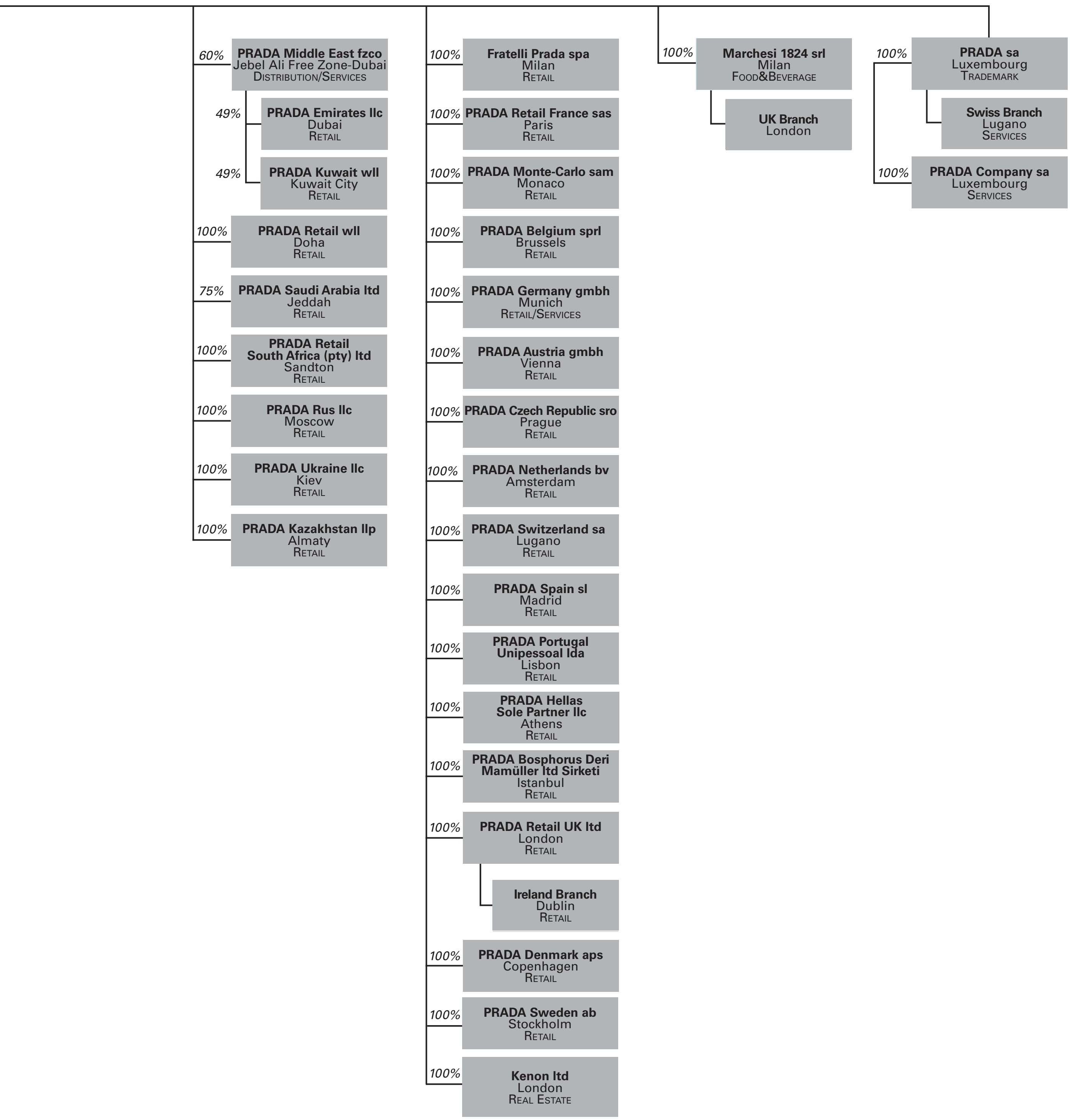
Last, but not least, in the area of high-profile sports, the Luna Rossa team sponsored by the Prada Group was a challenger in the America's Cup sailing yacht races of 2000, 2003, 2007 and 2013, winning the challenger selection regattas in 2000 and reaching the finals in 2007 and 2013. Having benefited from this experience, which made a huge contribution to the commercial success of the leisure life-style clothing and footwear lines and raised visibility of the Prada brand around the world, the Group has again secured the role of main sponsor of the Luna Rossa sailing team for the 36th America's Cup. The Group has also acquired the Title and Presenting Sponsor rights of the Prada Cup for the same competition.

right page
Luna Rossa - 36th America's Cup

PRADA
LUNA ROSSA
PIRELLI
PRADA
36TH AMERICA'S CUP
PRADA
AUCKLAND 2021

PRADA GROUP STRUCTURE




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

PRADA S.P.A. CORPORATE INFORMATION

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company Corporate web site	www pradagroup com
Hong Kong Stock Exchange Identification Number	1913
Board of Directors	Carlo Mazzi (*Chairman & Executive Director)* Miuccia Prada Bianchi *(Chief Executive Officer & Executive Director)* Patrizio Bertelli *(Chief Executive Officer & Executive Director)* Alessandra Cozzani *(Chief Financial Officer & Executive Director)* Stefano Simontacchi *(Non-Executive Director)* Maurizio Cereda *(Independent Non-Executive Director)* Gian Franco Oliviero Mattei *(Independent Non-Executive Director)* Giancarlo Forestieri *(Independent Non-Executive Director)* Sing Cheong Liu *(Independent Non-Executive Director)*
Audit Committee	Gian Franco Oliviero Mattei *(Chairman)* Giancarlo Forestieri Maurizio Cereda
Remuneration Committee	Maurizio Cereda *(Chairman)* Gian Franco Oliviero Mattei Carlo Mazzi

Nomination Committee	Gian Franco Oliviero Mattei *(Chairman)* Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi *(Chairman)* Roberto Spada *(Standing member)* David Terracina *(Standing member)*
Supervisory Board (Italian Leg. Decr. 231/2001)	David Terracina *(Chairman)* Gian Franco Oliviero Mattei Gianluca Andriani *(appointed on March 18, 2020 to replace Paolo De Paoli)*
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Authorized Representatives in Hong Kong	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Alternate Authorized Representative to Carlo Mazzi in Hong Kong	Sing Cheong Liu Flat A, 17/F Park Haven 38 Haven Street Causeway Bay, Hong Kong
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
Auditor	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

FINANCIAL REVIEW

BASIS OF PREPARATION OF FINANCIAL REVIEW

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

The tables reported in the Financial Review were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

In addition, with the first time application of the IFRS 16 starting from January 1, 2019, the Financial review includes a "2018 Pro-forma Consolidated Statement of Profit or Loss". This scheme represents an "alternative performance indicator" ("non-IFRS measures") and was prepared using estimates and assumptions, exclusively to facilitate comparison with the 2019 Consolidated Statement of Profit or Loss.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	twelve months period ended December 31, 2019	%	twelve months period ended December 31, 2018	%
Net Sales	3,183,339	98.7%	3,098,068	98.6%
Royalties	42,255	1.3%	44,080	1.4%
Net revenues	3,225,594	100%	3,142,148	100%
Cost of goods sold	(905,982)	-28.1%	(879,554)	-28.0%
Gross margin	2,319,612	71.9%	2,262,594	72.0%
Operating expenses	(2,012,833)	-62.4%	(1,938,748)	-61.7%
EBIT	306,779	9.5%	323,846	10.3%
Interest and other financial income / (expenses), net	(25,174)	-0.8%	(21,940)	-0.7%
Interest expenses on Lease Liability	(48,980)	-1.5%		
Dividends from investments	2,135	0.1%	632	0.0%
Total financial income/(expenses)	(72,019)	-2.2%	(21,308)	-0.7%
Income before taxation	234,760	7.3%	302,538	9.6%
Taxation	22,964	0.7%	(94,356)	-3.0%
Net income for the period	257,724	8.0%	208,182	6.6%
Net income - Non-controlling interests	1,936	0.1%	2,739	0.1%
Net income - Group	255,788	7.9%	205,443	6.5%
Basic and diluted earnings per share (in Euro per share)	0.100		0.080	
Depreciation, amortization and impairment on tangible and intangible fixed assets	233,759	7.2%	227,357	7.2%
Depreciation and write-downs of the Right of Use assets	456,310	14.1%	-	-
Total depreciation, amortization and impairment	690,069	21.4%	227,357	7.2%
EBITDA	996,848	30.9%	551,203	17.5%

KEY FINANCIAL INFORMATION

Key indicators (amounts in thousands of Euro)	December 31 2019	December 31 2018	Dec. 2019 vs. Dec. 2018
Net operating working capital	702,835	638,493	64,342
Net invested capital	5,809,417	3,210,574	2,598,843
Net financial position surplus/(deficit)	(405,544)	(313,505)	(92,039)
Group shareholders' equity	2,967,158	2,877,986	89,172
Average number of employees	13,779	13,197	582
Net Operating Cash Flows	362,365	365,108	(2,743)

2019 HIGHLIGHTS

2019 featured important strategical decisions that, relying on the innovation and excellence that consumers throughout the world associate with the Group's brands, led to obtaining important results under a long-term growth perspective.

Markdown sales (defined on page 12 in the non-IFRS measures) were eliminated at the directly operated stores, and a stricter policy was adopted in the wholesale channel, both in terms of geography and volumes. These decisions, in addition to a product offer that had cross-generational appeal, while remaining consistent with the brand identity, enabled to enhance the product value and optimize the control of pricing policies throughout the distribution channels. The growth of full-price retail sales and the positive market response represented important achievements of the whole action plan.

This result, which was particularly evident in the latter months of the year, enabled to completely absorb the reduction in revenues following the termination of markdown sales and ensuing from the social unrest in Hong Kong.

The Group's brands managed to attract prestigious partners for collaborations which included expanding the communication channel.

From a product standpoint, two capsule collections with high symbolic value are worth mentioning: "Prada Invites", held in April and May, and "Prada for adidas Limited Edition", held in November. Illustrious proponents of twenty-first century design collaborated on the "Prada Invites" project, coming up with a limited series of new articles in nylon, the brand's iconic material. "Prada for adidas Limited Edition" paid tribute to the heritage of the two brands and marked the beginning of an important business alliance for the two companies. Meanwhile, two new editions of "Prada Mode", the traveling social club focusing on contemporary

culture, came to life, first in Hong Kong and then in London. For Miu Miu, two new episodes of the Women's Tales film series were released.
Consumer interaction with such intensive creative work was the focus of a communication plan that invested considerable financial resources to ensure very extensive geographical and channel coverage of the communication content regarding products, the brand and the Group's profile in general.

Investments were made to complete important projects for bolstering the Group's image and its store network. A prestigious building was purchased in Madrid, strategic for securing a key location in the Spanish market, and the Milan-based related company Fratelli Prada spa was purchased, thanks to which the Group now fully controls the retail network all over the world. Important partnerships with leading technology suppliers were established to assist the marketing and merchandising processes.

Sustainability, which has become increasingly relevant for value creation, made significant progress during the year. A Diversity & Inclusion Advisory Council was set up, the Prada Re-Nylon capsule collection was created to announce the ambitious plan to transition from virgin nylon to regenerated nylon, and the Fashion Pact was signed, a commitment shared among the leading fashion companies to reduce the fashion industry's environmental footprint.

Last but not least, in 2019 the Patent Box Agreement was signed with the Italian Revenue Agency, under which the Group obtained a significant income tax benefit for the tax periods from 2015 to 2019
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ANALYSIS OF NET REVENUES

(amounts in thousands of Euro)		twelve months ended December 31 2019		twelve months ended December 31 2018	% change
Net Sales by geographical area					
Europe	1,228,437	38.6%	1,189,827	38.4%	3.2%
Asia Pacific	1,017,593	32.0%	1,035,061	33.4%	-1.7%
Americas	455,402	14.3%	426,184	13.8%	6.9%
Japan	386,066	12.1%	350,313	11.3%	10.2%
Middle East and Africa	94,423	3.0%	95,601	3.1%	-1.2%
Other countries	1,418	0.0%	1,082	0.0%	31.1%
Total Net Sales	3,183,339	100%	3,098,068	100%	2.8%
Net Sales by brand					
Prada	2,643,348	83.0%	2,558,108	82.6%	3.3%
Miu Miu	450,491	14.2%	453,476	14.6%	-0.7%
Church's	69,801	2.2%	69,079	2.2%	1.0%
Other	19,699	0.6%	17,405	0.6%	13.2%
Total Net Sales	3,183,339	100%	3,098,068	100%	2.8%
Net Sales by product line					
Leather goods	1,765,799	55.5%	1,756,288	56.7%	0.5%
Clothing	729,350	22.9%	666,187	21.5%	9.5%
Footwear	627,576	19.7%	616,263	19.9%	1.8%
Other	60,614	1.9%	59,330	1.9%	2.2%
Total Net Sales	3,183,339	100%	3,098,068	100%	2.8%
Net Sales by channel					
Net Sales of direct operated stores (DOS)	2,636,097	82.8%	2,532,004	81.7%	4.1%
Sales to independent customers and franchisees	547,242	17.2%	566,064	18.3%	-3.3%
Total Net Sales	3,183,339	100%	3,098,068	100%	2.8%
Net Revenues					
Net Sales	3,183,339	98.7%	3,098,068	98.6%	2.8%
Royalties	42,255	1.3%	44,080	1.4%	-4.1%
Total Net Revenues	3,225,594	100%	3,142,148	100%	2.7%

DISTRIBUTION CHANNELS

Retail net sales for the twelve months ended December 31, 2019 increased by 4.1% at current exchange rates and by 1.5% at constant exchange rates.

The comparison with the 2018 data is affected by the decision to phase out markdown sales from the initial months of 2019, which resulted in some Euro 110 million decrease in retail net sales. This business decision, taken within the scope of a broader strategy to enhance the exclusivity of the Group's brands, led to a progressive increase in the regular sales, which by the end of the year had gone up by +6.2% at constant exchange rates compared with the previous twelve-month period. The trend was particularly evident in the fourth quarter, when regular sales reached double-digit growth at constant exchange rates.

There were 641 stores at December 31, 2019, up by 5 stores from 2018. The increase reflected 21 closures, 22 openings and the 4 Prada stores in Milan acquired with the purchase of Fratelli Prada spa on October 29, 2019.
Net sales from the wholesale channel fell by 3.3% at current exchange rates and by 4.1% at constant exchange rates. The decrease was consistent with the decision to rationalize the network of independent clients, which was fully apparent in the second half of 2019.

MARKETS

The retail channel in Europe increased by 6.2% at constant exchange rates thanks to both local clientele and travelers and benefiting from the performance of full-price sales which grew by 10.5% at constant exchange rates compared with the twelve months ended December 31, 2018.
The wholesale channel reported a negative trend following the aforementioned rationalization decision.
The retail channel in Asia Pacific decreased by 3.7% at constant exchange rates, influenced by social turmoil in Hong Kong: excluding the impact from Hong Kong (i.e. eliminating the retail net sales of Hong Kong from the current and the comparative period), the retail net sales of the Asia-Pacific region rose by 2.9% at constant exchange rates. The full-price sales of the Asia Pacific region, excluding Hong Kong, grew by 8.8% at constant exchange rates compared to the twelve months ended December 31, 2018.
The wholesale channel showed a slight decline compared to the previous twelve months period ended December 31, 2018.
The retail channel in the American market, favored by positive trends with local customers, grew by 6.3% at constant exchange rates, thanks especially to the results of full-price sales (up by 10.9% at constant exchange rates).
On the contrary, the wholesale channel suffered from the financial strains experienced by some department stores.
The retail channel in Japan increased by 1.8% at constant exchange rates, supported by full-price sales which grew by 6.3% at constant exchange rates.
The retail channel in the Middle East decreased by 5.5% at constant exchange rates, but the performance of the full-price sales was positive, resulting in 1.8% growth at constant exchange rates compared to the twelve months ended December 31, 2018.

PRODUCTS

Clothing retail net sales increased by 9.1% at constant exchange rates. The growth for this product category, driven by the double-digit increase in full-price sales compared to the twelve months ended December 31, 2018, was clear for all the brands and in all the regions.

Leather goods retail net sales reported a decrease of 0.8% at constant exchange rates, whereas the footwear retail net sales were in line at constant exchange rates. Both segments were impacted by the termination of seasonal markdown sales, although the full-price sales performed well, particularly in the second half of the year compared to the same period of 2018.

The rationalization of the wholesale accounts affected mostly the leather goods division.

BRANDS

Prada retail net sales, supported by full-price sales that rose by 6.5% at constant exchange rates compared to the twelve months ended December 31, 2018, increased by 2.2% at constant exchange rates. All product categories grew at constant exchange rates in the retail channel, whereas the leather goods were slightly impacted by the wholesale trends.

Miu Miu retail net sales decreased by 2.2% at constant exchange rates compared to the twelve months ended December 31, 2018, showing anyway an improving performance along the period thanks to the trend of full-price sales which reported a growth of 5% compared to last year. The wholesale channel decreased compared to 2018, mainly in the leather goods division.

Church’s brand net sales grew by 1% at current exchange rates and were steady at constant exchange rates. Growth in the wholesale channel was offset by a slight decline in the retail channel (-2.7% at constant exchange rates).

“Other brands” consists primarily of net sales of Marchesi 1824 brand patisserie products, which had double-digit growth from the prior twelve-month period.

ROYALTIES

Licensed businesses generated royalty income of Euro 42.3 million, down by 4.1% at current exchange rates essentially as a result of a decline in the eyewear segment. In response to this decrease, the Group and the licensee are implementing a sales strategy more closely aligned with the demands of the local markets and better integrated with the brands.

NUMBER OF STORES

	December 31, 2019		December 31, 2018		December 31, 2017	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	410	19	398	25	394	25
Miu Miu	160	6	166	9	167	9
Church's	62	-	63	-	57	-
Car Shoe	3	-	4	-	4	-
Marchesi	6	-	5	-	3	-
Total	641	25	636	34	625	34

	December 31, 2019		December 31, 2018		December 31, 2017	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	229	-	226	4	229	4
Americas	107	-	111	-	112	-
Asia Pacific	198	20	195	25	184	25
Japan	85	-	81	-	79	-
Middle East and Africa	22	5	23	5	21	5
Total	641	25	636	34	625	34

OPERATING RESULTS

The gross margin remained consistent with that of 2018, whereas the operating expenses grew, resulting in slight drop in the EBIT margin: from 10.3% to 9.5%. A comparison of the EBIT margin with the 2018 Pro-forma Consolidated Statement of Profit or Loss (reported in the non-IFRS measures of this Financial Review) shows greater dilution as last year's profitability stood at 11.2%.

The operating expenses rose by Euro 74.1 million from those of 2018 and by Euro 98.8 million compared with the operating expenses reported in the 2018 Pro-forma Consolidated Statement of Profit or Loss. The change was impacted by foreign exchange losses amounting to Euro 46 million, as well as higher expenses for communications, attributable fundamentally to more events and media spending (some Euro 20 million), and labor costs, mainly due to the expansion of the sales force (some Euro 17 million).

(amounts in thousands of Euro)	twelve months ended December 31, 2019	% of net revenues	twelve months ended December 31, 2018	% of net revenues
Product design and development costs	127,379	3.9%	125,179	4.0%
Advertising and communications costs	231,011	7.2%	207,278	6.6%
Selling costs	1,470,101	45.6%	1,414,153	45.0%
General and administrative costs	184,342	5.7%	192,138	6.1%
Total Operating expenses	2,012,833	62.4%	1,938,748	61.7%

The financial expenses increased from Euro 21.3 million for the twelve months ended December 31, 2018 to Euro 72 million, due mainly to the recognition of interest expense relating to the adjustment of the present value of the Lease Liability (Euro 49 million for 2019). To a lesser extent, the overall increase was also impacted by net interest and other financial expenses, which grew as a result of a higher net financial deficit on average in the year compared to 2018.

The tax expense for the period benefited from income of Euro 102 million, i.e. the economic contribution recognized for the years from 2015 to 2019 pursuant to the participation in the Patent Box regime. In this respect, on July 1, 2019 PRADA spa and the Italian Tax Authority stipulated the agreement regarding the tax benefit regime for income deriving from the use of qualifying intangible assets.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NET INVESTED CAPITAL

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Right of Use assets	2,362,841	-
Non-current assets (excluding deferred tax assets)	2,670,839	2,700,098
Trade receivables, net	317,554	321,913
Inventories, net	712,611	631,791
Trade payables	(327,330)	(315,211)
Net operating working capital	702,835	638,493
Other current assets (excluding items of financial position)	244,341	208,085
Other current liabilities (excluding items of financial position)	(250,090)	(245,754)
Other current assets/(liabilities), net	(5,749)	(37,669)
Provision for risks	(49,484)	(51,310)
Post-employment benefits	(63,519)	(60,001)
Other long-term liabilities	(23,215)	(166,091)
Deferred taxation, net	214,869	187,054
Other non-current assets/(liabilities)	78,651	(90,348)
Net invested capital	5,809,417	3,210,574
Shareholder's equity – Group	(2,967,158)	(2,877,986)
Shareholder's equity – Non-controlling interests	(21,417)	(19,083)
Total Consolidated shareholders' equity	(2,988,575)	(2,897,069)
Long-term financial, net surplus/(deficit)	(583,766)	(487,431)
Short-term financial, net surplus/(deficit)	178,222	173,926
Net financial position surplus/(deficit)	(405,544)	(313,505)
Long-term Lease Liability	(2,005,761)	-
Short-term Lease Liability	(409,537)	-
Total Lease Liability	(2,415,298)	-
Net financial position surplus/(deficit), including Lease Liability	(2,820,842)	(313,505)
Shareholders' equity and net financial position	(5,809,417)	(3,210,574)
Net Financial Position to Consolidated shareholders' equity ratio	13.6%	10.8%

The introduction of IFRS 16 (described in the paragraph 3 of the Notes to the Consolidated Financial Statements) required recognizing the right to use the underlying assets of leases (Euro 2,363 million at December 31, 2019) as non-current assets, and the Lease Liability (Euro 2,415 million at December 31, 2019) as liabilities, with a consequent significant impact on the Group's main Statement of Financial Position amounts.

In addition, on January 1, 2019, when the new standard was adopted, the Right of Use assets were reduced by deferred lease liabilities (Euro 162.9 million) and increased by the net carrying amount of key money (Euro 94.5 million), as reported in the Notes to the Consolidated Financial Statements.

Taking this into account, the net invested capital at December 31, 2019 amounts to Euro 5,809 million (Euro 3,211 million at December 31, 2018), financed by net bank debt of about Euro 406 million, the aforementioned lease liabilities of Euro 2,415 million and the Consolidated shareholders' equity of Euro 2,989 million.

The capital expenditure is detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Retail	121,919	135,997
Real estate	60,351	-
Production, Logistics and Corporate	119,460	147,590
Total	301,730	283,587

Capital expenditure was invested in the retail area for carrying out store restyling and relocation projects and for opening 22 new stores in the period, and in the real estate area for purchasing a strategic retail building in Madrid, Spain. Other capital expenditures regarded bolstering the production and logistics structures in Italy, the IT area and corporate investments.

The net operating working capital is Euro 702.8 million, up by Euro 64.3 million compared with December 31, 2018. The change was almost entirely attributable to the higher level of inventories, mainly due to a temporary increase following the decision to reduce markdown sales.

The other current liabilities (net) at December 31, 2019 fell by Euro 31.9 million compared with December 31, 2018 mainly as a result of the recognition of the tax credit under the Patent Box regime and lower amounts due for capital expenditures.

