PRESS RELEASE

PRADA SPA APPROVES GROUP RESULTS AS OF 30 JUNE 2020

IMMEDIATE CONSUMER RESPONSE TO STORE REOPENINGS

DOUBLE DIGIT GROWTH IN ASIA FROM JUNE

Valvigna, 29th July 2020 - The Prada S.p.A. Board of Directors held today reviewed and approved the Consolidated Financial Results for the Half Year ended 30 June 2020.

Introduction

The health crisis interrupted the Group's strong revenue momentum registered up until the end of January 2020.

The Prada Group reacted promptly with effective cost containment measures. It also reorganized production to adapt to the new situation, revised its investment plans and suspended distribution of dividends. These measures allowed the Group to control its financial resources, without affecting the Group's solid capital position.

Following the reopening of the store network, the Group has seen ongoing recovering sales trends, with significant growth in Asia as well as encouraging signs in other markets, driven by local consumption and despite the lack of tourism.

The significant reduction to Wholesale exposure and the markdown phase out have remained in place throughout the pandemic and have proved to be the right decisions to confirm the Group's future growth.

Key highlights

- On average 40% of the Retail network was closed from February to May, reaching a peak of 70% in April
- Retail sales significantly impacted by closures but sequentially improving on reopening
- Wholesale channel heavily reduced, following the decision taken in 2019 to strictly control all distribution channels to protect brand positioning
- E-commerce delivered triple-digit sales growth during and after the lockdowns
- Disciplined approach contained costs, with significant reductions in all areas
- Effective management of the supply chain supported stable gross margins
- Investments limited to strategic projects
- Dividend distribution suspended
- Solid Balance Sheet and Net Financial Position

Key numbers

- Retail sales down 32% at constant FX
- Wholesale sales down 71% at constant FX
- Total Net Revenues at Euro 938 million, down 40% at constant FX
- Selling expenses of closed stores during lockdowns at Euro 112 million
- EBIT before selling expenses of the closed stores during lockdowns at Euro -83 million
- Net loss at Euro -180 million
- Capex at Euro 49 million
- Net Financial Position at Euro -515 million

Retail sales

From February to May 2020, the Prada Group operated on average with approximately 40% of stores closed globally, after closures peaked at 70% in April – even the stores which remained open were negatively impacted by restrictions on individual movement. In the weeks following the store re-openings the Prada Group has seen signs of recovery in consumer spending in all geographical areas:

- **Europe** revenues at Euro 228 million, -41% at constant FX. Strong double-digit growth in January and February interrupted by lockdowns; very good response to store re-openings from local consumers but still impacted by the lack of tourists.

- **Asia Pacific** revenues at Euro 370 million, -18% at constant FX. Strong double-digit sales growth since April in Mainland China, while South Korea and Taiwan R.O.C., which didn't experience store closures, showed a consistent double-digit trend throughout the period. Thanks to the contribution of these markets, the entire Asia Pacific region reported double-digit growth in June, despite Hong Kong S.A.R. and Macau S.A.R. still being negatively affected by the lack of travel flows.

- **Americas** revenues at Euro 96 million, -42% at constant FX. As in Europe, strong double-digit growth in January and February was interrupted by lockdown. Current trading is improving notwithstanding the health emergency is still unresolved and some stores have not yet reopened; sustained growth seen in Canada since the reopening.

- **Japan** revenues at Euro 113 million, -39% at constant FX, are seeing a recovery driven by local consumption.

- **Middle East** revenues at Euro 28 million, -44% at constant FX, showing mixed trends with Dubai still suffering from the lack of tourism but other markets in the region sustained by better local consumption.

E-commerce direct channel, showing a positive performance in all regions, has achieved a triple-digit growth, even after the lockdowns, supported by continuing investment in Group digital platforms.

The **Wholesale** channel registered Euro 91 million of sales, a meaningful decline of -71% due to the strategic decision to downsize this business in order to focus on the development of the Group's retail channel and e-commerce, taken to strictly control all distribution channels to protect brand positioning.

Prompt reaction to contain costs and cash-out

During the COVID-19 pandemic, the Prada Group reacted promptly and took effective actions to mitigate the impact of store closures, putting in place a comprehensive program of cost cutting. This included the renegotiation of several lease agreement conditions, cancelling or postponing marketing initiatives and shrinking discretionary costs.