The non-current liabilities (net) decreased in the period by Euro 169 million due essentially to the aforementioned reclassification of deferred lease liabilities (the non-current portion of Euro 142 million) used to reduce the Right of Use assets. The decrease in non-current liabilities (net) was also affected by an increase in deferred tax assets due to larger temporary differences between the statutory and consolidation values of inventory.

NET FINANCIAL POSITION

The following table provides details of the Group's net financial position:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Bank borrowing – non-current	(584,141)	(487,431)
Total financial payables – non-current	(584,141)	(487,431)
Financial payables and bank overdrafts - current	(241,464)	(421,481)
Payables to related parties - current	(3,387)	(4,415)
Total financial payables – current	(244,851)	(425,896)
Total financial payables	(828,992)	(913,326)
Cash and cash equivalents	421,069	599,821
Financial receivables from related parties - non-current	375	-
Financial receivables from related parties - current	2,004	-
Total Financial receivables and Cash and cash equivalents	423,448	599,821
Net financial surplus/(deficit), total	(405,544)	(313,505)
Net financial surplus/(deficit) excluding related party balances	(404,536)	(309,090)

The net operating cash flow for the twelve-month period, after the payment of the Lease Liability (Euro 447.5 million), was Euro 362.4 million and enabled to finance the period's capital expenditures of Euro 302.3 million, including the purchase of a building in Madrid (Euro 60.4 million).
The end-of-period net financial position, following the payment of dividends totaling Euro 154.6 million, is negative for Euro 405.5 million.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 31 2019
Short-term Lease Liability	409,537
Long-term Lease Liability	2,005,761
Total Lease Liability	2,415,298

The Lease Liability decreased from Euro 2,449 million at January 1, 2019 (when IFRS 16 was first adopted) to Euro 2,415 million mainly as a result of the payments during the period (Euro 497 million), net of remeasurements due to lease renewals (Euro 318 million) and interest on the present value adjustment of the liability (Euro 49 million). To a lesser extent, foreign exchange differences and the Fratelli

Prada spa acquisition also contributed to the change.
The Lease Liability is concentrated mainly in the U.S.A., Japan and Italy.

The net financial indebtedness, including lease liabilities, amount to Euro 2,821 million at December 31, 2019.

The total amount of undrawn lines of credit as at December 31, 2019 is Euro 717 million.

Further information on the maturity profile of debt and obligation of the Group, currency and interest rate structure, details of charge on Group's assets and contingent liabilities is set out in notes 21, 26 and 28 of the Notes of 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 the general economy. Accordingly, the Group's financial and business performance is exposed to global macroeconomic risks due to its international scale. An unfavorable global economy could adversely affect the propensity to spend on luxury goods having 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, and adverse natural events resulting in lower travel volumes have in the past, and could in the future, negatively impact the Group's operations, results, cash flow and financial condition.

The Group believes that full control of the value chain and a well balanced physical and digital retail presence in the global market enable to mitigate the risk that conditions such as these could influence significantly the business performance.

INTELLECTUAL PROPERTY RISKS

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

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

RISKS REGARDING IMAGE AND BRAND RECOGNITION

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

licensees, communications activities and the general corporate profile.
Preserving the image and prestige acquired by its brands is a primary objective of the Prada Group, pursued by monitoring meticulously each internal and external phase of the value chain and by constantly seeking innovation in styles, products and communications in order to convey messages that are always consistent with the strong brand identities.

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

The Group's success is reliant on its ability to create and define fashion and product trends, and to anticipate shifts in consumer tastes and luxury market trends in a timely manner.
The Group pursues those objectives through strong efforts dedicated to the creative activities of its design and product development departments. Approximately one thousand individuals work in such departments between the design area, where a mix of nationalities, cultures and talents contribute to creativity, and the development area, where craft skills combined with solid manufacturing processes enable the Group to continue to compete and keep abreast of emerging consumer trends and lifestyles.
Close collaboration with the world of art and culture serves as another fundamental way to understand changes in society and consumer patterns.

RISKS SPECIFIC TO THE PRADA GROUP

STRATEGIC RISKS

The possibility for the Group to improve its financial and business performance depends on the successful implementation of its strategy for each brand, which is achieved primarily through the continuous support and development of retail sales.
The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positioning accompanied by operations geared toward making the buying experience unique. The constant revamping of the store concept and layout, the digital evolution and the pursuit of new customer experiences aim to further expand the capacity to attract customers. 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 medium to long-term business development based on product quality, high-performance innovation and distribution and communication channels that are constantly evolving and in line with the needs of the new generations of consumers.

RISKS REGARDING THE IMPORTANCE OF KEY PERSONNEL

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business. Its success also depends on Prada's ability to attract and retain people who are qualified in the design, marketing, merchandising and distribution of the products.
The Group considers its management structure to be capable of ensuring business continuity, and has recently implemented a long-term incentive plan to retain key 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

While the Group designs, controls and produces in-house most of the prototypes, samples and most sophisticated work, it outsources the remaining production of the finished products to external manufacturers ("contract manufacturers") with appropriate expertise and capacity, and centralizes the management of all raw materials.
The Group has implemented a strict inspection and quality control process for all outsourced production and contractually requires its contract manufacturers to comply with all regulations on brand ownership and other intellectual property rights. Moreover, the Group demands compliance with applicable regulations concerning labor law, social security and occupational health and safety. The Group also requires its contract manufacturers to read the Prada Group Code of Ethics and comply with the principles set forth therein. Risk of contractual non-compliance is mitigated by a control system based on procedures that define internal responsibilities for the assessment of the suppliers' ethical, technical and financial soundness. In 2019 the Group launched an audit plan to verify the documentation received from the suppliers.

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.

The credit risk management for trade receivables is carried out by monitoring the reliability and solvency of customers, as well as through insurance agreements.

Concerning liquid assets, the risk of default substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing surplus operating cash flows. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparties (always investment grade), country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts. The Group considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of independent parties involved is fragmented.

LIQUIDITY RISK

Liquidity risk refers to difficulty that the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Corporate Finance management, which reports to the CFO, is responsible for optimizing financial resources.

The Directors consider the current funds and credit lines, in addition to those that will be generated by operating and financing activities, to be sufficient for enabling the Group to meet its requirements resulting from investing activities, manage working capital, make punctual loan repayments and pay dividends as planned.

TAX RISKS

The Group's tax risks, which could derive from compliance errors or incorrect interpretation of regulations, are constantly monitored within the scope of the internal control system, specifically in the tax control framework implemented by the Group.

The effectiveness of the tax risk management system has entitled Prada spa to participate in the Cooperative Compliance Tax Regime in Italy (under Italian Legislative Decree 128/2015). Within the Cooperative Compliance Tax Regime, the Group set up a systematic, continuous and open communication channel with the Italian tax authorities based on reciprocal transparency and trust, which enables to minimize uncertainties about the tax aspects of its business operations.
After its inclusion in the regime, the Italian tax authorities invited Prada spa to join the International Compliance Assurance Programme ("ICAP") promoted by the Organisation for Economic Co-operation and Development ("OECD"), starting with a first pilot commencing in 2018 followed by a second pilot, to which the Group formally confirmed its participation in December 2019. As part of the first ICAP pilot, the Group's participating companies shared extensive information with the tax authorities of their respective countries, i.e. Italy, the U.S.A., the U.K., Canada and Australia. Germany and the Netherlands were added to the second pilot.

LEGAL AND REGULATORY RISKS

The Prada Group operates in a complex regulatory environment and so is exposed to the following legal 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 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;
- changes in international tax rules applicable in the various countries where the Group operates;
- possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used.

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, thereby reducing legal and regulatory risk to an acceptable level. Monitoring activities are performed by divisional managers, audit activities, and special entities and committees such as the Supervisory Board, Internal Control Committee and Industrial Compliance 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 revenues, expenses, margins and profits. In order to hedge the foreign exchange risk, the Group enters into derivative contracts designed to fix the value in Euro (or other functional currency) of identified future cash flows. The future cash flows consist primarily of inflows of trade and financial receivables and outflows of trade payables. They refer mainly to PRADA spa, the Group's parent company and worldwide distributor of Prada and Miu Miu brand products.
The management of foreign exchange risk is described in more detail in the Notes to the Consolidated Financial Statements.

INTEREST RATE RISK

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

DATA PROCESSING RISK

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

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

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

OTHER INFORMATION

INFORMATION ON RELATED-PARTY TRANSACTIONS

Information on the Group's transactions and balances with related parties is provided in the Notes to the Consolidated Financial Statements, insofar as required by IFRS, and in the Board of 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 its statement of financial position. Although they are used by the Group's management, the measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare the Consolidated financial statements. Other companies operating in the luxury goods business might use the same measures, but with different calculation criteria, so 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.

The Prada Group, with the introduction of the new standard "IFRS 16 Lease", used the following non-IFRS measures in this Annual Report:

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

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

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

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

2018 Pro-forma Consolidated Statement of Profit or Loss: Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2018 ("IFRS Consolidated Statement of Profit or Loss 2018") adjusted following the application of IFRS 16. The adjustments, which represent the management's best estimate to facilitate comparison with the 2019 IFRS Consolidated Statement of Profit of Loss (prepared in accordance with IFRS standards), were obtained by applying criteria and assumptions in line with those adopted for the first time application of the new standard at January 1, 2019 and reported within the Notes to the Consolidated Financial Statements.

The "2018 IFRS Consolidated Statement of Profit or Loss" and the adjustments applied for the determination of the "2018 Pro-forma Consolidated Statement of Profit or Loss" are shown below

	IFRS		**Pro-forma**
(amounts in thousands of Euro)	**twelve months ended December 31 2018**	**adjustments**	**twelve months ended December 31 2018**
Net revenues	3,142,148	-	3,142,148
Cost of goods sold	(879,554)	(14)	(879,568)
Gross margin	2,262,594	(14)	2,262,580
Operating expenses	(1,938,748)	24,665	(1,914,083)
EBIT	323,846	24,651	348,497
Interest and other financial income / (expenses), net	(21,940)	-	(21,940)
Interest expenses on Lease Liability	-	(41,796)	(41,796)
Dividends from investments	632		632
Total financial income/(expenses)	(21,308)	(41,796)	(63,104)
Income before taxation	302,538	(17,145)	285,393
Taxation	(94,356)	5,347	(89,009)
Net income for the period	208,182	(11,798)	196,384
Depreciation, amortization and impairment on tangible and intangible fixed assets	227,357	(11,461)	215,896
Depreciation and write-downs of the Right of Use assets	-	435,916	435,916
Total depreciation, amortization and impairment	227,357	424,455	651,812
EBITDA	551,203	449,106	1,000,309

The comparison between the "2019 IFRS Consolidated Statement of Profit or Loss" and the "2018 Pro-forma Consolidated Statement of Profit or Loss" (as determined above) is shown below.

	IFRS		Pro-forma	
(amounts in thousands of Euro)	twelve months ended December 31 2019	%	twelve months ended December 31 2018	%
Net revenues	3,225,594	100%	3,142,148	100%
Cost of goods sold	(905,982)	-28.1%	(879,568)	-28.0%
Gross margin	2,319,612	71.9%	2,262,580	72.0%
Operating expenses	(2,012,833)	-62.4%	(1,914,083)	-60.9%
EBIT	306,779	9.5%	348,497	11.1%
Interest and other financial income / (expenses), net	(25,174)	-0.8%	(21,940)	-0.7%
Interest expenses on Lease Liability	(48,980)	-1.5%	(41,796)	-1.3%
Dividends from investments	2,135	0.1%	632	0.0%
Total financial income/(expenses)	(72,019)	-2.2%	(63,104)	-2.0%
Income before taxation	234,760	7.3%	285,393	9.1%
Taxation	22,964	0.7%	(89,009)	-2.8%
Net income for the period	257,724	8.0%	196,384	6.3%
Depreciation, amortization and impairment on tangible and intangible fixed assets	233,759	7.2%	215,896	6.9%
Depreciation and write-downs of the Right of Use assets	456,310	14.1%	435,916	13.9%
Total depreciation, amortization and impairment	690,069	21.4%	651,812	20.7%
EBITDA	996,848	30.9%	1,000,309	31.8%

The following table sets forth the EBIT and EBITDA:

	IFRS	IFRS	Pro-forma
(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018	twelve months ended December 31 2018
Consolidated net income for the period	257,724	208,182	196,384
Taxation	(22,964)	94,356	89,009
Total financial income/(expenses)	72,019	21,308	63,104
EBIT (Earnings before Interest and Taxation)	306,779	323,846	348,497
Depreciation, amortization and impairment	233,759	227,357	215,896
Depreciation and write-downs of the Right of Use assets	456,310	-	435,916
Total depreciation, amortization and impairment	690,069	227,357	651,812
EBITDA (Earnings before Interest, Taxation, Depreciation and Amortization)	996,848	551,203	1,000,309

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

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Net financial position surplus/(deficit)	(405,544)	(313,505)
Short-term Lease Liability	(409,537)	
Long-term Lease Liability	(2,005,761)	
Total Lease Liability	(2,415,298)	
Net financial position surplus/(deficit), including Lease Liability	(2,820,842)	

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

Free Cash Flow: Net Operating Cash Flow, net of cash flow utilized by investing activities.

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Cash Flow from operating activities	895,573	434,870
Cost of net financial debt: interest paid	(10,338)	(7,566)
Lease Liability: interest paid	(49,214)	-
Tax Paid	(26,126)	(62,196)
Net Cash Flow from operating activities	809,895	365,108
Repayment of Lease Liability	(447,530)	-
Net Operating Cash Flow	362,365	365,108
Net cash flow utilized by investing activities	(302,261)	(379,421)
Free Cash Flow	60,104	(14,313)

RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development activities are described within section "The Prada Group" of this Annual Report, especially in the paragraph on creativity. The design and product development costs for the 2019 twelve-month period amounted to Euro 127.4 million, as above reported in this Financial Review.

TREASURY SHARES

At December 31, 2019 the Group does not hold treasury shares, as reported in the section relating to the Report on Corporate Governance.

EVENTS AFTER THE REPORTING DATE

On February 23, 2020, the Prada Group announced that on April 2, 2020 Raf Simons will become the creative co-director of the Prada brand, working in partnership with Miuccia Prada with equal responsibility in terms of creative input and decision-making processes.

As reported in the PRADA spa Announcement dated March 1, 2020, the Company signed a sponsorship agreement with Challenger of Record 36 srl (COR 36), a related company in charge of organizing and managing the preliminary activities of the 36th America's Cup.

The agreement will ensure the Prada brand's visibility during the Prada Cup races and events, which will be organized adhering to the brand's quality standards. The contract provides for a financial commitment of up to Euro 23 million from the agreement date until the end of 2021.

OUTLOOK

The combination of investment and operational initiatives implemented over the past few years is now translating into brand heat and sales. The Group is sure that its commitment to ensuring outstanding quality standards as well as strengthening brand desirability has been the right choice to support profitable and sustainable long-term growth.

The start of 2020 has been very positive for the Prada Group until the end of January; unexpectedly, the Coronavirus outbreak has interrupted the growth trajectory. This is a huge and unprecedented event that will draw deeply on the sense of responsibility and the Group will do everything it can to help overcome this crisis together with its people and customers, which safety and the well-being are of the greatest importance. Full concern and support go to all the people who are facing these tough times.

Although it is difficult to forecast the evolution of the epidemic, the Group is expecting a negative impact on this year's results and it is implementing a comprehensive contingency plan to mitigate such effects, relying on its flexible supply chain and lean organization.

The soundness of the Group's financial structure gives Directors the confidence to overcome this exceptional moment and to be ready to capture the recovery.

Milan; March 18, 2020

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

CHAIRMAN

MAZZI, Carlo, aged 73, is the Chairman of the Board, first appointed on February 14, 2014 and most recently re-elected on April 27, 2018. He was first appointed to the Board in 2004 – who served mainly as Vice Chairman – until his appointment as Chairman of the Board. Mr. Mazzi holds directorships in subsidiaries of the Company. He holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., which are substantial shareholders of the Company. Mr. Mazzi obtained a degree "cum laude" (with praise) in Mechanical Engineering from the Bologna University of Italy in 1971 and obtained a master's degree in Business Administration from Bocconi University of Milan in 1976. Mr. Mazzi worked as a Manager of the Large Corporate department of IMI and San Paolo IMI Bank from 1994 to 2000. He was a board member of IBI International Business Advisors Investment N.V. - Amsterdam; Vice Chairman and Executive Committee Member of IBI Bank AG - Zurich; Board Member of IBI Corporate Finance B.V. - Amsterdam; Managing Director of IBI S.p.A. - Milan (financial intermediation ex art. 106 TUB) from 2000 to 2004. He is currently a board member of Chora S.r.l. - Milan (a service company) and an independent board member of Banca Profilo S.p.A. (a bank listed on the Italian Stock Exchange) since April, 2018 and Board member of Sammontana S.p.A. since May, 2019. He was previously a board member of IMI-ABN AMRO S.p.A. - Milan (focused on merchant banking), SAGO S.p.A. - Florence (an IT research company responsible for the management of health facilities), IMILEASE S.p.A. - Rome (a leasing company), Banca di Intermediazione Mobiliare IMI S.p.A. - Milan (now Banca IMI S.p.A.) (focused on investment banking), Tecnofarmaci S.p.A. - Pomezia (a research company in the pharmaceuticals industry), SIM S.p.A. - Rome (focused on project management) and Paros International Insurance Brokers S.r.l. - Milan (in the insurance brokerage sector). He is a member of the Remuneration Committee and Nomination Committee. Save as disclosed herein, Mr. Mazzi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

EXECUTIVE DIRECTORS

PRADA BIANCHI, Miuccia, aged 71, is a Chief Executive Officer of the Company. She was first appointed as the Chairperson of the Board on November 20, 2003 until February 14, 2014 and she was most recently re-elected as Executive Director on April 27, 2018. Ms. Prada holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., which are substantial shareholders of the Company. Ms. Prada received an Honorary Doctorate from the Royal College of Art (London) in 2000. Ms. Prada is a co-founder of our Group along with Mr. Patrizio Bertelli. Ms. Prada is the wife of Mr. Bertelli, one of our Chief Executive Officers, and is the mother of Mr. Lorenzo Bertelli. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, Patrizio, aged 73, is a Chief Executive Officer of the Company. He was first appointed to the Board on November 20, 2003 and was most recently re-elected as Executive Director on April 27, 2018. Mr. Bertelli holds directorships in subsidiaries of the Company. He holds directorship in PA BE 1 S.r.l., which is a substantial shareholder of the Company. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in October, 2000. Mr. Bertelli is a co-founder of our Group along with Ms. Miuccia Prada Bianchi. Mr. Bertelli is the husband of Ms. Prada, one of our Chief Executive Officers, and is the father of Mr. Lorenzo Bertelli. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

COZZANI, Alessandra, aged 57, is the Chief Financial Officer of the Company. She was first appointed to the Board as Executive Director on December 20, 2013 and she was most recently re-elected on April 27, 2018. She has been our Investor Relations Director since July 2010, responsible for managing financial communication and for relationships with investment community, and was further appointed as Chief Financial Officer on February 19, 2016. Ms. Cozzani holds directorships in subsidiaries of the Company. Ms. Cozzani joined our Group in 2000 and has covered different managerial roles within the Finance department. In 2003, she was appointed as Group Financial Reports Director. Ms. Cozzani obtained a degree "cum laude" (with praise) in Business Administration from the University of Genoa (Italy) in 1988. She started her career as an auditor at Coopers & Lybrand (1989 to 1995). Prior to joining our Group, she worked in

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

NON-EXECUTIVE DIRECTORS

SIMONTACCHI, Stefano, aged 49, has been appointed as Non-Executive Director of the Company on April 8, 2016 and most recently re-elected on April 27, 2018. On December 2018 Mr. Simontacchi has been appointed as President of BonelliErede Law Firm, a leading law firm in Italy, after being Managing Partner from 2013 to 2018. He has been on the firm's board since 2010. His practice focuses on international taxation, transfer pricing, tax planning, private equity, and tax aspects related to real-estate transactions, real-estate and equity funds, M&A and reorganisations. In addition, Mr. Simontacchi is a member of the EU Joint Transfer Pricing Forum (which assists and advises the European Commission on transfer pricing tax matters) and has authored widely on tax law, including for Il Sole 24 Ore (a leading, daily business newspaper). Mr. Simontacchi obtained a degree with praise (cum laude) in business administration from L. Bocconi University of Milan in 1995. In 2000, he obtained an Adv. LLM with praise (cum laude) in International Taxation from Leiden University. In January 2007, Mr. Simontacchi obtained his PhD in International Taxation from the Faculty of Law of Leiden University. In April 2015, Mr. Simontacchi was appointed as board member of RCS MediaGroup S.p.A., an Italian listed company, leader in the newspaper sector. In addition, he has been serving as board member 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. Save as disclosed herein, Mr. Simontacchi has not held any directorship in other listed companies in Hong Kong or overseas in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MATTEI, Gian Franco Oliviero, aged 74, was first appointed as Independent Non-Executive Director on May 28, 2009 and was most recently re-elected on April 27, 2018. Mr. Mattei obtained a degree in Economics from The Sapienza

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

FORESTIERI, Giancarlo, aged 73, was appointed to the Board first on May 31, 2007 and was most recently re-elected as Independent Non-Executive Director on April 27, 2018. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena (Italy) in 1970 and obtained a Specialization in Corporate Finance from the Scuola Mattei - ENI in 1971. From 1988 to 2016, Mr. Forestieri was Full Professor of Financial Markets and Institutions at the Bocconi University in Milan. Mr. Forestieri's professional experience includes serving as a member of the boards of directors of INA and Assitalia (from 1993 to 1994), Mediofactoring (from 1997 to 1999), Cassa di Risparmio di Parma e Piacenza (from 1996 to 1999 and then from 2003 to 2007 as the chairman of the board), Banca Intesa (from 1999 to 2006) and as a member of its executive committee (from 2000 to 2006), Alleanza Assicurazioni (from 2001 to 2007), Centrosim (from 1998 to 2003 where he was the chairman of the board) and Crédit Agricole Vita (from 2007 to 2013 as the chairman of the board). Mr. Forestieri is a member of the Italian Scientific Societies in the Fields of Finance and Management. Mr. Forestieri is a member of the Audit Committee. Mr. Forestieri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIU, Sing Cheong, JP, aged 64, was first appointed as Independent Non-Executive Director on May 9, 2011 and was most recently re-elected on April 27, 2018. He has been the Chairman of My Top Home (China) Holdings Limited, Chairman of Evergreen Real Estate Consultants Limited since 2001, Director of HKS Education Fund Limited ("HKSEF") since 2005 (HKSEF is a charitable institution which holds certain percentage of shares in Hongkong Sales (International) Limited ("HKSI"), an investment holding, knitwear manufacturing company), Non-executive Director of HKSI since 2005 and Non-Executive Chairman of Grosvenor Asia Pacific Limited since Nov 8, 2018, all of which are private companies. He served as an independent non-executive director of Swire Properties Limited from 2010 to 2018 (Swire Properties Limited was listed on the Stock Exchange of Hong Kong on January 18, 2012). Mr. Liu graduated from The Hong Kong Polytechnic in 1979 with an Advanced Higher Diploma in Surveying and from The Hong Kong University of Science and Technology in 1994 with a Master of Business Administration degree. He has been a fellow of the Royal Institution of Chartered Surveyors since 1994. Mr. Liu is a member of the Nomination Committee. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CEREDA, Maurizio, aged 56, has been appointed as Independent Non-Executive Director of the Company on April 27, 2018 and previously has been a Non-Executive Director since May 24, 2016. Mr. Cereda's practice focuses on providing consultancy services to entrepreneurs, family offices, companies and financial institutions. Since 2015, he has also been founding partner and board member of FIEE (Fondo Italiano per l'Efficienza Energetica) Sgr S.p.A. Mr. Cereda obtained a degree in business economics from L. Bocconi University of Milan in 1989. Mr. Cereda has been serving as board member of various companies listed on the Italian Stock Exchange including Technogym S.p.A. (since 2016), and Enervit S.p.A. (since 2007). Mr. Cereda started his career as an analyst in the equity capital markets division in Rasfin S.p.A. and then he worked fifteen years at Mediobanca S.p.A., till his appointment as deputy general manager and head of corporate finance covering large corporate clients, a role that he covered from 2007 to 2015. From 2007 to 2014, he was a board member of Mediobanca S.p.A., and from 2006 to 2014, he was also a board member of Ansaldo STS S.p.A., both companies listed on the Italian Stock Exchange. Mr. Cereda is the Chairman of the Renumeration Committee and a member of the Audit Committee. Save as disclosed herein, Mr. Maurizio Cereda has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

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

ANDRIANI, Gianluca, aged 45, has been appointed as Group Internal Audit and Risk Management Director in February 2020, replacing Mr. Paolo De Paoli who left the Group. 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 Petroli as Financial Statement Senior Analyst.

ANTONACCI, Nicola, aged 56, has been Southern Europe Regional Director since 2017. Mr. Antonacci is primarily responsible for overseeing the Group's operations in Italy, Spain, Portugal and Southern East Mediterranean Region. Mr. Antonacci joined our Group in 1996 and covered, until 2010, different managerial roles within the commercial and the collections development areas. Mr. Antonacci, from 2012 to 2015 served as Senior Vice President Prada Retail/Wholesale of Prada USA and from 2015 as Regional Director North America. From 2010 to 2011 he worked in Paris, as Men's Ready to Wear Director for Givenchy. Prior to joining our Group, he worked for Giorgio Armani S.p.A. and Hermes as store manager and visual merchandiser.

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

BERTONCINI, Francesca, aged 49, 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.

BOZZI, Bruno, aged 58, has been Prada Women's Ready to Wear Industrial Director since 2010. Mr. Bozzi is primarily responsible for the manufacturing of the woman's ready to wear collection of the Prada brand. He joined our Group in 1996 and undertook managerial roles in the planning and production of ready to wear for both Prada and Miu Miu brands. In 2009 he was appointed as Knitwear Division Director, a role which he is still covering. Prior to joining the Group he covered different roles in the production departments of a number of manufacturing companies.

BRINI, Giulio, aged 52, has been appointed as Miu Miu General Manager in April 2019. He is primarily responsible for overseeing worldwide operations and strategy of the Miu Miu brand. Mr Brini obtained a degree in Economics and Banking from the University of Siena, in 1993. He joined our Group in 1995 and before being appointed to his current position, he covered different managerial roles in commercial and industrial area, including Prada Retail Director.

BUSO, Daniele, aged 52, has been Prada Men's Ready to Wear Industrial Director since 2009. Mr. Buso is primarily responsible for the manufacturing of the men's ready to wear collection of the Prada brand. He obtained a high school diploma at Giulio Natta Technical High School in Padova in 1986. Mr. Buso joined our Group in 2004 as Operations Director for Jil Sander brand and in 2008 was appointed as Linea Rossa Ready to Wear Operations Director. He started his career in a Venetian fashion company before joining Gilmar in 1988. In 2001 he joined the Ferrè Group as Industrial Director.

CAROLA, Pablo, aged 52, has been Middle East and South Africa Regional Director since 2017. Mr. Carola is primarily responsible for overseeing the Group's commercial operations in the Middle East area, where he covers several managerial roles at the Company's subsidiaries and in South Africa. 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 48, 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 57, 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 47, has been Prada Australia General Manager since 2016. She is primarily responsible for overseeing the Group's commercial operations in Australia and New Zealand. Ms. Clark graduated from Sydney's exclusive Kincoppal-Rose Bay School. Ms. Clark had an extensive career at leading Department store David Jones in Sydney (1999 - 2016) where she most recently held the position of General Manager Womenswear. Ms. Clark was elected as a judge for the prestigious International Woolmark Fashion Awards in Milan 2014, Bejing 2015 and New York 2016.

COVIELLO, Letizia, aged 52, 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.

FAYARD, Pierre, aged 57, has been North America Regional Director since September 2017. He is primarily responsible for overseeing the Group's operations in USA and Canada, where he covers several managerial roles at the Company's subsidiaries. Mr. Fayard obtained a degree in Business Administration from Paris Business School in 1984. He joined our Group in 2011 as Regional Director for the Middle East area and South Africa. Prior to joining our Group he worked for almost twelve years for the LVMH Group, covering different managerial roles at Sephora International, Sephora Middle East, Sephora UK and Sephora Europe.

GRECO, Enzo, aged 54, has been Group Information Technology Director since December 2014. He is primarily responsible for the management of the Group's information technology system. Mr. Greco obtained a degree in Mathematics, from the University of Florence (Italy) and a master's degree in Business Administration "cum laude" (with praise) from SDA Bocconi University in Milan (Italy) in 1996. He started his career as IT Director for Federazione Toscana BCC in Florence (1997-2001). Later he was responsible for Outsourcing Application Management Contract in Infogroup Spa, Bank Group in Florence (2002-2005). He worked for eight years for Esselunga Spa in Milan as IT Director managing the whole group's Information System.

LOUIS, Marie Celine Florence, aged 40, has been appointed as General Manager for France, Belgium and Principality of Monaco in September 2018. She is primarily responsible for overseeing the Group's commercial activities in France, Belgium and Principality of Monaco. Ms. Louis joined our Group in 2015 as General Manager for Hong Kong. After the Master Degree at the EDHEC Business School in France, she joined the Christian Dior Couture as management trainee and then became the Retail Manager in Australia and also in China (2002 - 2009). In 2009, Ms. Louis moved to Chanel Fashion China as Retail Manager and in 2011 she joined Prada China as Retail Operations Manager where she stayed untill 2014. From 2014 to

2015 she worked for Saint Laurent China as General Manager.

LUPAS, Domnica Alexandra, aged 47, has been Central Europe Regional Director since 2012. She is primarily responsible for overseeing the Group's operations in Germany, Austria, Switzerland and Czech Republic area, where she covers several managerial roles at the Company's subsidiaries. Ms. Lupas joined our Group in 1997 and has covered different managerial roles within the Group. In 2005, she was appointed as Administration, Finance and Control European Retail Subsidiaries Director. Ms. Lupas obtained a degree in International Business Administration from the European Business School in London in 1996.

MARSICOLA, Alessandra, aged 60, 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.

MANZATTO, Denni, aged 35, has been appointed as Group Commercial Director in September 2019. He is responsible for the commercial development of the wholesale channel of Prada, Miu Miu and Car Shoe brands and of the eyewear and fragrances licenses. Moreover, he directly manages Prada wholesale channel. Mr. Manzatto obtained an Executive Master in Business Administration at INSEAD in 2018. He joined our Group in 2013 and, before being appointed to his current position, he covered different roles in retail/collection merchandising, operational marketing, e-commerce and licensing areas.

NOSCHESE, Marcelo, aged 55, has been Latin America Regional Director since 2017. He is primarily responsible for overseeing the Group's operations in Central America, South America (since 2011) 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).

RASTRELLI, Stefano, aged 57, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He first joined the PRADA Group in 2007 to manage the human resources of the Industrial Departments and subsequently extended also to the Commercial Departments. Prior to joining our Group he worked for almost twenty years for the Fiat Group, covering different managerial roles within the Fiat Group for different branches in Italy and abroad (Argentina, Brazil). From 2005 to 2007 Mr. Rastrelli was in Spain as Human Resources Director for GKN Driveline.

ROMANO, Anthony, aged 53, has been Church Group Chief Executive Officer since 2017. Mr. Romano is primarily responsible for overseeing worldwide operations and strategy of the Church Group and the Car Shoe brand. He joined the Group in 2013 as Regional Director for the South East Mediterranean area. After his bachelor's degree in Business in New Zealand, he was employed at Deloitte & Touche and then at Timberland Europe before working for almost ten years for Calvın Kleın Europe (1995 - 2004) where he became C.E.O. and Managing Director. From 2004 to 2007, he was General Manager and Company Director of Luna Rossa Challenge for the 2007 America's Cup. He was partner of ADR - fashion and sport strategic consultancy company, from 2008 to 2013.

SESIA, Davide, aged 52, has been Japan and Hawaii Regional Director since February 2004. He is primarily responsible for overseeing the Group's operations in Japan, Guam, Saipan and Hawaii area, where he covers several managerial roles at the Company's subsidiaries. Mr. Sesia obtained a degree in Business Administration from the University Cattolica del Sacro Cuore of Milan in 1991. He joined our Group in 2000 as Representative Director and Chief Financial Officer of Prada Japan. Prior to that, he was Chief Financial Officer and Director of Benetton Japan and Managing Director of Benetton Korea Ltd (1997 - 2000).

TAO, Yu Hua Irene, aged 53, 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 53, has been Asia Pacific Regional Director since 2012. Mr. Tolomelli is primarily responsible for overseeing the Group's operations in the Asia Pacific region, where he covers several managerial roles at the Company's subsidiaries. Prior to this appointment Mr. Tolomelli has been our Group Controlling Director since joining our Group in July 2005. Prior to joining our Group, he spent fourteen years working for the Barilla Group, covering various roles including Financing Office Manager, Divisional Business Controller, Business Controller for South Eastern Europe, Group Controller of Wasa in Stockholm, Sweden (1999 to 2001), Finance Manager International Business Development of the Bakery Division (2001) and Corporate Controlling Director of Kamps in Düsseldorf, Germany (2002 to 2005). He graduated in business economics from University of Parma (Italy) in 1989.

WANG, Chen-Chen, aged 47, has been China General Manager since 2019. She is primarily responsible for overseeing the Group's commercial operations in China, where she covers several managerial roles at the Company's subsidiaries. She joined our Group in 2015 as Miu Miu Retail Director. Ms Wang obtained a Masters Degree in Science from Auburn University. She started her career at Guilford Mills New York (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 57, 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 43, has been Russian area Regional Director since 2013. Ms. Zenkovskaya is primarily responsible for overseeing the Group operations in Russia, Kazakhstan and Ukraine, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazakhstan. Prior to joining our Group in 2011 as Russia Country Manager, she worked within the beauty sector (L'Oreal, Temtrade) in marketing and retail areas. From 2006 to 2011, she covered several managerial roles in Russia and Ukraine for Louis Vuitton.

ZHU, Liang Jimmy, aged 34, has been General Manager for Hong Kong and Macau since 2018. He is primarily responsible for overseeing the Group's commercial operations in Hong Kong and Macau. Mr. ZHU obtained the degree in Commerce at the Macquarie University (Australia). He worked in Japan and Taiwan from 2004 to 2007 and then moved to Australia to start his career as Brand Manager at Giorgio Armani. Then he moved to Taiwan in 2013 to join Prada Taiwan as Retail Operations Manager for Prada and Miu Miu. In 2016, he became the Country Manager of Macau.

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

COMPANY SECRETARY

ALBANO, Patrizia, aged 66, is the joint company secretary of the Company. Ms. Patrizia Albano has been the Head of Corporate Affairs since September 2008 and is responsible for monitoring general legal compliance. Ms. Albano obtained a degree in Law from the University La Sapienza of Rome in 1979 and was admitted to the Bar Association (Ordine degli Avvocati di Roma) in 2006. She started her career as an in-house legal advisor at the Istituto Mobiliare Italiano S.p.A. from 1981 to 1999 and then worked as Head of the Large Corporate Division central legal office of San Paolo IMI S.p.A. until 2000. She has also worked as General Counsel of IBI (now Alerion Clean Power S.p.A.), and as Company Secretary of Risanamento Napoli S.p.A. and Fincasa S.p.A., both of which are listed companies on the Italian Stock Exchange. In 2002, Ms. Albano became the General Counsel and Company Secretary of a private company active in services provision, property and facility management and renewable energy. She then worked at an Italian law firm, Studio Legale Carbonetti, from 2003 to 2007, and also founded her own private practice law firm, Albano Baldassari, in 2007 before joining our Company in 2008. Ms. Albano has been Chairman of the Board of Statutory Auditors of Artemide Italia S.r.l., a member of the Board of Statutory Auditors in Artemide Group S.p.A. and Artemide S.p.A. since May 2014. In 2017 she was appointed as Board member of FinecoBank S.p.A. and in April 2018 she was appointed as Independent Board member of Piaggio & C. S.p.A., both companies listed on the Italian Stock Exchange. Ms. Albano also served as board member of Cassa di Risparmio di Rimini S.p.A. from April to November 2015, of Mediacontech S.p.A. from June to December 2016 and as Chairman of Gruppo Moda, Design e Arredo of Assolombarda (Association of Industrial provinces of Milan, Lodi, Monza and Brianza) from February 2015 to December 2017. Ms. Albano is the wife of Mr. Carlo Mazzi, the Chairman of the Board of our Company. Save as disclosed herein, Ms. Albano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YUEN, Ying-kwai, aged 53, is the joint company secretary of the Company. She is responsible for corporate secretarial duties. Ms. Yuen joined our Group and was appointed joint company secretary in May 2011. Ms. Yuen has over 25 years of working experience in the corporate secretariat and compliance areas of sizeable organizations and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now Lingnan University) in 1988. Ms. Yuen holds a master's degree in Business Administration (Executive) from City University of Hong Kong, awarded in 2003. Ms. Yuen has been a fellow of both the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators (now The Chartered Governance Institute), UK since 2001. Ms. Yuen was the past member of each of the Membership Committee of HKICS (2016-2019) and the Company Secretaries Panel of HKICS (2012 - 2015). Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

Further discussion and analysis of these activities as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Company, a discussion and analysis of the Group's performance during the year ended December 31, 2019 (the "Reviewed Period") and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, is set out in the Financial Review section of this annual report. Particulars of important events affecting the Company that have occurred since the end of the reporting period is set out in note 44 to the Consolidated financial statements. These discussions form part of this directors' report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

EMPLOYEES

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

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

As of December 31, 2019 the Group had 13,988 employees (headcount), of whom 38% work in Italy, showing a 3.2% growth compared to the previous financial year.

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

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

CUSTOMERS

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

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

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

SUPPLIERS

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

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

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

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

SHAREHOLDERS

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

An analysis of the Group's environmental policies and performance and of the relationships with key stakeholders (employees, customers, suppliers and shareholders) will be included in the Group's Social Responsibility Report 2019, which will be published in due course.

RESULTS AND DIVIDENDS

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

The Board recommends, for the Reviewed Period, a final dividend of Euro 51,176,480 (or Euro 0.02 per share). The payments shall be made:

(i) in Euro to the shareholders recorded in the section of the Company's shareholders register kept by the Company at its registered office in Milan (Italy), and

(ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong. The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day the final dividend is approved by the shareholders.

The final dividend will be subject to approval by the shareholders at the forthcoming shareholders' general meeting of the Company to be held on Tuesday, May 26, 2020. The shareholders recorded on the Company's shareholders register on Friday, May 22, 2020, will be allowed to attend and vote at the shareholders' general meeting of the Company.

In order to qualify to attend and vote at the shareholders' general meeting of the Company, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself, or

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

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Thursday, May 21, 2020. The Company's shareholders register (both sections) will be closed from Friday, May 22, 2020 to Tuesday, May 26, 2020, both days inclusive, during which period no share transfer can be registered.

Subject to the shareholders' approving the recommended final dividend, such dividend will be paid on Wednesday, June 24, 2020.

The final dividend will be paid to shareholders recorded on the Company's shareholders register on Tuesday, June 2, 2020.

In order to qualify for the payment of the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar, or

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

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Monday, June 1, 2020. The Company's shareholders register (both sections) will be closed on Tuesday, June 2, 2020, during which no share transfer can be registered.

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

FIVE-YEAR FINANCIAL SUMMARY

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

RESERVES

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

DISTRIBUTABLE RESERVES

As at December 31, 2019, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to Euro 846.9 million.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

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

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

CAPITAL GAINS TAX IN ITALY

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

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

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2019, are set out in Note 42 to the Consolidated financial statements.

DIRECTORS

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

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

NON-EXECUTIVE DIRECTORS
Mr. Stefano SIMONTACCHI

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

In accordance with the by-laws of the Company, the Board of Directors was appointed by the shareholders' general meeting on April 27, 2018 for a period of three financial years. Therefore, the Board's mandate will lapse on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending December 31, 2020. The Directors may be reappointed.

BIOGRAPHICAL INFORMATION OF DIRECTORS

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

DIRECTORS' PERMITTED INDEMNITY

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

MANAGEMENT CONTRACT

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2019, the Directors (including the Chief Executive Officers) of the Company held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

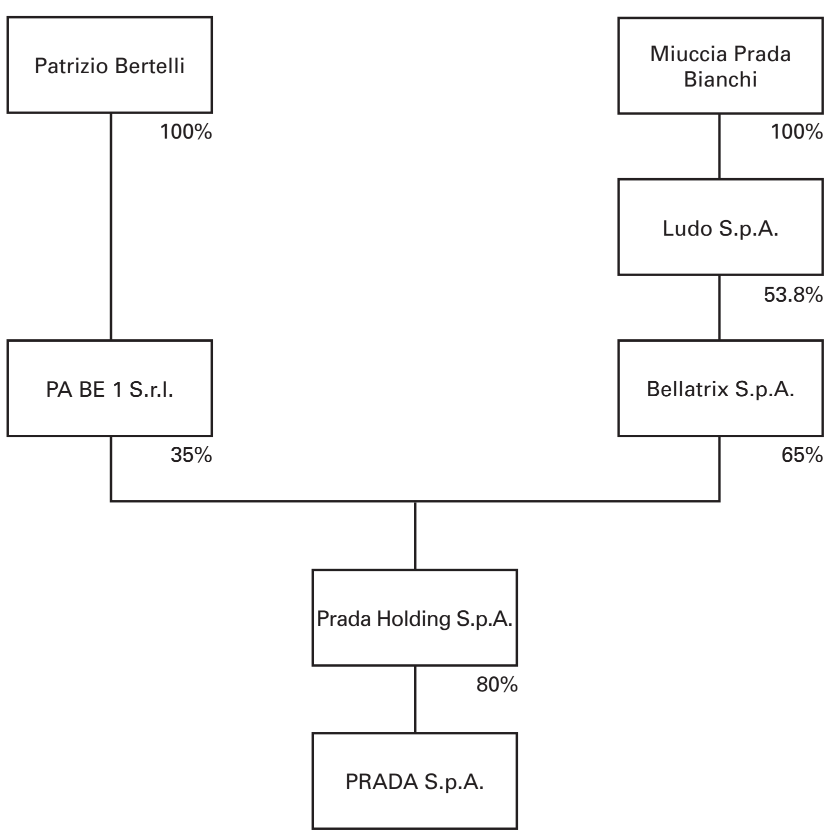
(a) Long positions in shares and underlying shares of the Company

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

Notes:

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

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at December 31, 2019 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 Class B	5,066,000 4,965,100	Beneficial Owner	100%
	C.I.D. - Cosmetics International Distribution Corp.	Common Shares	1	Controlled Corporation	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	C.I.D. - Cosmetics International Distribution Corp.	Common Shares	1	As above	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%

(*) Formerly known as Ludo S.r.l.

Save as disclosed above, as at December 31, 2019, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2019, other than the interests of the Directors of the Company as disclosed above, the following persons held interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Note:

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

SHARE CAPITAL

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

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

Save for those contracts disclosed under the section on Continuing Connected Transactions below and in Consolidated financial statements Note 40, Transactions with Related Parties, and Note 39, Remuneration of the Board of Directors, in the opinion of the Directors, no transaction, arrangement or contract of significance to the Company or the Group subsists as at December 31, 2019, or in fact subsisted during the Reviewed Period in relation to the Company or the Group's business in which the direct or indirect interest of a Director or an entity connected with a Director is or was material.

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

ISSUANCE OF DEBT SECURITIES

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

CONTINUING CONNECTED TRANSACTIONS

During the Reviewed Period, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Company's announcements dated July 15, 2015, January 25, 2017, March 13, 2017, May 26, 2017, December 1, 2017 and October 29, 2019, respectively:

(a) Franchise Agreement – Prada Milan Stores

The Company was established in 1913 as a family business operating in Milan and has continued as such since Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli began their cooperation in the late 1970s. Therefore, the Prada stores in Milan have historically been operated by companies that are connected to the Prada family.

Against this historical background, on January 28, 2009, the Company entered into a franchise agreement in relation to the Prada stores based in Milan (the "Franchise Agreement") with five companies that operated the stores and their controlling entity, all of which subsequently merged with Fratelli Prada S.p.A. (the "Franchisee"). The Franchisee is a company indirectly controlled by Ms. Miuccia Prada Bianchi, a Chief Executive Officer, an executive director and a substantial shareholder of the Company. As disclosed in the Company's announcement dated October 29, 2019, the Franchise Agreement was terminated with effect on the same day following the acquisition of the entire share capital of Fratelli Prada S.p.A. by the Company.

The estimated annual caps in respect of the Franchise Agreement, already disclosed in the Company's announcement dated January 25, 2017, as supplemented on March 13, 2017 are as follows:

	Euro million for the year ended December 31, 2019
Revenues from sales of goods	45
Revenues from services, net	4.0
Royalties income	1.4
Purchases by the Group	(4.0)
Net amount	46.4

(b) Luna Rossa sponsorship agreement

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

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

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

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

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

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

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

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

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

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

On May 26, 2017, PH-RE LLC, formerly known as PABE-RE LLC, purchased a building in Minami-Aoyama, Tokyo, Japan ("the MM Aoyama Building"). Prada Japan has been leasing the MM Aoyama Building for use as flagship store for the Miu Miu brand in Tokyo since 2015 under a lease agreement entered into with the former owner of the MM Aoyama Building (the "MM Lease Agreement"). In the context of the MM Lease Agreement, the Company granted a guarantee in favour of the former owner to secure the punctual performance by Prada Japan of all its obligations under the MM Lease Agreement (the "MM Guarantee").

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

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

In this context, the MM Lease Agreement and the MM Guarantee, which were continuing transactions of the Group, have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules. The annual cap for the Reviewed Period for the rent paid to PH-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the MM Lease Agreement and the MM Guarantee is JPY 630,000,000.

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

	Continuing Connected Transaction ("CCT")	Accounting adjustment to the CCT following the application of "IAS 1 Presentation of Financial Statements"	Total impact on the profit or loss for the year ended December 31, 2019
(a) Franchise Agreement - Prada Milan Stores	Euro million	Euro million	Euro million
Revenues from sales of goods	17.6	-	17.6
Revenues from services, net	0.2	-	0.2
Royalties income	0.5	-	0.5
Purchases by the Group	(1.5)	-	(1.5)
Net transaction amount	16.8	-	16.8
(b) Luna Rossa Sponsorship Agreement			
Sponsorship contribution	16.2	6.8	23
(c) Lease Agreement and Guarantee for Prada Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the Right of Use assets and Interest expenses on Lease Liability	1,874.7	166	2,040.7
(d) Lease Agreement and Guarantee for Miu Miu Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the Right of Use assets and Interest expenses on Lease Liability	574.1	55.9	630.0.

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) either on normal commercial terms or better; and

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

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

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

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

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

(iv) have exceeded the relevant annual limits set out in the Company's announcements dated July 15, 2015, January 25, 2017, March 13, 2017, May 26, 2017 and December 1, 2017, as applicable.