COVID-19 also had an impact on the Prada Group's production activities, with 21 factories shut down for approximately five weeks and then resuming operations beginning in the last week of April. This was enabled by the implementation of comprehensive measures to protect against infection and the application of scrupulous precautions to safeguard employees' health, including systematic serological testing for all employees, daily body temperature monitoring, distancing between work stations and the supply of personal protective equipment.

The rapid resumption of manufacturing activities mainly concentrated in Italy, made possible by the adoption of the aforementioned safety measures, along with direct control over the supply chain, enabled the Prada Group to provide stores with new seasonal products on time, and to manage stock effectively without excess inventory.

In April 2020, the Board of Directors withdrew its recommendation to pay a dividend for 2019. This decision, combined with a reduction in costs and investments, has allowed the Group to maintain a stable financial position and be ready to return to a normal level of investment when markets recover.

Patrizio Bertelli, Prada Group CEO, commented: *"I am very proud of the commitment and sense of responsibility demonstrated in these circumstances by all our people. The first half of 2020 saw a temporary interruption of our growth trajectory which, in a situation of progressive control of the pandemic, we are confident will gradually resume from the second half of 2020, when our store network will again be fully operational. The excellent response of local consumers after the re-openings, confirms the desirability of our products and the strong relationship with our customers, which has been further strengthened by our continued focus on digital technology. The recent positive trends in all markets, combined with our solid balance sheet and financial position, allow us to look to the future with confidence today."*

For further information:

Prada Press Office

corporatepress@prada.com

www.pradagroup.com

Prada Group

Prada S.p.A. is a global leader in the luxury goods industry. The Group, which owns the Prada, Miu Miu, Church's and Car Shoe brands, produces and distributes luxury leather goods, footwear and apparel benefitting from a supply chain which includes 22 owned industrial sites. It also operates in the food sector with Marchesi 1824 and in the eyewear and fragrance industries under licensing agreements.

The Group employs nearly 14,000 people and its products are sold in 70 countries worldwide through 641 directly operated stores as of December 31, 2019, brand's e-commerce, a selection of luxury department stores and multi-brand stores in the most prestigious locations as well as through the most important e-tailers.

The Prada Group is synonymous with innovation, transformation and independence and it is committed to promote a business culture oriented towards sustainability. These principles offer its brands a shared vision in which they are able to express their essence.

The company is listed on the Hong Kong Stock Exchange as 1913.HK.

PRADA

MILANO

DAL 1913

PRADA spa
(Stock Code: 1913)

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

- The health crisis and its rapid spread worldwide interrupted the Group's revenue double digit growth registered up until the end of January 2020.
- The Prada Group reacted promptly with effective cost containment measures. It also reorganized production to adapt to the new situation, revised its investment plans and suspended distribution of dividends, with the aim of strengthening its financial flexibility to cope with the crisis context.
- Improving trends in revenue after the lockdowns, particularly in Asia Pacific.
- Retail net sales were Euro 835 million for the six months ended June 30, 2020, down by 32% following the impact of the Covid-19 pandemic.
- Wholesale net sales were Euro 91 million, down by 71%, also following the decision, taken in 2019, to downsize the exposure to the channel.
- The amount of expenses pertaining to stores that could not operate as a result of the lockdown periods imposed by the governments around the world amounted to Euro 112 million.
- The Group’s net loss for the period for the six months period was Euro 180 million.
- The net financial position is indebtedness at Euro 515 million, showing an increase of Euro 110 million compared to December 31, 2019, but maintaining the levels showed at June 30, 2019.

Presentation of the Prada Group

PRADA spa (the "Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the leading companies in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands 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 owned industrial sites and its products are sold in 70 countries worldwide through 637 Directly Operated Stores as of June 30, 2020, brand's e-commerce, a selection of luxury department stores and multi-brand stores in the most prestigious and exclusive locations as well as through the most important e-tailers.

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 June 30, 2020, 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.

Basis of Presentation

The financial information for the six months ended June 30, 2020 reported in this Announcement refers to the group of companies controlled by PRADA spa (the "Company"), the parent company of the PRADA Group (the "Group") and it is based on the unaudited Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2020.