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

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at December 31, 2019 are set out in Notes 21 and 26 to the Consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

RETIREMENT BENEFIT SCHEMES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

EVENTS AFTER THE REPORTING PERIOD – IF APPLICABLE

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

COMMITMENTS AND CONTINGENCIES

Details of capital commitments and contingent liabilities of the Group as at December 31, 2019 are set out in Note 28 to the Consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Consolidated financial statements for the year ended December 31, 2019, with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the Consolidated financial statements on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

AUDITOR

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

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

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

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

By order of the Board

Carlo Mazzi
Chairman

March 18, 2020

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company is seamlessly engaged in maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, for the entire Reviewed Period (i.e. the year ended December 31, 2019). This Corporate Governance report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

Directors' interests as at December 31, 2019, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out in the Directors' Report.

BOARD OF DIRECTORS

A. BOARD COMPOSITION

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

B. BOARD MEETINGS

During the Reviewed Period, the Board held four meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual and interim results) and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these four meetings either in person or through electronic means was 83.3%.

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

C. BOARD ATTENDANCE

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	4/4		2/2	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/4				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	2/4				0/1
Ms. Alessandra COZZANI (Chief Financial Officer)	4/4				1/1
Non-Executive Director					
Mr. Stefano SIMONTACCHI	3/4				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI [1]	4/4	6/6	2/2	1/1	1/1
Mr. Maurizio CEREDA [2]	3/4	5/6	2/2		1/1
Mr. Giancarlo FORESTIERI [3]	4/4	6/6			1/1
Mr. Sing Cheong LIU [4]	4/4			1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	4/4				1/1
Mr. Roberto SPADA	3/4				1/1
Mr. David TERRACINA	3/4				1/1
Date(s) of Meeting	Mar 15, 2019	Jan 23, 2019	Mar 15, 2019	Mar 15, 2019	Apr 30, 2019
	May 16, 2019	Feb 14, 2019	Nov 15, 2019		
	Aug 1, 2019	Mar 12, 2019			
	Nov 15, 2019	May 16, 2019			
		Aug 1, 2019			
		Nov 15, 2019			
Average Attendance Rate of Directors	83.3%	94.4%	100%	100%	66.7%

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

D. ROLES AND RESPONSIBILITIES

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

All Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties.

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

The types of decisions delegated by the Board to the management include:

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

E. NON-EXECUTIVE DIRECTORS

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

F. INDEPENDENT NON-EXECUTIVE DIRECTORS

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. The independence of the Independent Non-Executive Directors was further confirmed by the review of the Nomination Committee made on March 18, 2020. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

G. LIABILITY INSURANCE FOR THE DIRECTORS

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

H. DIRECTORS' TRAINING

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

The Directors have participated in continuous professional training to develop and refresh their knowledge and skills during the Reviewed Period, through for example, receiving regular updates on changes to and developments of the Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

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

APPOINTMENT OF DIRECTORS

At the shareholders' general meeting of the Company held on April 27, 2018 ("2018 AGM"), the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the shareholders' general meeting to be called to approve the financial statements of the Company for the year ending December 31, 2020.

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

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

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

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

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

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

(iv) to develop, review and monitor the Code of Ethics, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative Decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;

(v) to review the Company's compliance with the Code and disclosure of such in the Corporate Governance report; and

(vi) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

During the Reviewed Period, the Board considered the following corporate governance matters:

(i) reviewed and approved connected transactions of the Company;

(ii) reviewed the level of compliance with the Code;

(iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee; and

(iv) 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 Committee is chaired by an Independent Non-Executive Director. Each of the Committees' terms of reference is available on both the website of the Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 231 of June 8, 2001.

A. AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or possesses related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Maurizio Cereda. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and its internal control and risk management systems, to oversee the external audit process, the internal audit process, the implementation of the Company's risk management functions and to perform any other duties and responsibilities as are assigned to it by the Board.

During the Reviewed Period, the Audit Committee held six meetings (with an attendance rate of 94.4%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Audit Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the year 2019, 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 2018, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2018 and the interim financial results as at June 30, 2019), before recommending them to the Board for approval.

The Audit Committee has also held two meetings on March 4 and 17, 2020, to review the Group results for the Reviewed Period, before recommending it to the Board for approval.

AUDITOR'S COMPENSATION

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the financial statements for the Reviewed Period and for the year ended December 31, 2018, 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 2019	twelve months ended December 31 2018
Audit services	Deloitte & Touche spa	PRADA spa	500	555
Audit services	Deloitte & Touche spa	Subsidiaries	137	126
Audit services	Deloitte Network	Subsidiaries	1,166	1,139
Total audit fees to Deloitte Network			1,803	1,820
Other advisory services	Deloitte & Touche spa	PRADA spa	214	583
Other advisory services	Deloitte Network	Subsidiaries	83	108
Total non-audit fees to Deloitte Network			297	691
Total compensation to Deloitte Network			2,100	2,511

The other consultancy services provided by Deloitte & Touche spa to PRADA spa mainly refer to the methodological analysis activity relating to the first application of the new IFRS 16 standard.

B. REMUNERATION COMMITTEE

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

During the Reviewed Period, the Remuneration Committee held two meetings (with an attendance rate of 100%) to review and recommend certain updates to the long-term incentive plan and to the management by objectives plans for executives and Directors and to review and recommend the adoption of a welfare plan for employees.

REMUNERATION POLICY

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

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

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

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

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

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

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

C. NOMINATION COMMITTEE

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

During the Reviewed Period, the Nomination Committee held one meeting on March 15, 2019 (with an attendance rate of 100%), to perform the annual review of the independence of the Independent Non-Executive Directors of the Company for the 2018 financial year and to recommend to the Board for its approval the procedures for the selection of the candidates to be proposed as a Director of the Company.

On March 18, 2020, the Nomination Committee held one meeting to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period.

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

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

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

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

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

D. SUPERVISORY BODY

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Gianluca Andriani, who has replaced Mr. Paolo De Paoli as of March 18th, 2020.

BOARD OF STATUTORY AUDITORS

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

At the shareholders' general meeting of the Company held on April 27, 2018, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of the Board of Statutory Auditors will expire at the shareholders' general meeting to be called to approve the financial statements of the Company for the year ending December 31, 2020.

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

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Consolidated financial statements of the Company for the year ended December 31, 2019 with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

In addition, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function during the Reviewed Period.
As regards the auditor of the Company, its responsibilities are stated in the auditor's reports on the Consolidated financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

The management with the support of the Internal Audit Department has been granted by the Board with the responsibility on the process to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve material internal control defects in the event such defects arise.

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

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

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

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

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

INSIDE INFORMATION

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

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

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

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

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries. Given that the headquarter of the Company is located outside Hong Kong and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries. During the Reviewed Period, each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge. In addition, they have attended training sessions held by the Compnay's legal advisor (Slaughter and May) relating to the Listing Rules. Their biographies are set out in the Directors and Senior Management section.

SHAREHOLDERS' RIGHTS

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

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

B. PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' GENERAL MEETING

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy.

C. MAKING AN ENQUIRY TO THE BOARD

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary Ms. Patrizia Albano by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy. The Company will not normally deal with verbal or anonymous enquiries.

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

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

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

A. DIVIDEND POLICY

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

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

B. INVESTOR RELATIONS AND COMMUNICATIONS

The Company endeavors to maintain a high level of transparency when communicating with the shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, investor conferences, site visits 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, 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 or to appoint 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 principal 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).

A shareholders' annual general meeting of the Company was held on April 30, 2019 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (the "2019 AGM"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte

& Touche S.p.A., attended the 2019 AGM.

Separate resolutions were proposed at the 2019 AGM relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated April 30, 2019. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Ordinary Resolutions passed at the 2019 AGM	Number of Votes cast in favour (%)
1. To approve the Audited Separate Financial Statements which show a net income of Euro 708,548,197 and the Audited Consolidated Financial Statements of the Company for year ended December 31, 2018 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors..	2,467,446,644 (99.98%)
2. To approve the allocation of the net income of the Company, for the year ended December 31, 2018, as follows: (i) Euro 153,529,440 to Shareholders as final dividend, in particular to declare and distribute a final dividend of Euro 0.06 per share, and (ii) Euro 555,018,757 to retained earnings of the Company.	2,467,758,544 (99.99%)
3. To appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years (financial year ending December 31, 2019 to financial year ending December 31, 2021), ending on the date of the shareholders' general meeting to be called to approve the financial statements for the last year of the auditor's appointment being the year ending December 31, 2021 and to approve its remuneration of Euro 620,500, for each financial year of its three-year term, for the provision to the Company of the audit of the Separate Financial Statements and the Consolidated Financial Statements, which is included in the overall annual remuneration of Euro 1,704,365 for Deloitte & Touche S.p.A. and its network in respect of provision of audit services to the Prada Group as a whole. The auditor's annual remuneration shall be subject to adjustment in accordance with changes in relevant applicable laws or in the requirements for the audit services as well as the annual adjustment linked to the changes in CPI - consumer price index..	2,467,148,941 (99.97%)

All resolutions put to the shareholders at the 2019 AGM were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2019 AGM.

D. CORPORATE COMMUNICATIONS

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Note	December 31 2019	December 31 2018
Assets			
Current assets			
Cash and cash equivalents	9	421,069	599,821
Trade receivables, net	10	317,554	321,913
Inventories, net	11	712,611	631,791
Derivative financial instruments – current	12	3,315	9,718
Receivables from, and advance payments to, related parties - current	13	21,553	12,626
Other current assets	14	221,476	185,741
Total current assets		1,697,578	1,761,610
Non-current assets			
Property, plant and equipment	15	1,642,480	1,577,352
Intangible assets	16	843,830	920,011
Right of Use assets	17	2,362,841	-
Investments in equity instruments	18	81,448	99,538
Deferred tax assets	36	244,206	217,104
Other non-current assets	19	165,372	102,992
Derivative financial instruments - non-current	12	-	205
Receivables from, and advance payments to, related parties - non-current	13	684	-
Total non-current assets		5,340,861	2,917,202
Total Assets		7,038,439	4,678,812
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term lease liability	20	409,537	-
Short-term financial payables and bank overdraft	21	241,464	421,481
Payables to related parties – current	22	26,057	4,477
Trade payables	23	327,330	315,211
Tax payables	24	83,809	85,043
Derivative financial instruments - current	12	11,317	14,220
Other current liabilities	25	132,294	146,429
Total current liabilities		1,231,808	986,861
Non-current liabilities			
Long-term lease liability	20	2,005,761	-
Long-term financial payables	26	584,141	487,431
Long-term employee benefits	27	63,519	60,001
Provision for risks and charges	28	49,484	51,310
Deferred tax liabilities	36	29,337	30,050
Other non-current liabilities	29	56,365	159,013
Derivative financial instruments non-current	12	8,789	7,077
Payables to related parties – non-current	22	20,660	-
Total non-current liabilities		2,818,056	794,882
Total Liabilities		4,049,864	1,781,743
Share capital		255,882	255,882
Total other reserves		2,394,051	2,383,720
Translation reserve		61,437	32,941
Net income for the period		255,788	205,443
Net Equity attributable to owners of the Group	30	2,967,158	2,877,986
Net Equity attributable to Non-controlling interests	31	21,417	19,083
Total Net Equity		2,988,575	2,897,069
Total Liabilities and Total Net Equity		7,038,439	4,678,812
Net current assets		465,770	774,749
Total Assets less current Liabilities		5,806,631	3,835,103

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Note	twelve months ended December 31 2019	%	twelve months ended December 31 2018	%
Net revenues	32	3,225,594	100%	3,142,148	100.0%
Cost of goods sold	33	(905,982)	-28.1%	(879,554)	-28.0%
Gross margin		2,319,612	71.9%	2,262,594	72.0%
Operating expenses	34	(2,012,833)	-62.4%	(1,938,748)	-61.7%
EBIT		306,779	9.5%	323,846	10.3%
Interest and other financial income/(expenses), net		(25,174)	-0.8%	(21,940)	-0.7%
Interest expenses on Lease Liability		(48,980)	-1.5%	-	-
Dividends from investments		2,135	0.1%	632	0.0%
Total financial income/(expenses)	35	(72,019)	-2.2%	(21,308)	-0.7%
Income before taxation		234,760	7.3%	302,538	9.6%
Taxation	36	22,964	0.7%	(94,356)	-3.0%
Net income for the period		257,724	8.0%	208,182	6.6%
Net income - Non-controlling interests	31	1,936	0.1%	2,739	0.1%
Net income - Group	30	255,788	7.9%	205,443	6.5%
Basic and diluted earnings per share (in Euro per share)	37	0.100		0.080	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Net income for the period - Consolidated	257,724	208,182
A) Items recyclable to P&L:		
Change in Translation reserve	28,911	37,804
Tax impact	-	-
Change in Translation reserve less tax impact	28,911	37,804
Change in Cash Flow Hedge reserve	2,730	(7,300)
Tax impact	(579)	2,016
Change in Cash Flow Hedge reserve less tax impact	2,151	(5,284)
B) Item not recyclable to P&L:		
Change in Fair Value Investments in equity instruments reserve	59	(6,706)
Tax impact	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	59	(6,706)
Change in Actuarial reserve	614	(826)
Tax impact	(344)	98
Change in Actuarial reserve less tax impact	270	(728)
Consolidated comprehensive income for the period	289,115	233,268
Comprehensive income for the period - Non-Controlling Interests	2,317	3,558
Comprehensive income for the period - Group	286,798	229,710

CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Income before taxation	234,760	302,538
Profit or loss adjustments		
Depreciation and write-downs of the Right of Use assets	456,310	-
Depreciation and amortization of property, plant and equipment and intangible assets	222,309	219,882
Impairment of property, plant and equipment and intangible assets	11,450	7,475
Non-monetary financial (income) expenses	24,108	38,812
Interest expenses on Lease Liability	48,980	-
Other non-monetary (income) expenses	6,089	(10,407)
Balance Sheet changes		
Other non-current assets and liabilities	(14,189)	(16,796)
Trade receivables, net	1,077	(31,724)
Inventories, net	(60,719)	(60,731)
Trade payables	(15,735)	571
Other current assets and liabilities	(18,867)	(14,750)
Cash flows from operating activities	895,573	434,870
Interest paid (net), including interest paid of Lease Liability	(59,552)	(7,566)
Taxes paid	(26,126)	(62,196)
Net cash flows from operating activities	809,895	365,108
Purchases of property, plant and equipment and intangible assets	(310,957)	(282,135)
Disposals of property, plant and equipment and intangible assets	1,779	2,807
Dividends from investments	2,135	632
Disposals of investments	28,074	-
Acquisition of additional shares from Non-Controlling Interests	(400)	(2,570)
Financial investments	(4,993)	(98,155)
Business combination	(17,899)	-
Net cash flow utilized by investing activities	(302,261)	(379,421)
Dividends paid to shareholders of PRADA spa	(153,529)	(191,912)
Dividends paid to Non-Controlling shareholders	(1,113)	(5,729)
Repayment of Notes	-	(130,000)
Repayment of Lease Liability	(447,530)	-
Loans to related parties	(2,375)	-
Repayment of short-term portion of long-term borrowings - third parties	(268,940)	(144,877)
Arrangement of long-term borrowings – third parties	200,000	119,865
Change in short-term borrowings – third parties	(19,004)	63,480
Share capital increases by Non-Controlling shareholders of subsidiaries	-	345
Net Cash flows utilized by financing activities	(692,491)	(288,828)
Change in cash and cash equivalents, net of bank overdrafts	(184,857)	(303,141)
Foreign exchange differences	6,105	10,352
Opening cash and cash equivalents, net of bank overdraft	599,821	892,610
Closing cash and cash equivalents, net of bank overdraft	421,069	599,821
Cash and cash equivalents, net of bank overdraft	421,069	599,821
Closing cash and cash equivalents, net of bank overdraft	421,069	599,821

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(AMOUNTS IN THOUSANDS OF EURO, EXCEPT NUMBER OF SHARES)

											Equity		
(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 income for period	Net Equity attributable to owners of the Group	Net Equity attributable Non-controlling interests	Total Net Equity
Balance at January 1, 2018	2,558,824,000	255,882	(4,035)	410,047	(5,336)	(4,103)	(5,570)	1,975,582	2,370,620	217,721	2,840,188	21,486	2,861,674
Allocation of 2017 net income	-	-	-	-	-	-	-	217,721	217,721	(217,721)	-	-	-
Dividends	-	-	-	-	-	-	-	(191,912)	(191,912)	-	(191,912)	(5,729)	(197,641)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	345	345
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(577)	(577)
Comprehensive income for the period (recyclable to P&L)	-	-	36,976	-	(5,284)	-	-	-	(5,284)	205,443	237,135	3,567	240,702
Comprehensive income for the period (not recyclable to P&L)	-	-	-	-	-	(719)	(6,706)	-	(7,425)	-	(7,425)	(9)	(7,434)
Balance at December 31, 2018	2,558,824,000	255,882	32,941	410,047	(10,620)	(4,822)	(12,276)	2,001,391	2,383,720	205,443	2,877,986	19,083	2,897,069
Allocation of 2018 net income	-	-	-	-	-	-	-	205,443	205,443	(205,443)	-	-	-
Dividends	-	-	-	-	-	-	-	(153,529)	(153,529)	-	(153,529)	(1,113)	(154,642)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	1,130	1,130
Acquisition of Fratelli Prada spa (Note 7)	-	-	-	-	-	-	-	(48,630)	(48,630)	-	(48,630)	-	(48,630)
Gain/(losses) from the disposal of equity instruments	-	-	-	-	-	-	2,235	2,298	4,533	-	4,533	-	4,533
Comprehensive income for the period (recyclable to P&L)	-	-	28,496	-	2,151	-	-	-	2,151	255,788	286,435	2,353	288,788
Comprehensive income for the period (not recyclable to P&L)	-	-	-	-	-	306	59	(2)	363	-	363	(36)	327
Balance at December 31, 2019	2,558,824,000	255,882	61,437	410,047	(8,469)	(4,516)	(9,982)	2,006,971	2,394,051	255,788	2,967,158	21,417	2,988,575

PRADA SPA SEPARATE FINANCIAL STATEMENTS

PRADA SPA STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Assets		
Current assets		
Cash and cash equivalents	70,696	298,887
Trade receivables, net	776,685	686,172
Inventories, net	319,433	300,498
Derivative financial instruments - current	4,750	11,005
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - current	250,527	168,605
Other current assets	143,950	97,013
Total current assets	1,566,041	1,562,180
Non-current assets		
Property, plant and equipment	805,676	766,697
Intangible assets	194,608	196,384
Right of Use assets	274,318	-
Investments	978,436	954,183
Deferred tax assets	30,834	30,797
Other non-current assets	80,802	21,817
Derivative financial instruments - non-current	6,103	5,290
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - non-current	201,510	172,433
Total non-current assets	2,572,287	2,147,601
Total Assets	4,138,328	3,709,781
Liabilities and Shareholders' equity		
Current liabilities		
Short-term lease liability	39,467	-
Short-term financial payables and bank overdraft	122,678	340,803
Financial payables and other payables to parent company, subsidiaries, associates and related parties - current	74,653	40,087
Trade payables	865,380	807,824
Tax payables	19,462	30,724
Derivative financial instruments - current	11,306	14,171
Other current liabilities	128,231	119,732
Total current liabilities	1,261,177	1,353,341
Non-current liabilities		
Long-term lease liability	264,616	-
Long-term financial payables	488,108	365,971
Long-term employee benefits	25,049	26,712
Provisions for risks and charges	4,675	2,178
Deferred tax liabilities	1,535	2,249
Other non-current liabilities	47,294	23,388
Derivative financial instruments - non-current	8,789	7,072
Financial payables and other payables to parent company, subsidiaries, associates and related parties - non-current	20,660	13,878
Total non-current liabilities	860,726	441,448
Total Liabilities	2,121,903	1,794,789
Share capital	255,882	255,882
Total other reserves	1,511,516	950,562
Net income of the period	249,027	708,548
Total Net Equity	2,016,425	1,914,992
Total Liabilities and Total Net Equity	4,138,328	3,709,781

PRADA SPA STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Net revenues	1,822,823	1,753,693
Cost of goods sold	(841,844)	(801,248)
Gross Margin	980,979	934,445
Operating expenses	(774,134)	(728,846)
EBIT	206,845	205,599
Interest and other financial income / (expenses), net	(52,214)	(41,879)
Interest expenses on Lease Liability	(2,910)	-
Dividends from investments	48,741	603,102
Total financial income/(expenses)	(6,383)	561,223
Income before taxation	200,462	766,822
Taxation	48,565	(58,274)
Net income for the period	249,027	708,548

PRADA SPA STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Net income for the period	249,027	708,548
A) Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	3,783	(8,423)
Tax impact	(908)	2,021
Change in Cash Flow Hedge reserve less tax impact	2,875	(6,402)
B) Items not recyclable to P&L:		
Change in Fair Value Investments in equity instruments reserve	58	(6,706)
Tax impact	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	58	(6,706)
Change in Actuarial reserve	(1,531)	5
Tax impact	-	-
Change in Actuarial reserve less tax impact	(1,531)	5
Comprehensive income for the period	250,429	695,445

PRADA SPA STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Income before taxation	200,462	766,822
Profit of loss adjustments		
Depreciation and write-downs of the Right of Use assets	39,346	-
Depreciation and amortization of property, plant and equipment and intangible assets	61,706	58,425
Impairment of property, plant and equipment and intangible assets	1	1,061
Losses/(gains) on disposal of non-current assets	(559)	(1,523)
Impairment of investments	32,661	26,311
Interest expenses on Lease Liability	2,910	-
Non-monetary financial (income) expenses	(48,741)	(603,316)
Other non-monetary (income) expenses	8,384	68
Balance sheet changes		
Trade receivables, net	(95,815)	(113,527)
Inventories, net	(15,173)	(28,022)
Trade payables	57,556	101,092
Other current assets and liabilities	(49,304)	8,461
Other non-current assets and liabilities	7,916	(14,991)
Cash flows from operating activities	201,350	200,861
Interest paid (net), including interest paid of Lease Liability	(143)	(1,779)
Taxes paid	-	(21,870)
Net cash flows from operating activities	201,207	177,212
Purchase of property, plant and equipment and intangible assets	(112,231)	(142,507)
Disposal of property, plant and equipment and intangible assets	720	4,250
Investments in subsidiaries	(23,101)	(7,084)
Financial investments	23,131	(96,267)
Dividends from investments	48,741	603,102
Net cash flow utilized by investing activities	(62,740)	361,494
Dividends paid to shareholders	(153,529)	(191,912)
Change in short-term borrowing - third parties	(87,000)	90,000
Change in intercompany loans	(8,851)	(51,727)
Loans repaid by subsidiaries	41,885	44,406
Repayment of Lease Liability	(43,003)	
Loans made to subsidiaries	(111,160)	(140,688)
Repayment of short-term portion of long-term borrowings - third parties	(205,000)	(140,332)
Repayment of Notes	-	(130,000)
Arrangement of long-term borrowings - third parties	200,000	100,000
Net cash flows utilized by financing activities	(366,658)	(420,253)
Change in cash and cash equivalents, net of bank overdraft	(228,191)	118,453
Opening cash and cash equivalents, net of bank overdraft	298,887	180,434
Closing cash and cash equivalents, net of bank overdraft	70,696	298,887
Cash and cash equivalents, net of bank overdraft	70,696	298,887
Closing cash and cash equivalents, net of bank overdraft	70,696	298,887

PRADA S.P.A. STATEMENT OF CHANGES IN EQUITY

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Fair Value Invest-ments in equity in-struments Reserve	Total other reserves	Net income for the period	Total equity
Balance at January 1 2018	2,558,824,000	**255,882**	**410,047**	51,176	182,899	355,653	(183)	(5,569)	**994,023**	**161,554**	**1,411,459**
Allocation of 2017 net income	-	**-**	**-**	-	-	161,554	-	-	**161,554**	**(161,554)**	**-**
Dividends	-	**-**	**-**	-	-	(191,912)	-	-	**(191,912)**	**-**	**(191,912)**
Comprehensive income for the period (recyclable to P&L)	-	**-**	**-**	-	-	-	(6,402)	-	**(6,402)**	**708,548**	**702,146**
Comprehensive income for the period (not recyclable to P&L)	-	**-**	**-**	-	-	5	-	(6,706)	**(6,701)**	**-**	**(6,701)**
Balance at December 31 2018	2,558,824,000	**255,882**	**410,047**	51,176	182,899	325,300	(6,585)	(12,275)	**950,562**	**708,548**	**1,914,992**
Allocation of 2018 net income	-	**-**	**-**	-	-	708,548	-	-	**708,548**	**(708,548)**	**-**
Gain/(losses) from the disposal of equity instruments	-	**-**	**-**	-	-	2,298	-	2,235	**4,533**	**-**	**4,533**
Dividends	-	**-**	**-**	-	-	(153,529)	-	-	**(153,529)**	**-**	**(153,529)**
Comprehensive income for the period (recyclable to P&L)	-	**-**	**-**	-	-	-	2,875	-	2,875	**249,027**	**251,902**
Comprehensive income for the period (not recyclable to P&L)	-	**-**	**-**	-	-	(1,531)	-	58	**(1,473)**	**-**	**(1,473)**
Balance at December 31 2019	2,558,824,000	**255,882**	**410,047**	51,176	182,899	881,086	(3,710)	(9,982)	**1,511,516**	**249,027**	**2,016,425**

1. GENERAL INFORMATION

PRADA spa (the "Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the leading companies in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands producing and distributing luxury 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's counts on 22 company-owned industrial sites and its products are sold in 70 countries worldwide through 641 directly operated stores as of December 31, 2019 and a selected network of multi-brand stores and department stores.