With the exception of the "Covid-19 Related Rent Concessions Amendment to IFRS 16" (the "Amendment") explained below, at the date of presentation of this Announcement, there were no differences between IFRSs as endorsed by the European Union and applicable to the Prada Group and those issued by the IASB.

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

New IFRS and Amendments to existing standards	Effective Date for Prada Group	EU endorsement date
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	January 1, 2020	Endorsed in January 2020
Amendments to IFRS 3 Business Combinations	January 1, 2020	Endorsed in April 2020
Covid-Related Rent Concessions: Amendment to IFRS 16	January 1, 2020	Likely to be endorsed by the end of 2020

Amendment to IFRS 16 for Covid-Related Rent Concessions

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

Under such practical expedient, lessees are not required to assess whether eligible rent reductions are lease modifications; therefore, lessees can account for the rent reductions as if they were not lease modifications, thus giving the possibility to the lessee to recognize the entire economic benefit of Covid-related discounts immediately in profit or loss.

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

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

On June 2, 2020, the European Financial Reporting Advisory Group (EFRAG) sent its Endorsement Advice Letter to the European Commission and on July 2, 2020, the Accounting Regulatory Committee (constituting, together with the EFRAG, the two bodies set up by the European Union to provide opinions on proposal adopting IFRSs) voted by written procedure in favor of the amendment.
Notwithstanding, at the date of approval of this Announcement and the related unaudited Interim Condensed Consolidated Financial Statements, the European Commission endorsement process is not formally complete.

The Group, confident that such process will be finalized by the end of 2020 based in part on EFRAG's public statements, decided to apply the IFRS 16 Amendment in advance, with the aim of giving financial statement readers a truer and fairer view of the business performance of the period. Early adoption of the Amendment resulted in the recognition of the eligible Covid-19 rent discounts obtained since January, when the health emergency started to significantly affect the operations in China.

As a result of the above, the Statement of Profit or Loss for the six months ended June 30, 2020 includes a total of Euro 41.3 million Covid-related rent discounts within the "Selling expenses of the closed stores during the lockdowns".

Key financial information

Key economic figures (amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	six months ended June 30 2019 (unaudited)
Net revenues	937,657	1,570,123
Operating income/(loss) - EBIT excluding Selling expenses of the closed stores during the lockdowns	(83,422) (*)	-
Incidence on net revenues	-8.9%	-
Operating income/(loss) - EBIT including Selling expenses of the closed stores during the lockdowns	(195,797)	150,474
Incidence on net revenues	-20.9%	9.6%
Net income/(loss) of the Group	(180,332)	154,894
Earnings/(losses) per share (Euro)	(0.070)	0.061
Average number of employees (in unit)	13,669	13,618
Net Operating Cash Flows (**)	(26,455)	137,334

(*) The "Selling expenses of the closed stores during the lockdowns" include the direct costs pertaining to the stores that could not operate following the lockdown imposed by the Governments in the various countries around the world.
(**) Net Cash flows from operating activities less repayments of lease liability

Key indicators (amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Net operating working capital	650,444	702,835
Net invested capital	5,557,031	5,809,417
Net financial position surplus / (deficit)	(515,488)	(405,544)
Group shareholders' equity	2,736,332	2,967,158

Highlights of the first six months of 2020

The health crisis and its rapid spread worldwide interrupted the Group's strong revenue momentum registered up until the end of January 2020.
The Prada Group reacted promptly with effective cost containment measures. It also reorganized production to adapt to the new situation, revised its investment plans and suspended distribution of dividends, with the aim of strengthening its financial flexibility to cope with the crisis context. At the same time, the Group ensured safe environment for employees and customers in different phases of lockdown worldwide.
Following the reopening of the store network, the Group has seen ongoing recovering sales trends, with significant growth in Asia as well as encouraging signs in other markets, driven by strong local consumption and despite the lack of tourism.