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

The Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of PRADA spa on March 18, 2020.

2. BASIS OF PREPARATION

The Consolidated Financial Statements of the Prada Group as at December 31, 2019, including the "Consolidated Statement of Financial Position", the "Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2019", the "Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2019", the "Consolidated Statement of Cash Flows for the twelve months ended December 31, 2019", the "Consolidated Statement of Changes in 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 as endorsed by the European Union and

applicable to the Prada Group and those issued by the IASB.

IFRSs also refer 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 current and non-current assets and liabilities. All the details needed for an accurate and complete information are provided in the Notes to the Consolidated Financial Statements. The Consolidated Statement of Profit or Loss is classified by destination. The cash flow information is provided in the Consolidated Statement of Cash Flows which has been prepared under the indirect method.

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

3. NEW IFRS AND AMENDMENTS TO IFRS

New Standards and Amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2019.

New Standards IFRS and Amendments to existing standards	Effective date for Prada Group	EU endorsement dates
IFRS 16 Leases	January 1, 2019	Endorsed in October 2017
IFRS 9: Prepayment features with negative compensation	January 1, 2019	Endorsed in March 2018
IFRIC Interpretation 23: "Uncertainty over Income Tax Treatments"	January 1, 2019	Endorsed in October 2018
Amendments to IAS 28 Long-Term interests in Associates and Joint Ventures	January 1, 2019	Endorsed in February 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019	Endorsed in March 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	Endorsed in March 2019

Only the IFRS 16 had a significant impact for the Group and below are explained the details on how the Group applied, for the first time, the new standard.

IFRS 16 LEASES

On January 1, 2019 "IFRS 16 Leases" replaced "IAS 17 Leases" and the related interpretations.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on

the basis of whether the use of an identified asset is controlled by the customer. Control exist if the customer has:
- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

The Standard identifies a single model for the recognition and evaluation of rental contracts for the lessee which provides, for all rents, except for short-term and low value leases, the recognition of the Right to Use asset in the non-current asset (also operating leases) and, at the same time, the Lease liability of the entire contract, split in current and non-current liabilities.

The first application of the new Standard also required the Group to adopt specific procedures for the mapping and analysis of all contracts that could contain a lease and to carry out the related assessments in accordance with the requirements of the Standard.

The new standard applies to all existing leases that provide for the payment of fixed rents, including indexed ones, or a guaranteed minimum ("rent in scope"). Purely variable rents, typically linked to sales without a guaranteed minimum, are excluded from the scope of application of the standard ("out of scope rent").
The standard is effective for annual periods beginning on or after January 1, 2019 and the Company opted to apply it retrospectively according to the "modified retrospective approach". The main impacts on financial statements at the transition date (January 1, 2019) can be summarized as follows:

- recognition of Lease Liability, i.e. the present value of the residual future payments, of Euro 2,448.9 million;
- recognition of the Right of Use assets in the non-current assets for Euro 2,414.4 million. This amount is made up of the value of the Lease Liability:
  - increased by key money of Euro 94.5 million (reclassified from intangible assets to this new asset category);
  - reduced by the deferred rent liabilities of Euro 162.9 million already accrued as at January 1, 2019 pursuant to the previous "IAS 17 Leases" standard (reversing this item mainly from non-current liabilities);
  - increased by the reinstatement costs, included in the leasehold improvements,

and prepayments for a total amount of Euro 36.5 million;
- reduced by onerous lease of Euro 2.6 million.

The adoption of the standard entailed the introduction of two new cost components in the Profit or Loss:
- the depreciation and write-downs of the Right of Use assets (Euro 456.3 million for the twelve months ended December 31, 2019)
- the interest expenses related to the updating of the present value of the Lease Liability (Euro 49 million for the twelve months ended December 31, 2019).

The variable rents ("rent out of scope") remained accounted for as operating expenses as in the past, consistently with the comparative period of 2018.

In adopting IFRS 16, the Prada Group used the exemption allowed by IFRS 16:5(a) regarding short-term leases and low-value assets, although the effects of these exemptions were immaterial. For such leases, the introduction of IFRS 16 did not entail recognition of the Lease Liability and the related Right of Use assets, as the lease payments are still recognized in the Statement of Profit or Loss on a straight-line basis over the terms of the respective leases, as it was under the "IAS 17 Leases".

Transition to IFRS 16 introduced areas where professional judgment may be required, involving the establishment of some accounting policies and the use of estimates. The main ones are summarized below:
- the identification of a lease term is very important because the form, legislation and common business practice regarding leases for real estate vary considerably from one jurisdiction to another. The Group, also based on its past experience, has set an accounting policy for inclusion of the lease renewal period beyond the non-cancellable period, limited to cases in which the lease assigns an enforceable right that the Group is reasonably certain to exercise;
- since most leases stipulated by the Group do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments was determined considering the risk-free rate of each country in which the leases were stipulated and the specific credit spread of PRADA spa, deemed representative of the Group's credit spread.

The adoption of the new IFRS Standard did not have any material effect on the opening equity balance of the year 2019.
On November 26, 2019, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision on cancelable or renewable leases with a notice to terminate. The Group is in the progress of evaluating the potential impact of such interpretation on the estimates used, upon first time adoption of the IFRS 16 Leases, to determine the lease term of contracts for premises in which non-removable leasehold improvements were made.

The adoption of the new standard entailed the increase of the EBITDA following the reclassification of fixed rental costs (so called "rent in scope") within the charges for depreciation and write-downs (Euro 456.3 million for the twelve months ended December 31, 2019).

For the sake of comparability, on a voluntary basis the management has prepared a restated version of the Statement of Profit or Loss for the twelve months ended December 31, 2018 ("Consolidated Statement of Profit or Loss 2018 Pro-forma") in which the retrospective effects of IFRS 16 were estimated, as described in the Other Information of the Financial Review.
In order to better understand the impacts deriving from the first time application of the standard, it's below reported a reconciliation between the lease commitments as at December 31, 2018, accounted in accordance with IAS17, with the Lease Liability as at January 1, 2019, determinated in accordance with IFRS16:

(amounts in thousands of Euro)	
Commitments relating to operating leases as at December 31, 2018 (audited)	2,497,088
Contracts out of scope	(16,113)
Leases contracts signed by December 31, 2018 but effective from January 1, 2019 onwards	(54,622)
Impact of discounting	(209,628)
Optional period and other impacts	232,194
Lease Liability as at January 1, 2019 (audited)	2,448,919

New Standards and Amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada Group as effective for financial years beginning on January 1, 2020.

New IFRS and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IAS 1 and IAS 8: definition of material	January 1, 2020	Endorsed in November 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Endorsed in November 2019

New Standards, changes and operational guidelines issued by the IASB, but not yet endorsed by the European Union at the date of this Consolidated Financial Statements.

New Standards IFRS and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 17 Insurance Contracts	January 1, 2021	Not endorsed yet
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Beenchmark Reform in IFRS Standards	January 1, 2020	Not endorsed yet
IFRS 3: Business Combination	January 1, 2020	Not endorsed yet

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

4. SCOPE OF CONSOLIDATION

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

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

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

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

5. BASIS OF CONSOLIDATION

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

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

company and the value of the interest acquired is directly recognized in equity reserves; in business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss. Business combinations of entities controlled by the same person (business combinations under common control) require the recognition through equity of the difference, in any, between the purchase price and the corresponding portion of the equity acquired.

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

local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the profit or loss is translated using the average exchange rate for the year. When the translation of a transaction is not properly represented by the average exchange rate of the period, the prevailing exchange rate at the date of such transaction is used to translate its impacts in the profit or loss of the Consolidated Financial Statements. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period, and translation differences arising on conversion of the profit or loss using the average rate for the period (or other exchange rate as explained above) and the rate at the end of the period are recorded as a translation reserve in the consolidated shareholder's equity until disposal of the investment. The translation reserve in consolidated shareholder's equity represents translation differences recognized as from first time application on January 1, 2004. When preparing the Consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period. Exchange differences arising on a monetary item qualified as a net investment in a foreign operation are initially recognized in the currency translation reserve and released to profit or loss upon disposal of the investment;
- the reporting currency used to prepare the Consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at nominal amount. Cash equivalents include all highly liquid investments with an original short term maturity.

For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts and deposit accounts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

TRADE RECEIVABLES AND PAYABLES

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

Trade accounts payable are recorded at nominal amount.

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

INVENTORIES

Raw materials, work in progress and finished products are recognized at the lower of acquisition cost, production cost and net realizable value. Cost comprises direct production costs and those indirect that have been incurred in bringing the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis. Provisions, adjusting the value of the inventory, are made for slow moving, obsolete inventories or if, in the end, the estimated selling price is 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 abd construction	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	Shorter of lease term (*) and useful life
Improvements to leased industrial and corporate premises	Shorter of lease term (*) and useful life
Furniture and fixture retail	Shorter of lease term (*) and useful life
Furniture and fixture corporate and industrial	7% - 20%
Other tangible fixed assets	4% - 50%
(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain	

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

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

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

Every year end, a test is performed for indications that the value of property, plant and equipment has been impaired. 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 company and capable of producing future economic benefits are included in intangible assets.

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

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

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

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

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

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

Goodwill, an asset that produces future economic benefits, but which is not individually identified and separately measured, is initially recognized at cost.

Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the

possibility that goodwill has been impaired, the impairment test is performed more frequently.
For impairment test purposes, goodwill acquired in a business combination shall be, from the acquisition date, allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets. The Prada Group's Cash Generating Units include trademarks, sales channels and geographical areas.

The cash generating units to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication of impairment, the carrying value of the cash generating unit is compared with their recoverable amount.

The carrying amount of CGUs tested for impairment for consolidation purposes is represented by the net invested capital, which means the net equity adjusted by the net financial position including the Lease Liability.

Recoverable amount is the higher of fair value less costs to sell and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Cash flow projections are based on budget, forecast and on long-term business plans (generally five years) prepared by the management.

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

RIGHT OF USE ASSETS AND LEASE LIABILITY

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

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

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

The Right of use assets is measured at cost, identified as the initial measurement of the lease liability, increased by any initial direct costs incurred by the lessee (key money, legal fees, agent fees or other other incremental costs incurred to conclude the contract) or by any dismantling cost necessary to bring back the premises to its original condition. The Right of use Assets is depreciated over the Lease term.

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using an incremental borrowing rate calculated at Group level.The profit or loss caption "interest expenses IFRS 16" represent the adjustment of the present value of the lease liability. Since most leases stipulated by the Group do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments was determined as the risk-free rate of each country in which the leases were stipulated, with payment dates based on the terms of the specific lease, increased by the parent company's credit spread.

A lease modification occurs when there is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). The effective date of the modification is defined as "the date when both parties agree to a lease modification". When this occur, the Right of use and the lease liability are updated accordingly. If a lease is terminated before the original lease term date defined at the commencement date, both Right of Use assets and the lease liability are remeasured, impacting also the profit of loss statement.

In addition, the options for the extension and early termination of the lease agreements are re-evaluated and re-considered when a significant event or a change occurs in the circumstances that are under the control of the Group and this will influence the assessment of the reasonable certainty of the exercise options.

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

INVESTMENTS IN EQUITY INSTRUMENTS

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

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

DEFERRED TAX ASSETS

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

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

Deferred tax assets are recognized for all deductible temporary differences, tax losses carried-forward and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible temporary differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are not discounted.

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recognized at the fair value based on hedge accounting rules.
According to these rules, within the framework of IFRS 9, future cash flow hedging contracts such as those listed above are qualified as cash flow hedges. Hedge accounting treatment is allowed if derivative financial instruments are designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction which could affect profit or loss. In this case, the effective portion of the gain or loss on 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 and financial leases.

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

POST-EMPLOYMENT BENEFITS

Defined benefit plans are recognized using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Group's obligations.
The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.
Actuarial gains and losses are recognized directly in equity, net of the tax effect.

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

PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT ASSETS

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

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

DEFERRED TAX LIABILITIES

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

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

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

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

Deferred tax liabilities are not discounted.

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

REVENUE RECOGNITION AND COST RECOGNITION

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

- identification of the contract (in writing, orally or in accordance with other customary business practices) with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction 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 recorded on an accrual basis. In particular, a cost is immediately recognized in the profit or loss when:

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

PRE-OPENING RENTS

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

INTEREST EXPENSES

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

TAXATION

The provision for taxation is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates (and tax laws) that have been enacted or substantially enacted in each country at the reporting date.

Current taxes are recognized in the profit or loss as an expense. This is except for taxes deriving from transactions or events directly recognized through shareholders' equity which are directly charged to equity.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income 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 recorded in the profit or loss.

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

As known, starting from January 2020, the global scenario was characterized by the outbreak of the Coronavirus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, have direct and indirect impacts on economic activity, creating a context of general uncertainty, the evolution of which is not foreseeable. The potential effects of the Coronavirus outbreak on the financial statements cannot currently be determined at the date of preparation of these Consolidated Financial Statements and will be subject to constant monitoring during the 2020 financial year.

7. MERGERS AND ACQUISITIONS

On December 20, 2018, but with legal effect on 1 January 2019, Prada spa acquired 40% of the share capital of the Italian shoe factory Les Femmes srl (operative in the Marche region, central Italy).

On January 24, 2019, Prada spa established in Italy the company Figline srl in order to develop the production activities of the leather goods division.

FRATELLI PRADA spa

On October 29, 2019 Prada spa acquired full ownership of the shares with voting rights in Fratelli Prada spa from a related company, Bellatrix, and Bellatrix's ultimate shareholder. With this acquisition, legally effective from November 1, 2019, the Prada Group has gained full control of its retail network in Milan, where until now the monobrand Prada stores had been operated by Fratelli Prada under a franchising agreement whose duration exceeded ten years.

According to IFRS 3 - Business Combination, the acquisition is considered a transaction "under common control", because Prada spa and Fratelli Prada spa were controlled by the same ultimate shareholder. Therefore, the excess amount paid by Prada spa, Euro 48.6 million, being the difference between the consideration paid (Euro 66 million) and the net assets acquired (Euro 17.4 million), was deducted from the Group's equity.

The cash-out for the acquisition was equal to Euro 61.2 million and corresponds to the agreed consideration, equal to Euro 66 million (Euro 22.6 million already paid in 2019, while the remaining part of Euro 43.4 million will be recognized in 2020 (Euro 22.7 million) and 2021 (Euro 20.7 million)) net of the cash included in the equity acquired and amounting to Euro 4.8 million.

(amounts in thousands of Euro)	Fair value of net assets acquired
Cash	4,771
Right of Use assets	33,943
Property, plant and equipment/intangible assets	5,559
Lease Liability (short and long-term)	(33,943)
Other current assets/(liabilities)	9,804
Other non-current assets/(liabilities)	(2,764)
Net assets acquired	17,370
Non-controlling interests (measured proportionately to net assets acquired)	-
Consideration paid	66,000
Reduction of Group equity	48,630

The consolidation of Fratelli Prada spa from November 1, 2019 did not have a significant impact on the Group's consolidated statement profit or loss as at 31 December 2019

8. OPERATING SEGMENTS

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

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

NET REVENUES

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

GEOGRAPHICAL INFORMATION

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Europe	3,189,262	2,161,446
Americas	609,186	188,340
Asia Pacific	650,515	218,826
Japan	536,287	72,473
Middle East and Africa	95,775	47,090
Total	5,081,025	2,688,175

The total amount of Euro 5,081 million (Euro 2,688.2 million at December 31, 2018) relates to the Group's non-current assets. Compared to December 2018, the 2019 total amount includes the Right of Use assets on lease contracts (Euro 2,362.8 million). Consistently with IFRS 8, the table does not include in both periods derivative financial instruments, deferred tax assets and the pension fund surplus.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follow:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Cash on hand	55,432	54,893
Bank deposit accounts	130,444	98,723
Bank current accounts	235,193	446,205
Total	421,069	599,821

As of December 31, 2019, interest income of between 0% and 3% per year is accrued on bank accounts and deposits (between 0% and 5% at December 31, 2018).

10. TRADE RECEIVABLES, NET

Trade receivables are detailed below:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Trade receivables – third parties	322,005	319,945
Allowance for bad and doubtful debts	(9,354)	(8,821)
Trade receivables – related parties	4,903	10,789
Total	317,554	321,913

The reduction in trade receivables from related parties was mainly due to the consolidation of Fratelli Prada spa from November 1, 2019 (Note 7).

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Opening balance	8,821	7,892
IFRS 9 First Time Adoption - Bad Debt Provision	-	2,246
Exchange differences	44	7
Increases	2,374	413
Reversals	(1,207)	(325)
Utilization	(678)	(1,412)
Closing balance	9,354	8,821

The provision for the year mainly refers to the write-down of few wholesale receivables in the United States.

11. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Raw materials	110,054	104,036
Work in progress	30,539	36,327
Finished products	608,672	530,324
Return assets	4,199	2,391
Allowance for obsolete, slow-moving inventories and return assets	(40,853)	(41,287)
Total	712,611	631,791

The inventories, net increased by Euro 80.8 million from December 31, 2018 essentially following the decision to end markdown sales.

Movements during the period in the allowance for obsolete and slow-moving inventories and the allowance for return assets are as follows:

(amounts in thousands of Euro)	Raw materials	Finished Products and return assets	Total allowance for obsolete, slow-moving inventories and return assets
Opening balance	20,690	20,597	41,287
Exchange differences	8	27	35
Increases	-	304	304
Utilization	(42)	(693)	(735)
Reversal	-	(38)	(38)
Closing balance	20,656	20,197	40,853

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 2019	December 31 2018
Financial assets regarding derivative instruments - current	3,315	9,718
Financial assets regarding derivative instruments – non-current	-	205
Total Financial Assets - Derivative financial instruments	3,315	9,923
Financial liabilities regarding derivative instruments – current	(11,317)	(14,220)
Financial liabilities regarding derivative instruments – non-current	(8,789)	(7,077)
Total Financial Liabilities - Derivative financial instruments	(20,106)	(21,297)
Net carrying amount – current and non-current portion	(16,791)	(11,374)

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 2019	December 31 2018	IFRS7 Category
Forward contracts	1,956	9,974	Level II
Options	1,359	7	Level II
Interest rate swaps	-	(58)	Level II
Positive fair value	3,315	9,923	
Forward contracts	(7,112)	(10,196)	Level II
Options	(1,334)	(1,095)	Level II
Interest rate swaps	(11,660)	(10,006)	Level II
Negative fair value	(20,106)	(21,297)	
Net carrying amount – current and non-current	(16,791)	(11,374)	

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

The fair values of derivatives arranged to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives arranged to hedge foreign exchange risks (forward contracts and options) were determined by using one of the most widely used valuation platforms on the financial market and are based on the interest rate

curves and on spot and forward exchange rates at the reporting date.
The Group entered into the derivative contracts in the course of its risk management activities, in order to hedge financial risks stemming from exchange and interest rate fluctuation.

FOREIGN EXCHANGE RATE TRANSACTIONS

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

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate as at December 31, 2019, reported in Note 38) are as stated below.

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

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

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

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

Contracts in effect as of December 31, 2018 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2018
Currency			
US Dollar	41,048	103,057	144,105
Chinese Renminbi	-	154,538	154,538
Japanese Yen	-	104,887	104,887
GB Pound	-	81,607	81,607
Hong Kong Dollar	22,303	92,556	114,859
Korean Won	-	57,984	57,984
Singapore Dollar	-	19,370	19,370
Canadian Dollar	-	17,110	17,110
Russian Ruble	-	9,321	9,321
Swiss Franc	-	11,847	11,847
Australian Dollar	-	11,221	11,221
Other currencies	-	36,780	36,780
Total	63,351	700,278	763,629

Contracts in effect as of December 31, 2018 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	December 31 2018
Currency				
US Dollar	-	81,769	(55,459)	26,310
Japanese Yen	-	9,535	-	9,535
GB Pound	-	20,122	-	20,122
Swiss Franc	-	72,766	(22,185)	50,581
Singapore Dollar	-	14,752	-	14,752
Australian Dollar	-	9,864	-	9,864
Other currencies	-	13,860	-	13,860
Total	-	222,668	(77,644)	145,024

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

All contracts in place at December 31, 2019 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 interest rate swaps (IRS) 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, 2019 and December 31, 2018 are summarized below:

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

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2018	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	42,167	1.457%	May-2030	(2,343)	Euro/000	Term Loan	42,167	May-2030
IRS	Euro/000	60,000	0.105%	Mar-2019	(64)	Euro/000	Term Loan	60,000	Mar-2019
IRS	Euro/000	90,000	0.013%	Feb-2021	(511)	Euro/000	Term Loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(928)	Euro/000	Term Loan	100,000	Jun-2021
IRS	GBP/000	53,925	2.778%	Jan-2029	(6,164)	GBP/000	Term Loan	53,925	Jan-2029
IRS	Yen/000	900,000	1.360%	Mar-2020	(54)	Yen/000	Term Loan	900,000	Mar-2020
Total fair value (amounts in thousands of Euro)					(10,064)				

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	421,069	-	421,069	9
Trade receivables, net	317,554	-	317,554	10
Derivative financial instruments	-	3,315	3,315	12
Investments in equity instruments	79,408	-	79,408	18
Other Investments	2,040	-	2,040	18
Total at December 31, 2019	820,071	3,315	823,386	

(amounts in thousands of Euro)	Financial receivables, trade receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	599,821	-	599,821	9
Trade receivables, net	321,913	-	321,913	10
Derivative financial instruments	-	9,923	9,923	12
Investments in equity instruments	97,948	-	97,948	18
Other Investments	1,590	-	1,590	18
Total at December 31, 2018	1,021,272	9,923	1,031,195	

FINANCIAL LIABILITIES

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

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	911,269	-	911,269	21,22,26
Trade payables	315,211	-	315,211	23
Derivative financial instruments	-	21,297	21,297	12
Financial lease	2,057	-	2,057	21,26
Total at December 31, 2018	1,228,537	21,297	1,249,834	

FAIR VALUE

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

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

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

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

CREDIT RISK

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

TRADE RECEIVABLES

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

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

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

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

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

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

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

BANK CURRENT ACCOUNTS AND DEPOSITS

Bank deposits accounts are broken down by currency as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Hong Kong Dollar	66,752	64,730
Chinese Renmimbi	47,143	8,244
Korean Won	-	15,259
Other Currencies	16,549	10,490
Total bank deposit accounts	130,444	98,723

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 2019	December 31 2018
Euro	68,079	246,883
US Dollar	92,617	87,671
GB Pound	12,410	12,409
Hong Kong Dollar	10,170	52,273
Korean Won	3,032	3,869
Other Currencies	48,885	43,100
Total bank current accounts	235,193	446,205

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

LIQUIDITY RISK

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

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

As of December 31, 2019, the Group has undrawn cash credit lines of Euro 717 million (Euro 597 million as of December 31, 2018) available at banks.