The first month of the year featured strong double-digit growth of the retail net sales across almost all regions, brands and categories, confirming the positive trends already seen in the second half of 2019.
However, in the space of a few weeks, the pervasive effects of the public health crisis interrupted the growth and required immediate implementation of an adaptation strategy. The Chinese market was the first to be hit, followed by other Asia Pacific countries, then Italy, the rest of Europe, the U.S.A. and ultimately the Middle East, North America and South America.
The restrictions on the freedom of movement imposed by governments made travelers flows vanish on a global scale. The simultaneous introduction of health safety measures meant closing the stores, but also affecting the operational capacity when they

reopened. From February to May 2020, the Prada Group operated with an average of 40% closed stores, after a peak of 70% in April.
On a productive front, the most struck country was Italy, where the Group concentrates the vast majority of its manufacturing activities: 19 of the Group's 22 manufacturing facilities, the main raw material and finished product warehouses, and about 80% of the external manufactures and raw material suppliers. Rapid adoption of a rigorous safety protocol and full collaboration with the government authorities enabled to limit the production shutdown to five weeks; stores were supplied with the products of the new season on time and stock was managed effectively without any particular inventory surpluses.
The efficiency and the continuity of logistical activities permitted the online sales channels to support important growth, thus allowing the Group to continue to serve the customers during the long period of lockdowns. The progressive improvement in the health crisis situation accompanied by the easing of government restrictions in the various countries coincided with a gradual return to the previous level of retail activity. In some markets, such as China, the sales recovery was particularly quick and robust.
The wholesale channel significantly declined in the period due also to the strategic decision to downsize this business in order to focus on the development of the Group's retail channel and e-commerce.
The Prada Group's response to the sudden decrease in revenues was immediate and involved all business functions: from the craft workers, who did not hesitate to comply with the new safety protocols at the factory, to the retail workers, who kept their contacts with customers alive while awaiting the reopenings, and all functions in between, ensuring continuity in a context of strict cost control aimed at curbing the losses and related cash outflows.
Significant discounts were obtained on many leases for the shutdown periods, many marketing initiatives were canceled or postponed and much discretionary spending was limited. Where applicable, governments aids were used and integrated by the Group so as to ensure blue-collar and white-collar employees up to 100% of their salaries.
In the face of completely new challenges, the determination to take the fundamental steps for long-term growth never waned: during the period the new Prada Co-Creative Director, the new Miu Miu General Manager and the new Industrial Director arrived, while being joined by the new Communication Director in July. At the same time, the investment plan designed to enhance the retail network with restyling and relocation projects was merely postponed.
Lastly, in order to provide the Group with the financial flexibility needed to deal with the crisis for an even longer period than the one currently foreseeable, Prada Spa obtained a 24-month Euro 300 million revolving credit facility (RCF) in early May which, added to the previous RCF for the same amount expiring in 2025, brings the Group's undrawn credit facilities to Euro 748 million.

Consolidated statement of Profit or Loss for the six months closed at June 30, 2020

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	%	six months ended June 30 2019 (unaudited)	%
Net sales (Note 1)	**925,283**	**98.7%**	**1,546,378**	**98.5%**
Royalties	**12,374**	**1.3%**	**23,745**	**1.5%**
Net revenues	**937,657**	**100.0%**	**1,570,123**	**100.0%**
Cost of goods sold	**(277,332)**	**-29.6%**	**(444,374)**	**-28.3%**
Gross margin	**660,325**	**70.4%**	**1,125,749**	**71.7%**
Product design and development costs	(52,986)	-5.7%	(65,053)	-4.1%
Advertising and communications costs	(94,177)	-10.0%	(101,477)	-6.5%
Selling costs	(499,047)	-53.3%	(706,565)	-45.0%
General and administrative costs	(97,536)	-10.3%	(102,180)	-6.5%
Operating expenses	**(743,746)**	**-79.3%**	**(975,275)**	**-62.1%**
Selling expenses of the closed stores during the lockdowns	**(112,375)**	**-12.0%**	**-**	**-**
Total operating expenses	**(856,121)**	**-91.3%**	**(975,275)**	**-62.1%**
Operating income / (loss) - EBIT	**(195,797)**	**-20.9%**	**150,474**	**9.6%**
Interest and other financial income/(expenses), net	**(16,407)**	**-1.7%**	**(7,749)**	**-0.4%**
Interest expenses on Lease Liability	**(23,433)**	**-2.5%**	**(24,735)**	**-1.6%**
Dividends from investments	**116**	**0.0%**	**2,023**	**0.1%**
Total financial income/(expenses)	**(39,724)**	**-4.2%**	**(30,461)**	**-1.9%**
Income / (loss) before taxation	**(235,520)**	**-25.1%**	**120,013**	**7.7%**
Taxation	**52,005**	**5.5%**	**34,418**	**2.2%**
Net income / (loss) for the period	**(183,515)**	**-19.6%**	**154,431**	**9.9%**
Net income / (loss) – Non-controlling interests	**(3,183)**	**-0.3%**	**(463)**	**0.0%**
Net income / (loss) – Group	**(180,332)**	**-19.2%**	**154,894**	**9.9%**
Basic and diluted earnings / (losses) per share (in Euro per share) - (Note 3)	**(0.070)**		**0.061**	

Non-IFRS Measures

The Group uses certain financial measures ("non-IFRS measures") to assess its business performance and to help readers understand and analyze the results of its operations and its financial position. Although they are used by the Group's management, the measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare the unaudited Interim Condensed 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.

In addition to the non-IFRS measures already adopted in the 2019 Annual Report, the Group introduced a new non-IFRS measure, "Selling expenses of the closed stores during the lockdowns", in order to isolate the portion of selling operating expenses that could not generate revenues in the period.
By including this non-IFRS measure, the Group provides additional quantitative information to assist investors' understanding of the impacts of the Covid-19 pandemic on the business, while helping comparison of the 2020 Interim Profit or Loss Statement with the same period of the prior year. Such non-IFRS measure is, in general, meant to make the Interim Report more understandable and more useful.
The caption "Selling expenses of the closed stores during the lockdowns", Euro 112.4 million for the six months ended June 30, 2020, includes the main direct costs pertaining to the retail network during the lockdowns imposed in the various countries by local governments, which prevented the stores from operating. The most significant amounts were Euro 49.9 million for the depreciation of rights of use assets, net of Covid-related lease discounts obtained from lessors, Euro 33.8 million for labor costs net of social buffers and Euro 23.6 million for the depreciation of tangible fixed assets.

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	% on net revenues	six months ended June 30 2019 (unaudited)	% on net revenues
Operating income / (loss) - EBIT	**(195,797)**	**-20.9%**	**150,474**	**9.6%**
Selling expenses of the closed stores during the lockdowns	**112,375**	**12.0%**	**-**	**-**
Operating income / (loss) - EBIT excluding Selling expenses of the closed stores during the lockdowns	**(83,422)**	**-8.9%**	**-**	**-**
Depreciation, amortization and impairment on tangible and intangible fixed assets	**120,284**	**12.8%**	**110,730**	**7.1%**
Depreciation and write-downs of the Right of Use assets	**230,462**	**24.6%**	**229,419**	**14.6%**
Total depreciation, amortization and impairment	**350,746**	**37.4%**	**340,149**	**21.7%**
EBITDA	**154,949**	**16.5%**	**490,623**	**31.2%**
EBITDA excluding Selling expenses of the closed stores during the lockdowns	**267,324**	**28.5%**	**490,623**	**31.2%**

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	June 30 2020 (unaudited)	December 31 2019 (audited)
Assets			
Current assets			
Cash and cash equivalents		530,421	421,069
Trade receivables, net	4	204,376	317,554
Inventories, net	5	735,869	712,611
Derivative financial instruments – current		8,627	3,315
Receivables from, and advance payments to, related parties - current	6	28,523	21,553
Other current assets	7	199,326	221,476
Total current assets		1,707,142	1,697,578
Non-current assets			
Property, plant and equipment	8	1,552,612	1,642,480
Intangible assets	8	839,279	843,830
Right of Use assets	9	2,224,514	2,362,841
Investments in equity instruments		51,976	81,448
Deferred tax assets		292,859	244,206
Other non-current assets	10	163,174	165,372
Receivables from, and advance payments to, related parties – non-current		1,434	684
Total non-current assets		5,125,848	5,340,861
Total Assets		6,832,990	7,038,439
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term lease liability		398,093	409,537
Short-term financial payables and bank overdrafts		537,911	241,464
Payables to related parties - current	11	13,903	26,057
Trade payables	12	289,801	327,330
Tax payables		64,973	83,809
Derivative financial instruments - current		10,655	11,317
Other current liabilities	13	118,785	132,294
Total current liabilities		1,434,121	1,231,808
Non-current liabilities			
Long-term lease liability		1,888,742	2,005,761
Long-term financial payables		505,726	584,141
Post-employment benefits		66,028	63,519
Provision for risks and charges	14	50,790	49,484
Deferred tax liabilities		27,667	29,337
Other non-current liabilities		95,046	56,365
Derivative financial instruments - non-current		10,162	8,789
Payables to related parties – non-current		-	20,660
Total non-current liabilities		2,644,161	2,818,056
Total Liabilities		4,078,282	4,049,864
Share capital		255,882	255,882
Total other reserves		2,620,087	2,394,051
Translation reserve		40,695	61,437
Net income / (loss) for the period		(180,332)	255,788
Net Equity attributable to owners of Group		2,736,332	2,967,158
Net Equity attributable to Non-controlling interests		18,376	21,417
Total Net Equity		2,754,708	2,988,575
Total Liabilities and Total Net Equity		6,832,990	7,038,439
Net current assets		273,021	465,770
Total assets less current liabilities		5,398,869	5,806,631