The following table summarized trade payables by maturity date:

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

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

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.

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

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

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2018	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	(10,196)	(4,945)	(5,251)	-	-	-	-
Net cash flows (outflows/inflows) of options	(1,095)	(594)	(183)	(224)	(94)	-	-
Net amount	(11,291)	(5,539)	(5,434)	(224)	(94)	-	-

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, 2019	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(11,467)	(1,057)	(1,470)	(2,140)	(1,643)	(1,281)	(3,876)
Net amount	(11,467)	(1,057)	(1,470)	(2,140)	(1,643)	(1,281)	(3,876)

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2018	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	(10,064)	(1,405)	(1,270)	(2,104)	(1,343)	(1,018)	(2,922)
Net amount	(10,064)	(1,405)	(1,270)	(2,104)	(1,343)	(1,018)	(2,922)

FINANCIAL LIABILITIES

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

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2018	Future contractual cash flows at Dec. 31, 2018	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
Obligations under finance leases (IAS 17)	2,057	2,402	-	161	161	323	323	323	1,111
Financial liabilities - third parties (without deferred costs on loans)	907,930	931,446	-	389,238	36,279	77,216	257,811	85,374	85,528
Financial liabilities - related parties	4,415	4,415	-	-	4,415	-	-	-	-
Total	914,402	938,263	-	389,399	40,855	77,539	258,134	85,697	86,639

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

EXCHANGE RATE RISK

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

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

The following table shows the sensitivity of the consolidated net income and equity to a range of hypothetical fluctuations in the main foreign currencies against the Euro, based on the statement of financial position of the Group's companies as of December 31, 2019:

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GP Pound	(136)	1,718	35	(2,166)
Hong Kong Dollar	3,847	5,524	(4,252)	(6,025)
Japanese Yen	2,360	7,681	(2,550)	(7,944)
US Dollar	5,406	9,281	(5,631)	(9,767)
Chinese Renminbi	(1,976)	4,684	1,202	(6,478)
Other currencies	(4,062)	3,098	4,491	(4,186)
Total	5,439	31,986	(6,705)	(36,565)

The total impact on equity (positive for Euro 32 million and negative for Euro 36.6 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies.
The effects on the financial statement items are presented above before taxes. The sensitivity analysis is based on currency exposure at the end of the period, which might not reflect the actual exposure during the period. For this reason it is purely indicative.

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, 2019:

(amounts in thousands of Euro)	Interest rate curve shift			
	+0.50%		-0.50%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
Euro	(2,709)	16	2,710	(77)
GB Pound	(188)	1,727	188	(1,727)
Hong Kong Dollar	385	385	(385)	(385)
Japanese Yen	(648)	(648)	648	648
US Dollar	397	397	(397)	(397)
Other currencies	462	462	(462)	(462)
Total	(2,301)	2,339	2,302	(2,400)

The total impact on equity (positive for Euro 2.3 million and negative for Euro 2.4 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 shift in the interest rate curve. The effects on the financial statement items are presented above before taxes.
The sensitivity analysis is based on the net financial position at the end of the period, which might not reflect the actual exposure to interest rate risk during the period. For this reason it is purely indicative.

OTHER RISKS

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

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

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Prepaid sponsorship	13,522	6,761
Other receivables and advances	6,027	5,865
Financial receivables	2,004	
Receivables from and advances to related parties - current	21,553	12,626

The prepayment at December 31, 2019 regards the contract in place between PRADA spa and Luna Rossa Challenge srl, under the new sponsorship agreement for participation in the 36th America's Cup.

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Other receivables and advances	309	-
Financial receivables	375	-
Receivables from and advances to related parties - non-current	684	-

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 2019	December 31 2018
VAT	59,610	48,576
Taxation and other tax receivables	87,372	54,181
Other assets	20,486	14,115
Prepayments	43,290	55,897
Deposits	10,718	12,972
Total	221,476	185,741

OTHER ASSETS

The other assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Advances to suppliers	3,287	2,741
Incentives for retail investments	43	3,574
Other receivables	17,156	7,800
Total	20,486	14,115

The increase in Other assets includes receivables resulting from the sale of fixed assets for Euro 11.5 million.

PREPAYMENTS

The prepayments are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Rental costs	3,400	17,704
Insurance	1,944	1,897
Design costs	11,631	12,354
Fashion shows and advances on advertising campaigns	12,045	10,254
Other	14,270	13,688
Total	43,290	55,897

Rental costs prepayments reduction was related to the reclassification into the Right of Use assets category of "in scope" prepayments following the first time adoption of IFRS 16 (as described in the paragraph "new IFRS and amendments to IFRS").

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 and reduced from December 31, 2018 mainly for the reclassication into the same category of non-current assets.

15. PROPERTY, PLANT AND EQUIPMENT

The historical cost and accumulated depreciation of the past two years are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	847,901	207,268	1,364,818	475,157	187,840	84,151	3,167,135
Accumulated depreciation	(124,751)	(145,474)	(936,231)	(281,571)	(101,756)	-	(1,589,783)
Net carrying amount at December 31, 2018	723,150	61,794	428,587	193,586	86,084	84,151	1,577,352
Historical cost	926,471	220,975	1,400,858	619,105	180,540	41,487	3,389,436
Accumulated depreciation	(141,406)	(157,352)	(1,011,315)	(325,534)	(111,349)	-	(1,746,956)
Net carrying amount at December 31, 2019	785,065	63,623	389,543	293,571	69,191	41,487	1,642,480

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

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Opening balance	723,150	61,794	428,587	193,586	86,084	84,151	1,577,352
IFRS16 - First time adoption	(3,544)	-	(7,701)	(662)	-	-	(11,907)
Change in the consolidation area	2,486	-	1,557	1,419	97	-	5,559
Additions	71,322	12,038	65,663	67,363	8,473	31,420	256,279
Depreciation	(17,484)	(11,110)	(115,233)	(38,223)	(10,901)	-	(192,951)
Disposals	(579)	(127)	(521)	(367)	(185)	-	(1,779)
Exchange differences	9,046	86	8,489	3,615	123	518	21,877
Other movements	699	950	16,898	68,814	(14,453)	(73,408)	(500)
Impairment	(31)	(8)	(8,196)	(1,974)	(47)	(1,194)	(11,450)
Closing balance	785,065	63,623	389,543	293,571	69,191	41,487	1,642,480

The change in the consolidation area referred to the acquisition of Fratelli Prada spa (Note 7).

The increases in land and buildings regarded the purchase of a building in Madrid for retail purposes and, to a minor extent, the purchase of a building in Italy for manufacturing and various improvements to buildings owned. The investments in plant and machinery were made to step up the manufacturing and logistics activities.

The increases in furniture and fittings and in leasehold improvements regarded largely restyling and relocation projects and, to a lesser degree, new store openings (22 in the period).

The impairment of Euro 11.5 million for the period referred to write- downs of store assets due to closures and renovations.

16. INTANGIBLE ASSETS

The historical cost and accumulated amortization of the past two years are set forth below:

(amounts in thousands of Euro)	Trade-marks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	403,525	547,594	235,702	137,766	63,144	15,383	1,403,114
Accumulated amortization	(167,450)	(29,328)	(139,569)	(92,792)	(53,964)	-	(483,103)
Net carrying amount at December 31, 2018	236,075	518,266	96,133	44,974	9,180	15,383	920,011
Historical cost	407,921	548,931	55,131	164,583	63,102	33,277	1,272,945
Accumulated amortization	(182,672)	(30,228)	(53,975)	(106,359)	(55,881)	-	(429,115)
Net carrying amount at December 31, 2019	225,249	518,703	1,156	58,224	7,221	33,277	843,830

The changes in the carrying amount 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	236,075	518,266	96,133	44,974	9,180	15,383	920,011
IFRS16 - First Time Adoption	-	-	(94,480)	-	-	-	(94,480)
Additions	650	-	-	14,767	145	29,889	45,451
Amortization	(13,480)	-	(436)	(13,485)	(1,957)	-	(29,358)
Exchange differences	2,004	437	(61)	13	2	(1)	2,394
Other movements	-	-	-	11,955	(149)	(11,994)	(188)
Closing balance	225,249	518,703	1,156	58,224	7,221	33,277	843,830

The carrying amount of "trademarks and intellectual property rights" at the reporting date is broken down in the following table:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Miu Miu	132,921	138,482
Church's	76,679	78,487
Prada	5,351	5,502
Other trademarks and other intellectual property rights	10,298	13,604
Total	225,249	236,075

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

The store lease acquisitions fell by Euro 94.9 million as a result of the reclassification of key money to the Right of Use assets upon adoption of IFRS 16 on January 1, 2019 (Note 3). The remaining Euro 1.2 million at December 31, 2019 regards out-of-scope leases.

The investments in information technology, classified as software and mostly assets in progress, referred to several retail, manufacturing and corporate projects.

The total capital expenditure for tangibles and intangibles in the twelve months ended December 31, 2019 was Euro 301.8 million, as broken down below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Retail	121,919	135,997
Real Estate	60,351	-
Production, Logistics and Corporate	119,460	147,590
Total	301,730	283,587

IMPAIRMENT TEST

As required by IAS 36, "Impairment of Assets," intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least once per year. The Group reports no intangible assets with indefinite useful lives other than goodwill. As at December 31, 2019, goodwill amounts to Euro 518.7 million, detailed by Cash Generating Unit ("CGU") as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Montecarlo Retail	11,700	11,700
North America Retail and wholesale	48,000	48,000
Production Division	10,169	10,169
Church's	8,954	8,517
Pasticceria Marchesi 1824	7,975	7,975
Total	518,703	518,266

IAS 36 requires an entity to assess at each annual reporting date whether there are indications of impairment losses for any other asset recognized in the financial statements. In light of the performance of certain retail businesses during the year, CGUs other than those shown above were also tested for impairment.

The method used to identify the recoverable amount (value in use) involves discounting the projected cash flows produced by the CGU to which goodwill has been allocated (discounted cash flow or "DCF" method). 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 business plan period (terminal value).

The business plans used to prepare the impairment test cover a period of five years and have been constructed on the basis of the 2020 budget prepared by management. Prudently, no business growth was forecast after 2020, meaning that no significant improvement in the performance of the assets existing at December 31, 2019 was projected for the years of the plan. Likewise, the impacts deriving from the spread of Coronavirus (Covid-19) have not been considered in the preparation of the business plans since they relate to an event occurred after the reporting date, which potential effects, by the way, are not currently determinable

and quantifiable, but will be constantly monitored in the following months of 2020. The rate used to discount cash flows was calculated using the weighted average cost of capital (WACC). For the year ended December 31, 2019, the WACC used for discounting purposes ranged between 4.2% and 12.6% (between 5.1% and 14.7% at December 31, 2018). The WACC was calculated ad hoc for each CGU subject to impairment, considering the parameters specific to the geographical area: market risk premium and sovereign bond yield. The "g" rate of growth used to calculate the terminal value ranged between 0% and 9.2%, according to the diverging inflation and GDP outlooks in the various countries. However, the prevalent growth rate was 1.5%, which can be considered prudent given the average growth expected for the luxury goods market in general and the specific growth rate projected for the PRADA Group at the reporting date.
None of the impairment tests performed at December 31, 2019 identified any impairment losses.

Where deemed appropriate, sensitivity analysis was carried out to ensure that changes in the main assumptions did not significantly affect the impairment test results. The outcome of these simulations confirmed that the result obtained through the DCF method was reasonable. Furthermore, in the light of the uncertainty generated by the aforementioned health emergency, some scenario analysis were made with the objective of testing the sensitivity of the recoverable value by identifying the rate (WACC) which determines the equality between the recoverable value of the CGU and the relevant carrying value. Such analysis highlighted that even in the presence of a significant increase in the WACC used for the execution of the impairment tests, no impairment losses would be generated in the main geographical areas where the Group operates and, therefore, for the CGUs where most of the goodwill is allocated in the consolidated financial statements.

However, since value in use is 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.

17. RIGHT OF USE ASSETS

The changes in the net book value of the Right of Use assets for the period ended December 31, 2019 are shown below:

(amounts in thousands of Euro)	Real Estate	Vehicles	Hardware	Plant and machinery	Total net carrying amount
Opening balance	-	-	-	-	-
IFRS16 - First Time Adoption	2,410,490	1,712	247	1,935	2,414,384
Change in the consolidation area	33,908	35	-	-	33,943
New contracts, initial direct costs and remeasurements	390,811	1,067	192	741	392,811
Depreciation	(454,083)	(1,155)	(86)	(837)	(456,161)
Contracts termination	(68,255)	(8)	-	117	(68,146)
Write-downs	(149)	-	-	-	(149)
Exchange differences	46,273	41	(116)	(39)	46,159
Closing balance	2,358,995	1,692	237	1,917	2,362,841

The change in the consolidation area was attributable to the acquisition of Fratelli Prada (Note 7); the adoption of IFRS16 is explained in the section on new IFRSs and amendments to IFRSs (Note 3).

The increase for new contracts, initial direct costs and remeasurements was attributable primarily to the renewal of contracts in Asia Pacific and Japan. The decrease for contract closures referred substantially to the early closure of contracts in Europe and Asia Pacific.

18. INVESTMENTS IN EQUITY INSTRUMENTS

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Investments in equity instruments	79,408	97,948
Other investments	2,040	1,590
Total	81,448	99,538

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

19. OTHER NON-CURRENT ASSETS

The other non-current assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Guarantee Deposits	70,732	64,770
Deferred rental income	968	9,606
Pension fund surplus (Note 27)	15,315	11,719
Prepayments for commercial agreements	62,600	-
Other long-term assets	15,757	16,897
Total	165,372	102,992

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Nature:		
Stores	64,981	59,590
Offices	3,850	3,900
Warehouses	134	117
Other	1,767	1,163
Total	70,732	64,770

(amounts in thousands of Euro)	December 31 2019
Maturity:	
between one to two years	5,445
between two to five years	24,484
After more than five years	40,803
Total	70,732

The guarantee deposits refer primarily to security deposits paid under retail leases and increased from December 31, 2018 mainly for the reclassification from the same category of current assets.

Prepayments for commercial agreements relate to a commercial contract signed during the period for which the related benefits are expected to flow to the Company beyond a period of 12 months.

20. LEASE LIABILITY

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	December 31 2019
Short-term Lease Liability	409,537
Long-term Lease Liability	2,005,761
Total	2,415,298

The Lease Liability decreased from Euro 2,449 million at January 1, 2019 (when IFRS 16 was first adopted) to Euro 2,415 million mainly as a result of the payments during the period (Euro 497 million), net of remeasurements due to lease renewals (Euro 318 million) and interest on the present value adjustment of the liability (Euro 49 million). To a lesser extent, foreign exchange differences and the Fratelli Prada spa acquisition also contributed to the change.
The Lease Liability is concentrated mainly in the U.S.A., Japan and Italy.

21. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Short-term bank loans	136,093	152,365
Current portion of long-term loans	106,017	269,195
Deferred costs on loans	(646)	(323)
Financial lease - current	-	244
Total	241,464	421,481

The short-term bank loans as at December 31, 2019 refer to the use of credit lines by PRADA spa for an amount of Euro 45 million, by PRADA Japan co ltd for a total equivalent value of Euro 90.2 million, and by Prada Bosphorus Deri Mamuller ltd. for the remainder. Some of these credit lines contain covenants based on the results of PRADA Japan co ltd's financial statements, all of which were met as at December 31, 2019.

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Euro	45,000	90,365
Japanese Yen	90,207	62,000
Other currencies	886	-
Total	136,093	152,365

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

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

The current payables to related parties are shown below:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Financial payables	3,387	4,415
Other payables	22,670	62
Payables to related parties - current	26,057	4,477

The 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.

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Other payables	20,660	-
Payables to related parties - non current	20,660	-

The other payables of the short term (Euro 22.7 million) and long term (Euro 20.7 million) relate to the residual debt for the acquisition of all the shares of Fratelli Prada spa.

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

23. TRADE PAYABLES

The trade payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Trade payables - third parties	322,105	309,294
Trade payables - related parties	5,225	5,917
Total	327,330	315,211

24. TAX PAYABLES

The tax payables are detailed hereunder:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Current taxation	35,065	44,637
VAT and other taxes	48,744	40,406
Total	83,809	85,043

The Group recognizes current tax liabilities of Euro 35.1 million at December 31, 2019 (Euro 44.6 million at December 31, 2018) against tax receivables of Euro 87.4 million (Euro 54.2 million at December 31, 2018), as reported in Note 14. The increase in the tax balance is mainly due to the recognition of the tax income related to the Patent Box (Note 36).

25. OTHER CURRENT LIABILITIES

The other current liabilities are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Payables for capital expenditure	38,588	50,085
Accrued expenses and deferred income	18,098	19,719
Other payables	75,608	76,625
Total	132,294	146,429

The accrued expenses and deferred income have decreased because, pursuant to

IFRS 16 adoption, the current portion of deferred lease liabilities was reclassified to reduce the Right of Use assets (the deferred lease liability remains exclusively for variable rent leases).

The other payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Short-term benefits for employees and other personnel	55,158	60,681
Customer advances	9,553	6,334
Returns from customers	7,838	6,145
Other	3,059	3,465
Total	75,608	76,625

26. LONG-TERM FINANCIAL PAYABLES

The long-term financial payables are as follows:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Long-term bank borrowings	584,950	486,369
Deferred costs on loans	(809)	(751)
Financial lease - non-current	-	1,813
Total	584,141	487,431

In 2019 Prada spa took out two new long-term loans of Euro 50 million and Euro 100 million respectively, both of which contained covenants referring to PRADA spa's consolidated financial statements that were fully complied with as at December 31, 2019.

In addition to such loans, in 2019 Prada spa took out its first sustainability-linked loan for an amount of Euro 50 million. The sustainability-linked loan provides for an adjustment to annual interests based on the achievement of ambitious sustainability targets regarding the number of leadership in energy and environmental design (LEED) certifications, the use of regenerated nylon and the number of training hours for employees.

In the same period, the parent company and other companies of the Group repaid the current portions of long-term loans for an amount of Euro 269.7 million.

The long-term bank borrowings as at December 31, 2019, 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	75,500	Term-loan	EUR	02/2022	0.407%	17,000	58,500	-
PRADA spa	50,000	Term-loan	EUR	06/2022	0.750%	-	50,000	
PRADA spa	38,501	Term-loan	EUR	05/2030	2.737%	3,667	34,834	Mortgage loan-
PRADA spa	50,000	Term-loan	EUR	10/2024	0.600%	10,000	40,000	-
PRADA spa	100,000	Term-loan	EUR	06/2021	0.752%	-	100,000	-
PRADA spa	62,500	Term-loan	EUR	06/2022	0.480%	25,000	37,500	-
PRADA spa	90,000	Term-loan	EUR	02/2021	0.963%	-	90,000	
PRADA spa	100,000	Term-loan	EUR	06/2024	0.379%	22,222	77,778	
PRADA Japan Co. Ltd	22,552	Syndicate loan	JPY	09/2022	0.467%	8,201	14,351	-
PRADA Japan Co. Ltd	22,552	Syndicate loan	JPY	09/2022	0.467%	8,201	14,351	-
PRADA Japan Co. Ltd	2,460	Term-loan	JPY	03/2020	1.360%	2,460	-	-
PRADA Japan Co. Ltd	820	Term-loan	JPY	03/2020	0.810%	820	-	-
PRADA Japan Co. Ltd	410	Term-loan	JPY	03/2020	1.180%	410	-	-
Kenon Ltd	60,649	Term-loan	GBP	01/2029	4.477%	3,085	57,564	Mortgage loan
Prada Middle East	10,015	Term-loan	USD	02/2022	4.393%	4,451	5,564	-
Tannerie Limoges sas	2,125	Term-loan	EUR	01/2024	1.200%	500	1,625	Mortgage loan
Hipic Prod Impex srl	2,883	Term-loan	RON	11/2021	4.070%	-	2,883	-
Total	690,967					106,017	584,950	

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

PRADA spa's mortgage loan is secured by the building in Milan used for the Group's headquarters, while 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, 2019		December 31, 2018	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	89%	11%	58%	42%
Long-term financial payables	42%	58%	40%	60%

27. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Post-employment benefits	52,882	47,407
Other long-term employee benefits	10,637	12,594
Total liabilities for long-term benefits	63,519	60,001
Pension plan surplus (note 18)	(15,316)	(11,719)
Net liabilities for long-term benefits	48,203	48,282

POST-EMPLOYMENT BENEFITS

The net balance of long-term employee benefits as at December 31, 2019 is Euro 48.2 million (Euro 48.3 million as of December 31, 2018) and all the benefits are classified as defined benefit plans.

The post-employment benefits consist of Euro 26.2 million (Euro 22.5 million at December 31, 2018) in liabilities accounted for by Italian companies and Euro 26.6 million by the foreign subsidiaries (Euro 25 million in at December 31, 2018). The Italian liabilities regard the "Trattamento di Fine Rapporto" ("TFR", or staff leaving indemnities), a deferred benefit for employees that is mandatory for Italian businesses and is based on the employees' length of service and pay. The present value of the liability recognized was determined by projecting the amount accrued as of December 31, 2019 under Italian law to the estimated future date of employment termination, discounting it to the present value at the same reporting date using the projected unit credit method ("PUCM").

The following table presents the changes in long-term employee benefits as at December 31, 2019:

(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 eployee benefits	Total
Opening balance	22,452	24,955	(11,719)	12,594	48,282
Change in the consolidation area	2,764	-	-	-	2,764
Current service cost	768	4,483	144	3,325	8,720
Interest expenses (income)	-	-	(327)	29	(298)
Actuarial (gains)/losses	1,989	(113)	(2,513)	(897)	(1,534)
Benefits paid	(1,738)	(3,445)	-	(4,463)	(9,646)
Contributions	-	-	(209)	-	(209)
Exchange differences	-	767	(692)	49	124
Closing balance	26,235	26,647	(15,316)	10,637	48,203

The actuarial gains and losses are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Other Countries (including Japan)	Pension Funds in UK
Actuarial adjustments due to			
(a) Changes in financial assumptions	2,069	173	(5,678)
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	(80)	(286)	3,165
Actuarial (gains)/losses	1,989	(113)	(2,513)

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

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

The post-employment benefits are stated net of the pension plan surplus attributable to Group companies operating in the United Kingdom that supply pension services to their employees. As at December 31, 2019, the fair value of such pension plans is a surplus of Euro 15.3 million (Euro 11.7 million as of December 31, 2018). 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 2019	December 31 2018
Fair value of plan assets	70,088	61,571
Fair value of plan liabilities	(54,772)	(49,852)
Pension plan surplus	15,316	11,719

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Equities	27,876	21,444
Alternatives	7,628	10,875
Bonds	31,244	25,907
Cash	3,340	3,345
Total	70,088	61,571

The main actuarial assumptions used as at December 31, 2019 are as follows:

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

The main actuarial assumptions used as of December 31, 2018 were as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	10.7	15	14.4
Average increase in remuneration	1.30%	2.05%	3.37%
Rate of inflation	1.50%	2.05%	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, 2019 liability, a sensitivity analysis was performed on the main actuarial variables such as discount rate, salary changes and inflation rate. The analysis did not lead to significant changes in the liability, except for the sensitivity analysis conducted on the interest rate curve, according to which a 50 basis point increase or decrease would cause an increase or decrease in the Group's total defined benefit obligation ("DBO") up to Euro 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 employees. Their actuarial valuation as of December 31, 2019 under the PUCM methodology resulted in Euro 10.6 million (Euro 12.6 million as at December 31, 2018), 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	1,425	3,101	46,784	51,310
IFRS 16 - First Time Adoption	-	-	(2,649)	(2,649)
Exchange differences	23	44	834	901
Reversals	(84)	(502)	(397)	(983)
Utilized	(1,107)	(5,466)	(2,928)	(9,501)
Increases	261	5,170	4,975	10,406
Closing balance	518	2,347	46,619	49,484

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

TAX DISPUTES

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

The dispute filed by PRADA spa following an audit initiated in 2012 by the Italian Customs Agency for the tax years from 2007 to 2011 to determine the customs value of the products consists of three legal actions regarding the 2010 tax period, all of which are currently pending at the Supreme Court. Concerning the first action, on April 18, 2019 the Company lodged an appeal at the Supreme Court against the adverse second-instance ruling issued on July 23, 2018, and is awaiting the notice of the hearing. Concerning the other two legal actions, the appeals against the adverse second-instance rulings issued on July 12, 2019 will be lodged at the Supreme Court within the prescribed time limit.

The audit of Prada Korea Ltd, initiated in 2019 by the Korean National Tax Service for the tax periods of 2014 and 2015 (and later extended to 2016 and 2017) regards primarily two matters concerning the tax treatment of a business reorganization carried out in 2016 and 2017 and the direct tax treatment of the flows between Prada Korea and Prada Spa under the related licensing agreement.

In 2019 the two disputes regarding the reorganization were closed with the final payment amounting to some Euro 2 million.

At the end of 2019 only the dispute about the intercompany flows relating to the licenses between Prada Spa and Prada Korea was pending, in relation to which the latter company, against the payment of an amount equal to Euro 2.5 million, is evaluating whether to initiate a Mutual Agreement Procedure (MAP) between the competent Italian and Korean authorities.

In 2019 the Prada Group and the tax authorities of the countries where it operates continued to hold effective dialogue to preventively manage tax risk. Specifically, communication on specific topics was maintained between Prada spa and the Italian Revenue Agency within the context of the Cooperative Compliance tax regime (to which the Company was admitted in 2017). Moreover, an international cooperative compliance program was successfully completed that involved Prada spa and some its subsidiaries within the scope of a project launched in 2017 at an OECD level that was dedicated to a selected number of taxpayers in the world. The Prada Group was invited to participate in the final phase of the program for the consecutive years as well.

LEGAL DISPUTES

The Euro 0.5 million provision for litigation as at December 31, 2019 refers to pending disputes regarding labor law.

OTHER RISK PROVISIONS

The other risk provisions amount to Euro 46.6 million as at December 31, 2019 and refer primarily to contractual obligations to restore leased commercial property to its original condition.

29. OTHER NON-CURRENT LIABILITIES

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Deferred costs for lease payments	7,190	150,354
Deferred income for commercial agreements	40,000	-
Other non-current liabilities	9,175	8,659
Total	56,365	159,013

Deferred costs for lease payments decreased because, pursuant to IFRS 16 adoption, deferred lease liabilities were reclassified to reduce the right-of-use asset (the deferred payment remained exclusively for variable rent leases).
Deferred income for commercial agreements relates to a an amount received during the period but for which the related performance obligations will be satisfied starting from a period beyond 12 months

30. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP

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

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,006,971	2,001,391
Actuarial reserve	(4,516)	(4,822)
Fair value Investments in equity instruments reserve	(9,982)	(12,276)
Cash flow hedge reserve	(8,469)	(10,620)
Translation reserve	61,437	32,941
Net income for the period	255,788	205,443
Total	2,967,158	2,877,986

SHARE CAPITAL

As at December 31, 2019, approximately 80% of PRADA spa's share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

SHARE PREMIUM RESERVE

The share premium reserve of Euro 410 million did not changed from that of December 31, 2018.

TRANSLATION RESERVE

The changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve increased from Euro 32.9 million at December 31, 2018 to Euro 61.4 million.

OTHER RESERVES

The other reserves amount to Euro 2,007 million as at December 31, 2019, showing an increase of Euro 5.6 million compared to December 31, 2018. The allocation of the previous fiscal year's profit of Euro 205.4 million was almost totally offset by the distribution of dividends distributed to PRADA spa shareholders for Euro 153.5 million and for the recognition in the Group's equity of the higher price paid for the acquisition of Fratelli Prada spa for Euro 48.6 million (Note 7).

NET INCOME FOR THE PERIOD

The Group's net income for the twelve months ended December 31, 2019 was Euro 255.8 million (Euro 205.4 million for the twelve months ended December 31, 2018).

CAPITAL GAINS TAX IN ITALY

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

31. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The following table shows the changes in the non-controlling interests during the periods ended December 31, 2019 and December 31, 2018:

(amounts in thousands of Euro)	December 31 2019	December 31 2018
Opening balance	19,083	21,519
Translation differences	417	828
Dividends	(1,113)	(5,729)
Net income for the period	1,936	2,739
Actuarial reserve	(36)	(9)
Capital injection in subsidiaries	1,130	345
Transactions with non-controlling shareholders	-	(577)
IFRS 9 First time Adoption - Bad Debt Provision	-	(33)
Closing balance	21,417	19,083

Dividends of Euro 1.1 million were distributed to non-controlling shareholders as of December 31, 2019, as detailed in Note 43.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For a better understanding of the performance of 2019, 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 2019	twelve months ended December 31 2018
Net sales	3,183,339	3,098,068
Royalties	42,255	44,080
Total	3,225,594	3,142,148

The Financial Review describes the net revenues 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 2019	twelve months ended December 31 2018
Purchases of raw materials and manufactoring services	681,908	666,267
Depreciation, amortization and impairment on tangible and intangible fixed assets	17,397	15,718
Depreciation and write-downs of the Right of Use assets	2,963	-
Labor cost	111,194	109,592
Short-term and low value lease (IFRS 16)	678	-
Fixed rent (IAS 17)	-	2,600
Logistics costs, duties and insurance	153,063	150,342
Change in inventories	(61,221)	(64,965)
Total	905,982	879,554

The incidence of the cost of sales on net revenues, equal to 28.1% in 2019, is substantially in line with 2018 (28%).

34. OPERATING EXPENSES

The operating costs are detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	% of net revenues	twelve months ended December 31 2018	% of net revenues
Product design and development costs	127,378	3.9%	125,179	4.0%
Advertising and communications costs	231,011	7.2%	207,278	6.6%
Selling costs	1,470,101	45.6%	1,414,153	45.0%
General and administrative costs	184,343	5.7%	192,138	6.1%
Total	2,012,833	62.4%	1,938,748	61.7%

For a better understanding of the change in the operating expenses, reference is made to the Financial Review.

The following table sets forth depreciation, amortization, impairment, cost of labor and rent expense included within the operating expenses in accordance with the requirements of IAS 1.

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Depreciation, amortization and impairment on tangible and intangible fixed assets	216,362	211,638
Depreciation and write-downs of the Right of Use assets	453,198	-
Labor cost	624,229	598,503
Pure variable lease (IFRS 16)	144,968	-
Variable lease (including minimum guarantee - IAS 17)	-	329,199
Short term and low value lease (IFRS 16)	8,390	-
Fixed rent (IAS 17)	-	282,284

35. FINANCIAL INCOME / (EXPENSE)

The financial income/(expense) are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Interest expenses on borrowings	(10,217)	(13,543)
Interest income	4,135	9,405
Interest income / (expenses) IAS 19	173	140
Exchange gains / (losses) - realized	(15,993)	(15,138)
Exchange gains / (losses) - unrealized	(1,272)	1,301
Other financial income / (expenses)	(2,000)	(4,105)
Interest and other financial income / (expenses), net	(25,174)	(21,940)
Interest expenses on Lease Liability	(48,980)	-
Dividends from investments	2,135	632
Total financial expenses	(72,019)	(21,308)

The financial expeses increased from Euro 21.3 million for the twelve months ended December 31, 2018 to Euro 72 million, mainly following the recognition of interest expenses relating to the adjustment of the present value of the Lease Liability (Euro 49 million for 2019). To a lesser extent, the overall increase was also impacted by interest expenses, net which grew as a result of an higher net financial deficit on average in the year compared to 2018.

The Group accounted for Euro 2 million in dividends from non-current equity instruments (Euro 0.6 million in 2018), up from the same period of 2018 as a result of investments in equity instruments made in the second half of 2019.

36. TAXATION

Income taxes have the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Current taxation	951	95,184
Deferred taxation	(23,915)	(828)
Total	(22,964)	94,356

The tax expense for the period benefitted from income of Euro 102 million, i.e. the economic contribution recognized for the years from 2015 to 2019 pursuant to the admission to the Patent Box regime. In this respect, on July 1, 2019 PRADA spa and the Italian Revenue Agency – Preliminary Agreements Office stipulated the agreement regarding the tax benefit regime for income deriving from the use of qualifying intangible assets. Excluding such income, the Group's effective tax rate is 33.3%, slightly above the 31.2% of the comparative period.

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 2019
Weighted average tax rate of the Group	25.3%
Costs and revenues not taxable/deductible	2.5%
Effect of utilization of tax loss carryforwards	0.3%
Patent Box	-43.0%
Withholdings	2.9%
Other (including prior year taxes)	2.3%
Effective tax rate of the Group	-9.7%

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

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Opening balance	187,054	177,390
Exchange differences	3,383	4,650
Deferred taxes on acquisition	1,475	-
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	(579)	2,669
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	(358)	102
Deferred taxes on FTA IFRS 9	-	444
Other movements	(21)	971
Deferred taxes for the period in profit or loss	23,915	828
Closing balance	214,869	187,054

Deferred tax assets and liabilities are classified by nature hereunder:

(amounts in thousands of Euro)	December 31, 2019		December 31, 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	128,968	-	108,491	-
Receivables and other assets	1,186	1,538	702	1,548
Useful life of non-current assets	41,997	7,808	48,238	8,743
Deferred taxes due to acquisitions	-	13,814	-	15,170
Provision for risks / accrued expenses	13,495	112	34,043	1,358
Non-deductible / taxable charges/income	5,640	1,364	7,830	65
Deferred tax assets on rental contracts	33,965	533		
Tax loss carryforwards	3,122	-	3,121	-
Derivative financial instruments	2,497	-	3,195	-
Long term employee benefits	10,203	2,723	9,916	1,992
Other	3,133	1,445	1,568	1,174
Total	244,206	29,337	217,104	30,050

Tax loss carryforwards as of December 31, 2019, including those already recognized in the Group's financial statements, are detailed below:

(amounts in thousands of Euro)	December 31 2019
Expiring within 5 years	11,661
Expiring after 5 years	23,211
Available for carryforward with no time limit	106,531
Total tax loss carryforwards	141,403

The Group's management updated the deferred tax assets recognized on tax loss carryforwards taking into consideration 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 per share are calculated by dividing the net income of the period attributable to the Group's shareholders by the weighted average number of ordinary shares in issue.

	twelve months ended December 31 2019	twelve months ended December 31 2018
Group net income in Euro	255,787,505	205,443,297
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and diluted earnings per share in Euro, calculated on weighted average number of shares	0.100	0.080

DIVIDENDS PER SHARE

The Board of Directors of PRADA spa has proposed a dividend of Euro 51,176,480 (Euro 0.02 per share) for the twelve months ended December 31, 2019.
The Board of Directors made such dividend payment proposal taking into consideration the consequences connected with the uncertainty related to the pandemic still ongoing at the date of approval of these financial statements.

During 2019 the Company distributed dividends for Euro 153,529,440 (Euro 0.06 per share), as approved at the General Meeting held on April 30, 2019 to approve the December 31, 2018 financial statements.
The dividends net of the withholding taxes were paid during the period under review, whereas such withholding tax (Euro 8 million), calculated 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, was paid during the year.

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

	Financial statements ended December 31 2018	Financial statements ended December 31 2017	Financial statements ended January 31 2017
Total dividends paid (Euro)	153,529,440	191,911,800	307,058,880
Dividends per Share (Euro)	0.06	0.075	0.12
Date of approval by Shareholders' Meeting	30/04/2019	27/04/2018	31/05/2017
Date of payment	May 2019	May 2018	June 2017

38. ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES

The average number of employees by business division is presented below:

(number of employees)	twelve months ended December 31 2019	twelve months ended December 31 2018
Production	3,089	2,959
Product design and development	1,035	1,023
Advertising and Communications	167	158
Selling	8,479	8,101
General and administrative services	1,009	956
Total	13,779	13,197

EMPLOYEE REMUNERATION

The employee remuneration by business division is presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Production	128,011	126,416
Product design and development	67,992	67,683
Advertising and Communications	16,085	14,907
Selling	452,362	423,874
General and administrative services	87,599	92,350
Total	752,049	725,230

The types of employee remuneration are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Wages and salaries	572,507	547,990
Post-employment benefits and other long-term benefits	32,725	30,711
Social contributions	118,849	113,453
Other	27,968	33,076
Total	752,049	725,230

DISTRIBUTABLE RESERVES OF THE PARENT COMPANY, PRADA SPA

(amounts in thousands of Euro)	December 31 2019	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	881,086	A, B, C	846,877	-	652,500
Fair Value reserve	(9,982)		-	-	-
Time Value reserve	(778)		-	-	-
Intrinsic Value reserve	(2,933)		-	-	-
Distributable amount	-		1,439,823	-	652,500

A share capital increase
B coverage of losses
C distributable to shareholders

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable since the amount of the legal reserve is equal to or exceeds 20% of share capital. Under Italian Legislative Decree 38/2005, Article 7, Euro 20.5 million of the retained earnings is not distributable.

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, 2019 and December 31, 2018 are listed hereunder.

(amounts in thousands of Euro)	Average rate December 31 2019	Average rate December 31 2018	Closing rate December 31 2019	Closing rate December 31 2018
UAE Dirham	4.113	4.342	4.126	4.206
Australian Dollar	1.610	1.579	1.600	1.622
Brazilian Real	4.413	4.307	4.516	4.444
Canadian Dollar	1.486	1.530	1.460	1.561
Swiss Franc	1.113	1.155	1.085	1.127
Czech Koruna	25.669	25.643	25.408	25.724
Danish Kronor	7.466	7.453	7.472	7.467
GB Pound	0.877	0.885	0.851	0.895
Hong Kong Dollar	8.773	9.264	8.747	8.968
Japanese Yen	122.095	130.496	121.940	125.850
Korean Won	1,304.460	1,299.544	1,296.280	1,277.930
Kuwait Dinar	0.340	0.357	0.340	0.348
Kazakhstani Tenge	428.652	406.812	429.000	439.370
Moroccan Dirham	10.768	11.086	10.744	10.947
Macau Pataca	9.038	9.543	9.011	9.238
Mexican Peso	21.561	22.712	21.220	22.492
Malaysian Ringgit	4.637	4.765	4.595	4.732
New Zealand Dollar	1.699	1.705	1.665	1.706
Qatari Riyal	4.097	4.322	4.109	4.181
Chinese Renminbi	7.734	7.810	7.821	7.875
Romanian Leu	4.745	4.654	4.783	4.664
Russian Ruble	72.481	74.003	69.956	79.715
Saudi Riyal	4.199	4.433	4.215	4.295
Swedish Kronor	10.583	10.255	10.447	10.255
Singapore Dollar	1.527	1.593	1.511	1.559
Thai Baht	34.771	38.178	33.415	37.052
Turkish Lira	6.354	5.684	6.684	6.059
Taiwan Dollar	34.612	35.605	33.689	35.197
Ukrainian Hryvna	28.957	32.143	26.422	31.714
US Dollar	1.120	1.182	1.123	1.145
Vietnamese Dong	25,760.165	26,708.917	25,954.500	26,118.500
South African Rand	16.160	15.589	15.777	16.459

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, 2019 and December 31, 2018 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 2019	twelve months ended December 31 2018
Audit services	Deloitte & Touche spa	PRADA spa	500	555
Audit services	Deloitte & Touche spa	Subsidiaries	137	126
Audit services	Deloitte Network	Subsidiaries	1,166	1,139
Total audit fees to Deloitte Network			1,803	1,820
Other advisory services	Deloitte Network	PRADA spa	214	583
Other advisory services	Deloitte Network	Subsidiaries	83	108
Total non-audit fees to Deloitte Network			297	691
Total compensation to Deloitte Network			2,100	2,511

The other consultancy services provided by Deloitte & Touche spa to PRADA spa mainly refer to the methodological analysis activity relating to the first application of the new IFRS 16 standard.

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, 2019

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	December 31 2019
Carlo Mazzi	1,020	-	-	73	22	1,115
Miuccia Prada Bianchi	12,000	-	551	-	23	12,574
Patrizio Bertelli	12,000	-	551	-	23	12,574
Alessandra Cozzani	50	293	138	11	148	640
Stefano Simontacchi	50	-	-	-	2	52
Maurizio Cereda	80	-	-	-	3	83
Gian Franco Oliviero Mattei	140	-	-	-	13	153
Giancarlo Forestieri	60	-	-	-	10	70
Sing Cheong Liu	60	-	-	-	14	74
Total	25,460	293	1,240	84	258	27,335

Remuneration of PRADA spa Board of Directors for fiscal year ended December 31, 2018

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	December 31 2018
Carlo Mazzi	1,020	-	-	74	22	1,116
Miuccia Prada Bianchi	12,382	-	-	-	23	12,405
Patrizio Bertelli	12,382	-	-	-	23	12,405
Alessandra Cozzani	50	280	178	12	139	659
Stefano Simontacchi	50	-	-	-	2	52
Maurizio Cereda	70	-	-	-	3	73
Gian Franco Oliviero Mattei	140	-	-	-	13	153
Giancarlo Forestieri	60	-	-	-	5	65
Sing Cheong Liu	60	-	-	-	7	67
Total	26,214	280	178	86	237	26,995

REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Group's five highest paid individuals included three Board of Director members for 2019 and three Board Members for 2018. The total remuneration of the remaining two highest paid individuals in the twelve months ended December 31, 2019 and the remaining two highest paid individuals in the twelve months ended December 31, 2018 is set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Remuneration and other benefits	10,819	10,683
Bonuses and other incentives	1,293	1,001
Non-monetary benefits	340	345
Pension/social security, healthcare and TFR contributions	80	23
Total	12,532	12,052

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 2019	twelve months ended December 31 2018
Less than HKD 8,000,000	-	-
Between HKD 8,000,000 and HKD 20,000,000	1	1
More than HKD 50,000,000	1	1
Total individuals	2	2

SENIOR MANAGERS REMUNERATION

The remuneration of the Senior Managers is as follows:

(amounts in thousands of Euro)	twelve months ended December 31 2019	twelve months ended December 31 2018
Remuneration and other benefits	18,229	17,738
Bonuses and other incentives	3,759	3,614
Non-monetary benefits	2,524	2,066
Pension/social security, healthcare and TFR contributions	2,298	1,863
Total	26,810	25,281

There were 28 Senior Managers as of December 31, 2019, and 26 Senior Managers as of December 31, 2018.

The remuneration range of the Senior Managers is as follows:

	twelve months ended December 31 2019	twelve months ended December 31 2018
Less than HKD 4,000,000	14	8
between HKD 4,000,000 and HKD 8,000,000	9	13
between HKD 8,000,000 and HKD 16,000,000	4	4
between HKD 16,000,000 and HKD 50,000,000	-	-
more than HKD 50,000,000	1	1
Total individuals	28	26

40. RELATED PARTY TRANSACTIONS

The Group carries out transactions with companies classifiable as related parties according to IAS 24, "Related Party Disclosures". These transactions mainly refer to sales and purchase of goods, supplies of services, loans, sponsorships, leases and franchise agreements. These transactions take place on an arm's length basis.