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

(amounts in thousands of Euro)	Number of Shares (in thousands)	Share Capital	Transla-tion Reserve	Share premium reserve	Cash flow hedge reserve	Actuarial Reserve	Fair Value investments in equity instruments Reserve	Other reserves	Total Other Reserves	Net result for the period	Net Equity attributable to owners of Group	Equity Net Equity attributable to Non-controlling interests	Total Net Equity
Balance at December 31, 2018 (audited)	2,558,824	**255,882**	**32,941**	410,047	(10,620)	(4,822)	(12,276)	2,001,391	**2,383,720**	**205,443**	**2,877,986**	**19,083**	**2,897,069**
Allocation of 2018 net income	-	-	-	-	-	-	-	205,443	**205,443**	**(205,443)**	-	-	-
Dividends	-	-	-	-	-	-	-	(153,529)	**(153,529)**	-	**(153,529)**	**(310)**	**(153,839)**
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	1,106	1,106
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	8,998	-	(3,319)	-	-	(2)	(3,321)	154,894	160,571	(249)	160,322
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	-	14,915	-	14,915	-	14,915	-	14,915
Balance at June 30, 2019 (unaudited)	2,558,824	**255,882**	**41,939**	410,047	(13,939)	(4,822)	2,639	2,053,303	**2,447,228**	**154,894**	**2,899,943**	**19,630**	**2,919,573**
Dividends	-	-	-	-	-	-	-	-	-	-	-	(803)	(803)
Acquisition of Fratelli Prada spa	-	-	-	-	-	-	-	(48,630)	**(48,630)**	-	**(48,630)**	-	**(48,630)**
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	24	24
Gain/(losses) from the disposal of equity instruments	-	-	-	-	-	-	2,235	2,298	**4,533**	-	**4,533**	-	**4,533**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	19,498	-	5,470	-	-	2	5,472	100,894	125,864	2,602	128,466
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	306	(14,856)	(2)	(14,552)	-	(14,552)	(36)	(14,588)
Balance at December 31, 2019 (audited)	2,558,824	**255,882**	**61,437**	410,047	(8,469)	(4,516)	(9,982)	2,006,971	**2,394,051**	**255,788**	**2,967,158**	**21,417**	**2,988,575**
Allocation of 2019 net income - retained earnings	-	-	-	-	-	-	-	204,612	**204,612**	**(204,612)**	-	-	-
Allocation of 2019 net income - extraordinary reserve	-	-	-	-	-	-	-	51,176	**51,176**	**(51,176)**	-	-	-
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	(20,742)	-	(108)	-	-	-	(108)	(180,332)	(201,182)	(3,041)	(204,223)
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	(198)	(29,450)	4	(29,644)	-	(29,644)	-	(29,644)
Balance at June 30, 2020 (unaudited)	2,558,824	**255,882**	**40,695**	410,047	(8,577)	(4,714)	(39,432)	2,262,763	**2,620,087**	**(180,332)**	**2,736,332**	**18,376**	**2,754,708**

Summarized statement of consolidated cash flows for the six-month period closed at June 30, 2020

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	six months ended June 30 2019 (unaudited)
Income/(loss) before taxation	(235,520)	120,013
Profit or loss adjustments		
Depreciation and write-downs of the Right of Use assets	230,462	229,419
Depreciation and amortization of property, plant and equipment and intangible assets	113,740	108,561
Impairment of property, plant and equipment and intangible assets	6,544	2,169
Non-monetary financial (income) expenses	25,701	3,156
Interest expenses on Lease Liability	23,433	24,735
Other non-monetary (income) expenses	(53,896)	3,492
Balance Sheet changes		
Other non-current assets and liabilities	34,842	(7,414)
Trade receivables, net	109,714	(13,864)
Inventories, net	(35,932)	(50,401)
Trade payables	(41,607)	11,563
Other current assets and liabilities	26,494	(26,490)
Cash flows from operating activities	203,975	404,939
Interest paid (net), including interest paid on Lease Liability	(29,861)	(25,032)
Taxes paid	(22,980)	(15,724)
Net cash flows from operating activities	151,134	364,183
Purchases of property, plant and equipment and intangible assets	(49,905)	(187,231)
Disposals of property, plant and equipment and intangible assets	396	860
Dividends from investments	116	2,023
Purchases of equity instruments	-	(400)
Business Combination	(32,828)	-
Net cash flow utilized by investing activities	(82,221)	(184,748)
Dividends paid to shareholders of PRADA spa	-	(145,536)
Dividends paid to Non-Controlling shareholders	-	(310)
Repayment of Lease Liability	(177,589)	(226,849)
Repayment of short term portion of long term borrowings - third parties	(154,959)	(222,580)
Arrangement of long-term borrowings – third parties	175,000	100,000
Change in short-term borrowings – third parties	199,975	41,425
Repayment of Loans from related parties	2,000	-
Loans to related parties	(750)	-
Net cash flows generated / (utilized) by financing activities	43,677	(453,850)
Change in cash and cash equivalents, net of bank overdrafts	112,590	(274,415)
Foreign exchange differences	(3,238)	2,094
Opening cash and cash equivalents, net of bank overdraft	421,069	599,821
Closing cash and cash equivalents, net of bank overdraft	530,421	327,500
Cash and cash equivalents, net of bank overdraft	530,421	327,500
Closing cash and cash equivalents, net of bank overdraft	530,421	327,500

Statement of consolidated comprehensive income/(loss) for the six-month period closed at June 30, 2020

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	six months ended June 30 2019 (unaudited)
Net income/(loss) for the period – Consolidated	(183,515)	154,431
A) Items recyclable to P&L:		
Change in Translation reserve	(20,600)	9,210
Tax impact	-	-
Change in Translation reserve less tax impact	(20,600)	9,210
Change in Cash Flow Hedge reserve	948	(4,371)
Tax impact	(1,056)	1,052
Change in Cash Flow Hedge reserve less tax impact	(108)	(3,319)
B) Item not recyclable to P&L:		
Change in Fair Value Investments in equity instruments reserve	(29,450)	14,915
Tax impact	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	(29,450)	14,915
Change in Actuarial reserve	-	-
Tax impact	(198)	-
Change in Actuarial reserve less tax impact	(198)	-
Consolidated comprehensive income/(loss) for the period	(233,871)	175,237
Comprehensive income/(loss) for the period – Non-controlling Interests	(3,041)	(249)
Comprehensive income/(loss) for the period – Group	(230,830)	175,486

Notes to the consolidated results for the six-month period closed at June 30, 2020

1. Analysis of Net Revenues

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)		six months ended June 30 2019 (unaudited)		% change
Net Sales by geographical area					
Europe	297,518	32.2%	598,800	38.7%	-50.3%
Asia Pacific	378,971	41.0%	498,578	32.2%	-24.0%
Americas	104,857	11.3%	215,676	13.9%	-51.4%
Japan	114,765	12.4%	180,556	11.7%	-36.4%
Middle East and Other countries	29,172	3.2%	52,768	3.4%	-55.3%
Total Net Sales	925,283	100%	1,546,378	100%	-40.2%
Net Sales by brand					
Prada	774,876	83.7%	1,284,429	83.1%	-39.7%
Miu Miu	130,878	14.1%	220,774	14.3%	-40.7%
Church's	15,054	1.6%	32,844	2.1%	-54.2%
Other	4,475	0.6%	8,331	0.5%	-46.3%
Total Net Sales	925,283	100%	1,546,378	100%	-40.2%
Net Sales by product line					
Leather goods	525,621	56.8%	867,852	56.1%	-39.4%
Clothing	223,230	24.1%	339,442	22.0%	-34.2%
Footwear	162,601	17.6%	309,393	20.0%	-47.4%
Other	13,831	1.5%	29,691	1.9%	-53.4%
Total Net Sales	925,283	100%	1,546,378	100%	-40.2%
Net Sales by channel					
Net Sales of direct operated stores (DOS)	834,525	90.2%	1,231,918	79.7%	-32.3%
Sales to Independent customers and franchisees	90,758	9.8%	314,460	20.3%	-71.1%
Total Net Sales	925,283	100%	1,546,378	100%	-40.2%
Net Revenues					
Net Sales	925,283	98.7%	1,546,378	98.5%	-40.2%
Royalties	12,374	1.3%	23,745	1.5%	-47.9%
Total Net Revenues	937,657	100%	1,570,123	100%	-40.3%