The following tables show 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, 2019

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Right of Use assets	Trade payables	Payables to related parties – current	Payables to related parties – non-current	Lease Liability	Other Liabilities
Les Femmes srl	391	375	-	1,448	-	-	-	-
CECCO BRUNA 2011 srl	-	-	-	12	-	-	-	-
COR 36 srl New Zeland Branch	290	-	-	-	-	-	-	-
DFS Hawaii	-	-	-	494	-	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	28	-	-	-	-
DFS DFS Cotai limitada	371	-	9,408	1,326	-	-	11,082	-
SPELM SA	-	-	5,032	-	-	-	5,051	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	1,001	-	-	-
LUDO DUE S.R.L.	-	-	5,787	-	-	-	6,351	-
Progetto Prada Arte srl	3	-	-	-	-	-	-	-
Luna Rossa Challenge 2013 srl	1,422	13,522	-	-	-	-	-	-
Chora Srl	-	5,848	-	355	-	-	-	-
Peschiera Immobiliare srl	-	18	-	(25)	-	-	-	-
Premiata srl	-	-	-	562	-	-	-	-
Conceria Superior spa	16	-	-	533	-	-	-	-
Perseo srl	1	-	-	411	-	-	-	-
COR 36 srl	1,766	2,004	-	-	-	-	-	-
Al Tayer Group llc	-	-	-	18	-	-	-	-
Al Tayer Insignia llc	452	-	-	12	2,386	-	-	-
Danzas llc	-	309	-	59	-	-	-	-
Al Tayer Motors	-	-	-	(13)	-	-	-	-
Al Sanam Rent a Car llc	-	-	-	1	-	-	-	-
TRS New Zealand Pty. Ltd	-	-	-	2	-	-	-	-
Prapar Corporation	-	-	-	3	-	-	-	-
PRADA HOLDING spa	191	-	-	-	-	-	-	-
BELLATRIX spa	-	-	-	-	22,253	20,280	-	-
LUDO srl	-	1	-	-	-	-	-	-
PH-RE	-	160	287,169	-	-	-	307,141	-
Members of the Board of Directors of PRADA spa	-	-	-	-	417(*)	380(*)	-	2,125
Relatives of members of the Board of Directors	-	-	-	-	-	-	-	296
Total at December 31, 2019	4,903	22,237	307,396	5,226	26,057	20,660	329,625	2,421

(*) Payables for the acquisition of Fratelli Prada spa

STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2018

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties - current	Trade payables	Payables to related parties - current	Other Liabilities
Progetto Prada Arte srl	3	-	-	-	-
Al Tayer Insignia LLC	1,357	-	24	2,341	-
Danzas LLC - UAE	-	-	19	-	-54
DFS Hawaii	-	-	511	-	-
DFS Venture Singapore (Pte) Limited	-	-	42	-	-
Luna Rossa Challenge 2013 srl	949	6,761	18	62	-
Chora srl	-	5,848	828	-	-
DFS Cotai limitada	670	-	830	-	-
TRS New Zealand Pty. Ltd	-	-	2	-	-
Al Tayer Motors	-	-	1	-	-
Al Sanam Rent a Car LLC	-	-	2	-	-
Peschiera Immobiliare srl	-	17	-	-	-
Premiata srl	3	-	534	-	-
COR 36 srl	24	-	47	-	-
Conceria Superior spa	10	-	1,356	-	-
Prapar Corporation	-	-	3	-	-
Fratelli Prada spa	7,631	-	1,253	-	-
Prada Holding spa	142	-	-	-	-
Perseo srl	-	-	447	-	-
PH-RE llc	-	-	-	-	14,803
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	2,074	-
Members of the Board of Directors of PRADA spa	-	-	-	-	3,059
Relatives of members of the Board of Directors	-	-	-	-	146
Total at December 31, 2018	10,789	12,626	5,917	4,477	17,954

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest oyalties income
Les Femmes srl	-	4,418	3	-	-	-
CECCO BRUNA 2011 srl	-	70	-	-	-	-
COR 36 S.r.l. New Zeland Branch	290	-	-	-	-	-
DFS Hawaii	-	-	3,061	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	181	-	-	-
DFS DFS Cotai limitada	-	-	3,839	-	-	275
SPELM SA	-	-	473	-	-	40
LUDO DUE srl	-	-	903	-	-	46
Ludo Tre srl	-	-	(3)	-	-	-
Luna Rossa Challenge 2013 srl	154	(1)	15,919	-	-	-
Chora Srl	-	-	2,032	-	-	-
Peschiera Immobiliare srl	-	33	21	-	-	-
Premiata srl	-	1,125	632	-	-	-
Conceria Superior spa	25	19,861	109	-	-	-
Perseo srl	-	1,350	-	-	-	-
COR 36 srl	46	-	(11)	--	4	-
Al Tayer Group LLC	-	-	114	-	-	-
Al Tayer Insignia LLC	1,265	-	147	-	-	-
Danzas LLC	-	22	67	-	-	-
Al Tayer Motors	-	-	1	-	-	-
Al Sanam Rent a Car LLC	-	-	11	-	-	-
FRATELLI Prada spa	17,626	188	1,101	530	1	-
PRADA HOLDING spa	-	-	(30)	-	-	
PH-RE	-	-	18,134	-	-	1,923
Relatives of members of the Board of Directors	-	-	963	-	-	-
Total at December 31, 2019	19,406	27,066	47,667	530	5	2,284

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income
Al Tayer Group LLC	-	-	151	-
Al Tayer Insignia LLC	1,295	-	138	-
Danzas LLC - UAE	-	22	92	-
DFS Hawaii	-	-	3,128	-
DFS Venture Singapore (Pte) Limited	-	-	258	-
Luna Rossa Challenge 2013 srl	191	-	16,070	-
Al Tayer Motors	-	-	(1)	-
Chora Srl	-	-	1,930	-
DFS Cotai limitada	-	-	4,727	-
Al Sanam Rent a Car LLC	-	-	10	-
Peschiera Immobiliare srl	-	3	436	-
Premiata srl	-	1,071	668	-
La Mazza srl	-	92	-	-
SPELM sa	-	-	433	-
Conceria Superior spa	13	19,835	97	-
Prada Holding spa	-	-	(80)	-
Fratelli Prada spa	20,849	133	1,568	620
PH-RE llc	-	-	20,466	-
Perseo srl	-	1,527	-	-
COR 36 S.r.l.	5	-	(12)	-
LUDO srl	-	-	1,321	-
Relatives of members of the Board of Directors	-	-	827	-
Total at December 31, 2018	22,353	22,683	52,227	620

The foregoing tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures", while the following transactions with related parties 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 the PABE-RE llc and Prada Japan Co. ltd in relation to the lease for the Prada and Miu Miu Aoyama buildings in Tokyo. The transactions reported for the twelve months ended December 31, 2019 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 July 15, 2015 ("Prada Aoyama") and May

26, 2017 ("Miu Miu Aoyama").

During the year under review PRADA spa acquired full ownership of Fratelli Prada spa from related company Bellatrix and Bellatrix's ultimate shareholder. With this acquisition, legally effective from November 1, 2019, Prada gained full control of its retail network in Milan, ending the franchising agreement with Fratelli Prada spa.
Hence, the transactions with related party "Fratelli Prada spa - franchising" refer to the transactions between Prada spa and Fratelli Prada spa for the ten months ended October 31, 2019 and 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 January 25, 2017 ("Renewal of Annual Caps for Franchise Agreement") and October 29, 2019 ("Termination of Continuing Connected Transaction").

The transactions with related party Luna Rossa Challenge srl for the twelve months ended December 31, 2019 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 Announcement dated December 1, 2017.

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.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported above, no other transaction reported in the 2019 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 2019	December 31 2018	December 31 2017 (*)	January 31 2017	January 31 2016
Net revenues	3,225,594	3,142,148	2,741,095	3,184,069	3,547,771
Gross margin	2,319,612	2,262,594	2,030,696	2,289,112	2,567,565
Operating income (EBIT)	306,779	323,846	315,878	431,181	502,893
Group net income	255,788	205,443	217,721	278,329	330,888
Total assets	7,038,439	4,678,812	4,739,375	4,656,929	4,756,555
Total liabilities	4,049,864	1,781,743	1,873,204	1,552,399	1,659,178
Total Group shareholders' equity	2,967,158	2,877,986	2,844,652	3,080,502	3,080,340

(*) eleven-month statement of profit or loss

42. CONSOLIDATED COMPANIES

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment (MM/DD/YYYY)	Main business
Italy						
PRADA Spa	EUR	255,882		Milan, IT		Group Holding/ Manufacturing/ Distribution
Artisans Shoes Srl (*)	EUR	1,000	66.7	Montegranaro, IT	02/09/1977	Manufacturing
IPI Logistica Srl (*)	EUR	600	100	Milan, IT	01/26/1999	Services
Pelletteria Ennepì Srl (*)	EUR	93	90	Figline e Incisa Valdarno, IT	12/01/2016	Manufacturing
Church Italia Srl	EUR	51	100	Milan, IT	01/31/1992	Retail/Services
Marchesi 1824 Srl (*)	EUR	1,000	100	Milan, IT	07/10/2013	Food&Beverage
Figline Srl (*)	EUR	10	100	Milan, IT	07/24/2019	Manufacturing
Fratelli Prada Spa (*)	EUR	520	100	Milan, IT	11/01/2019	Retail
Europe						
PRADA Retail UK Ltd (*)	GBP	5,000	100	London, UK	01/07/1997	Retail
PRADA Germany Gmbh (*)	EUR	215	100	Munich, DE	03/20/1995	Retail/Services
PRADA Austria Gmbh (*)	EUR	40	100	Wien, AT	03/14/1996	Retail
PRADA Spain Sl (*)	EUR	240	100	Madrid, ES	05/14/1986	Retail
PRADA Retail France Sas (*)	EUR	4,000	100	Paris, FR	10/10/1984	Retail
PRADA Hellas Sole Partner Llc (*)	EUR	2,850	100	Athens, GR	12/19/2007	Retail
PRADA Monte-Carlo Sam (*)	EUR	2,000	100	Monte-Carlo, MC	05/25/1999	Retail
PRADA Sa (*)	EUR	31	100	Luxembourg, LU	07/29/1994	Trademarks/ Services
PRADA Company Sa	EUR	3,204	100	Luxembourg, LU	04/12/1999	Services
PRADA Netherlands Bv (*)	EUR	20	100	Amsterdam, NL	03/27/2000	Retail
Church Denmark Aps	DKK	50	100	Copenhagen, DK	03/13/2014	Retail
Church France Sas	EUR	2,856	100	Paris, FR	06/01/1955	Retail
Church UK Retail Ltd	GBP	1,021	100	Northampton, UK	07/16/1987	Retail
Church's English Shoes Switzerland Sa	CHF	100	100	Lugano, CH	12/29/2000	Retail
Church & Co. Ltd (*)	GBP	2,811	100	Northampton, UK	01/16/1926	Sub-Holding/ Manufacturing/ Distribution
Church & Co. (Footwear) Ltd	GBP	44	100	Northampton, UK	03/06/1954	Trademarks
Church English Shoes Sa	EUR	75	100	Brussels, BE	02/25/1963	Retail
PRADA Czech Republic Sro (*)	CZK	2,500	100	Prague, CZ	06/25/2008	Retail
PRADA Portugal Unipessoal Lda (*)	EUR	5	100	Lisbon, PT	08/07/2008	Retail
PRADA Rus Llc (*)	RUB	250	100	Moscow, RU	11/07/2008	Retail
Church Spain Sl	EUR	3	100	Madrid, ES	05/06/2009	Retail
PRADA Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	73,000	100	Istanbul, TR	02/26/2009	Retail
PRADA Ukraine Llc (*)	UAH	240,000	100	Kiev, UA	10/14/2011	Retail
Church Netherlands Bv	EUR	18	100	Amsterdam, NL	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100	Dublin, IE	11/20/2011	Retail
Church Austria Gmbh	EUR	35	100	Wien, AT	01/17/2012	Retail
Prada Sweden Ab (*)	SEK	500	100	Stockholm, SE	12/18/2012	Retail
Church Footwear Ab	SEK	100	100	Stockholm, SE	12/18/2012	Retail
Prada Switzerland Sa (*)	CHF	24,000	100	Lugano, CH	09/28/2012	Retail
Prada Kazakhstan Llp (*)	KZT	500,000	100	Almaty, KZ	06/24/2013	Retail
Kenon Ltd (*)	GBP	84,000	100	London, UK	02/07/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	600	60	Isle, FR	08/19/2014	Manufacturing
Prada Denmark Aps (*)	DKK	26,000	100	Copenhagen, DK	05/19/2015	Retail
Prada Belgium Sprl (*)	EUR	4,000	100	Brussels, BE	12/04/2015	Retail
Hipic Prod Impex Srl (*)	RON	200	80	Sibiu, RO	04/15/2016	Manufacturing
Church Germany Gmbh	EUR	200	100	Munich, DE	09/18/2018	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment (MM/DD/YYYY)	Main business
Americas						
PRADA USA Corp. (*)	USD	152,211	100	New York, US	10/25/1993	Distribution/Ser-vices/Retail
TRS Hawaii Llc	USD	400	55	Honolulu, US	11/17/1999	Duty-Free Stores
PRADA Canada Corp. (*)	CAD	300	100	Toronto, CA	05/01/1998	Distribution/ Retail
Church & Co. (USA) Ltd	USD	85	100	New York, US	09/08/1930	Retail
Post Development Corp (*)	USD	45,138	100	New York, US	02/18/1997	Real Estate
PRADA Retail Mexico, S. de R.L. de C.V.	MXN	269,058	100	Mexico City, MX	07/12/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	210,000	100	Sao Paulo, BR	04/12/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100	Mexico City, MX	02/27/2014	Services
PRADA Panama Sa (*)	USD	30	100	Panama, PA	09/15/2014	Retail
PRADA Retail Aruba Nv (*)	USD	2,011	100	Oranjestad, AW	09/25/2014	Retail
PRADA St. Barthelemy Sarl (*)	EUR	1,600	100	Gustavia, BL	04/01/2016	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific Ltd (*)	HKD	3,000	100	Hong Kong, HK	09/12/1997	Retail/Services
PRADA Taiwan Ltd	TWD	3,800	100	Hong Kong, HK	09/16/1993	Retail
PRADA Retail Malaysia Sdn. Bhd. (*)	MYR	1,000	100	Kuala Lumpur, MY	01/23/2002	Retail
TRS Hong Kong Ltd (*)	HKD	500	55	Hong Kong, HK	02/23/2001	Duty-Free Stores
PRADA Singapore Pte Ltd (*)	SGD	1,000	100	Singapore, SG	10/31/1992	Retail
TRS Singapore Pte Ltd (*)	SGD	500	55	Singapore, SG	08/08/2002	Duty-Free Stores
PRADA Korea Llc (*)	KRW	8,125,000	100	Seoul, KR	11/27/1995	Retail
PRADA (Thailand) Co. Ltd (*)	THB	372,000	100	Bangkok, TH	06/19/1997	Retail
PRADA Japan Co. Ltd (*)	JPY	1,200,000	100	Tokyo, JP	03/01/1991	Retail
TRS Guam Partnership	USD	1,095	55	Guam, GU	07/01/1999	Duty-Free Stores
TRS Saipan Partnership (*)	USD	1,405	55	Saipan, MP	07/01/1999	Duty-Free Stores
PRADA Australia Pty Ltd (*)	AUD	13,500	100	Sydney, AU	04/21/1997	Retail
PRADA Trading (Shanghai) Co. Ltd (***)	RMB	1,653	100	Shanghai, CN	02/09/2004	Retail/Dormant
TRS Okinawa KK	JPY	10,000	55	Tokyo, JP	01/21/2005	Duty-Free Stores
PRADA Fashion Commerce (Shanghai) Co. Ltd (***)	RMB	474,950	100	Shanghai, CN	10/31/2005	Retail
Church Japan Company Ltd	JPY	100,000	100	Tokyo, JP	04/17/1992	Retail
Church Hong Kong Retail Ltd	HKD	29,004	100	Hong Kong, HK	06/04/2004	Retail
Church Singapore Pte Ltd	SGD	7,752	100	Singapore, SG	08/18/2009	Retail
Prada Dongguan Trading Co. Ltd (***)	RMB	8,500	100	Dongguan, CN	11/28/2012	Services
Church Footwear (Shanghai) Co. Ltd (***)	RMB	31,900	100	Shanghai, CN	12/05/2012	Retail
Prada New Zealand Ltd (*)	NZD	3,500	100	Wellington, NZ	07/05/2013	Retail
PRADA Vietnam Limited Liability Company (*)	VND	66,606,570	100	Hanoi, VN	09/09/2014	Retail
PRADA Macau Co. Ltd	MOP	25	100	Macau, MO	01/22/2015	Retail
Church Korea Llc	KRW	650,000	100	Seoul, KR	09/03/2018	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment (MM/DD/YYYY)	Main business
Middle East						
PRADA Middle East Fzco (*)	AED	18,000	60	Jebel Ali Free Zone, AE	05/25/2011	Distribution/ Services
PRADA Emirates Llc (**)	AED	300	29.4	Dubai, AE	08/04/2011	Retail
PRADA Kuwait Wll (**)	KWD	50	29.4	Kuwait City, KW	09/18/2012	Retail
PRADA Retail Wll (*)	QAR	15,000	100	Doha, QA	02/03/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75	Jeddah, SA	07/02/2014	Retail
Other countries						
PRADA Maroc Sarlau (*)	MAD	95,000	100	Casablanca, MA	11/11/2011	Retail/Dormant
PRADA Retail South Africa (pty) ltd (*)	ZAR	50,000	100	Sandton, ZA	06/09/2014	Retail

(*) 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, 2019 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss)	Dividends paid to non-controlling shareholders
Artisans Shoes srl	66.7	EUR	35,721	7,750	68,495	788	(310)
TRS Hawaii llc	55	USD	5,688	2,195	9,800	(935)	-
TRS Hong Kong	55	HKD	61	54	-	(7)	-
TRS Singapore	55	SGD	1,338	1,087	1,365	25	-
TRS Guam Partnership	55	USD	6,066	3,911	9,487	807	(803)
TRS Saipan Partnership	55	USD	3,762	3,167	2,071	(287)	-
TRS Okinawa KK	55	JPY	8,830	6,461	8,198	872	-
TRS Hong Kong branch in Macau	55	MOP	29,221	12,475	24,181	1,572	-
PRADA Emirates llc	29.4	AED	105,252	(16,356)	44,204	894	-
PRADA Middle East fzco	60	AED	97,150	43,774	8,589	(361)	-
Prada Kuwait Wll	29.4	KWD	22,471	1,379	18,675	380	-
PRADA Saudi Arabia ltd	75	SAR	22,191	5,241	14,716	(1,291)	-
Tannerie Limoges sas	60	EUR	10,872	477	10,851	(7)	-
Hipic Prod Impex srl	80	RON	4,481	70	621	(67)	-
Pelletteria Ennepì srl	90	EUR	6,354	2,513	-	98	-

December 31, 2018 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss) for year	Dividends paid to non-controlling shareholders
Artisans Shoes srl	66.7	EUR	36,336	7,891	63,996	930	(816)
TRS Hawaii llc	55	USD	6,567	3,068	10,282	(277)	
TRS Hong Kong	55	HKD	68	60		(7)	(2,429)
TRS Singapore	55	SGD	1,416	1,029	1,966	248	(565)
TRS Guam Partnership	55	USD	5,525	4,795	9,089	924	(1,142)
TRS Saipan Partnership	55	USD	4,134	3,388	3,101	464	
TRS New Zealand ltd	55	NZD	-	-		-	(88)
TRS Okinawa KK	55	JPY	6,633	5,434	8,195	932	(690)
TRS Hong Kong branch in Macau	55	MOP	19,352	10,644	26,676	3,049	-
PRADA Emirates llc	29.4	AED	85,574	(16,922)	43,994	216	-
PRADA Middle East fzco	60	AED	123,167	43,301	19,430	(459)	-
Prada Kuwait Wll	29.4	KWD	20,553	979	21,607	392	-
PRADA Saudi Arabia ltd	75	SAR	15,434	2,053	12,378	(1,950)	-
Tannerie Limoges sas	60	EUR	9,936	484	8,718	64	-
Hipic Prod Impex srl	80	RON	4,189	52	-	163	-
Pelletteria Ennepì srl	90	EUR	6,698	2,415	-	194	-

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities as at the reporting period.

In 2011, PRADA spa and Al Tayer Insignia llc stipulated an agreement to develop the Prada and Miu Miu brands in the Middle East retail business. The agreement gives PRADA spa a call option exercisable on up to 20% of PRADA Middle East Fzco's share capital. At the reporting date, PRADA spa's management could not estimate with reasonable certainty the likelihood that the option will be exercised and, therefore, they could not attribute an economic value to the contractual clause.

44. EVENTS AFTER THE REPORTING DATE

Starting from January 2020, the global scenario was characterized by the health emergency triggered by the outbreak of the Coronavirus and the consequent restrictive measures for its containment put in place by the public authorities of the countries concerned. These circumstances, extraordinary in nature and extent, have direct and indirect impacts on economic activity, creating a context of general uncertainty, the evolution of which is not foreseeable.

This is a huge and unprecedented event that will draw deeply on the sense of responsibility and the Group will do everything it can to help overcome this crisis together with its people and customers, which safety and the well-being are of the

greatest importance.
Although it is difficult to forecast the evolution of the epidemic, the Group is expecting a negative impact on this year 's results and it is implementing a comprehensive contingency plan to mitigate it, relying on its flexible supply chain and lean organization.
The soundness of the Group's financial structure gives Directors the confidence to overcome this exceptional moment and to be ready to capture the recovery when it arises.

On February 23, 2020, the Prada Group announced the entry of Raf Simons, who on April 2, 2020 will become the creative co-director of the Prada brand, working in partnership with Miuccia Prada with equal responsibility in terms of creative input and decision-making processes.
As reported on the PRADA spa Announcement dated March 1, 2020, the Company signed that same day a sponsorship agreement with Challenger of Record 36 srl (COR 36), a related company in charge of organizing and managing the preliminary activities of the 36th America's Cup.
The agreement will ensure Prada brand visibility during the Prada Cup races and events, which will be organized adhering to the brand's quality standards. The contract provides for a financial commitment up to Euro 23 million from the agreement date until the end of 2021.

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 auditing standards adopted in the Italian jurisdiction (ISA Italia) and the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB). Specifically, 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, while 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.

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IDEPENDENT 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, 2019, 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, 2019, 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.

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 518.7 million allocated to the "cash generating units" (CGUs) identified by Management, which is unchanged compared to the previous year. In accordance with IAS 36 "Impairment of assets", goodwill is not amortised, but tested for impairment at least annually by comparing the recoverable amount of the CGUs and their carrying amount, which includes goodwill and other tangible and intangible assets allocated to the CGUs. In order to measure recoverable amount, Management determined the "value in use" for all the CGUs using present value techniques. As a result of the impairment test no impairment losses have been recognized.

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	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, the determination of appropriate discount rates (WACC) and long-term growth rates (g-rate). Furthermore, considering the extraordinary circumstance related to the coronavirus disease, Management conducted a sensitivity analysis on the discount rates (WACC) as described in Note 16. Given the materiality of the value of goodwill and other tangible and intangible 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 evaluated the methods used by Management to determine the recoverable amount of the CGUs and analyzed the methods and assumptions used by Management in the impairment test. Our audit procedures included, amongst others, the following, which were performed along with the support of our internal valuation specialists: • Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts through a sector data analysis (reports on the fashion & luxury industry related to the main geographical areas in which the Group operates) as well as obtaining other supporting information from Management; • Evaluation of the reasonableness of the discount rates (WACC) and long-term growth rates (g-rate) used by Management; • Verification of the mathematical accuracy of the model used to determine the recoverable amount of each CGU; • Verification of the correct determination of the carrying amount of each CGU; • Evaluation of the sensitivity analysis prepared by Management and development of an independent sensitivity analysis; • Evaluation of the appropriateness of the methodologies used by Management and of the information disclosed in the notes to the consolidated financial statements.

Initial application of IFRS 16 Leases

Description of the key audit matter	As described in Note 3 to the consolidated financial statements, the Group applied the international accounting standard IFRS 16 Leases (hereinafter also the "Standard") in 2019. The initial application has been carried out using the modified retrospective approach without restating comparative information and as of January 1, 2019 has led to the recognition of: • Right of use assets with a carrying amount of Euro 2,414.4 million within "Non-current assets"; • Lease liabilities totaling Euro 2,448.9 million.

The application of the Standard required Management to make judgments to develop significant estimates involving assumptions. In particular, for determining the lease terms, Management considered the relevant contractual terms and conditions, the applicable legislation in force in the various countries in which the Group operates as well as the past experience. With reference to the rates used for discounting future lease payments, since in most of the leases there is no implicit interest rate available, Management has estimated the incremental borrowing rates considering the risk-free rate of each country in which the leases were entered into, at the various maturities and the credit spread adjustment applicable to Prada S.p.A.

The initial application of the Standard also required the Group to adopt specific procedures for the mapping and analysis of all contracts that could contain a lease.

Given the material effects deriving from the adoption of the Standard on the Group's financial statements and considering the aforementioned significant assessments made by the Management and the complexity of the implementation project carried out by the Group, we considered the initial application of the Standard as a key audit matter.

Audit procedures performed

In carrying out our audit procedures, we first examined the IFRS 16 implementation project carried out by the Group. Part of our procedures were performed also with the support of our internal IT specialists.

As part of our audit, we performed, among others, the following procedures:

- Analysis of the methodology adopted by the Management to determine the effects of the initial application of IFRS 16, also with the support of our internal IFRS specialists;
- Understanding of the relevant procedures, IT systems and controls put in place by the Group as part of the process of initial application of the Standard;
- Carrying out of specific procedures in order to test the accuracy and completeness of the database used by the Group for the mapping of lease contracts, also through a critical analysis, on a sample basis, of the underlying lease contracts;
- Assessment of the reasonableness of the main assumptions used and estimates made by the Management to determine lease terms and discount rates;
- Verification, on a sample basis, of the mathematical accuracy of the calculation of the right of use assets and lease liabilities;
- Verification of the disclosure included 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 2019 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.

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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.

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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.

Patrizia Arienti

Patrizia Arienti
Partner

Milan, Italy
March 18, 2020

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Prada S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, 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 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, 2019, 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.

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.

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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 Prada Group as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the financial review with the consolidated financial statements of Prada Group as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned financial review is consistent with the consolidated financial statements of Prada Group as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 18, 2020

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