2. Number of stores

	June 30, 2020		December 31, 2019		June 30, 2019	
	Owned	Franchisees	Owned	Franchisees	Owned	Franchisees
Prada	409	19	410	19	401	24
Miu Miu	157	6	160	6	164	9
Church's	62	-	62	-	62	-
Car Shoe	3	-	3	-	4	-
Marchesi 1824 and others	6	-	6	-	6	-
Total	637	25	641	25	637	33

	June 30, 2020		December 31, 2019		June 30, 2019	
	Owned	Franchisees	Owned	Franchisees	Owned	Franchisees
Europe	228	-	229	-	227	4
Americas	106	-	107	-	111	-
Asia Pacific	195	20	198	20	193	24
Japan	87	-	85	-	84	-
Middle East & Africa	21	5	22	5	22	5
Total	637	25	641	25	637	33

3. Earnings/(losses) and dividends per share, basic and diluted

Earnings/(losses) per share

Earnings / (losses) per share are calculated by dividing the net income/(loss) of the period attributable to Group's shareholders by the weighted average number of ordinary shares in issue.

	six months ended June 30 2020 (unaudited)	six months ended June 30 2019 (unaudited)
Group net income/(loss) in Euro	(180,332,175)	154,893,688
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and Diluted earnings (losses) per share in Euro, calculated on weighted average number of shares	(0.070)	0.061

Dividend per share

During the period of six months ended June 30, 2020 the Group did not distributed dividends.
At the meeting held on March 18, 2020 the Board of Directors proposed, on the basis of the results closed as at December 31, 2019, the distribution of a final dividend for a total amount of Euro 51,176,480 (Euro 0.02 per share).
Following the spread of Covid-19, on April 22, 2020, the Board of Directors revised its previous recommendation, suggesting the General Meeting of Shareholders to approve the allocation of the 2019 net income to retained earnings and extraordinary reserve, without the distribution of any dividend. Accordingly, with the aim of providing the

Group with additional resources to support the rapid recovery of previous activity paces, on May 26, 2020 the General Meeting of Shareholders approved the suggestion made on April 22, 2020.

4. Trade receivables, net

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Trade receivables – third parties	208,972	322,005
Allowance for bad and doubtful debts	(10,081)	(9,354)
Trade receivables – related parties	5,485	4,903
Total	204,376	317,554

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Opening balance (audited)	9,354	8,821
Exchange differences	(66)	44
Increases	1,551	2,374
Reversals	(313)	(1,207)
Utilization	(445)	(678)
Closing balance (unaudited)	10,081	9,354

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	214,457	146,523	25,163	1,281	11,127	6,212	24,151
Total	214,457	146,523	25,163	1,281	11,127	6,212	24,151

(amounts in thousands of Euro)	Dec. 31 2019 (audited)	Not overdue	Overdue (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

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful debts	204,376	146,101	25,086	1,265	11,004	5,636	15,284
Total	204,376	146,101	25,086	1,265	11,004	5,636	15,284

(amounts in thousands of Euro)	Dec. 31 2019 (audited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for 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

5. Inventories, net

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Raw materials	110,425	110,054
Work in progress	29,280	30,539
Finished products	633,022	608,672
Return assets	4,275	4,199
Allowance for obsolete, slow-moving inventories and return assets	(41,133)	(40,853)
Total	735,869	712,611

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

(amounts in thousands of Euro)	Raw materials	Finished Products and return assets	Total allowance for obsolete, slow-moving inventories and return assets
Opening balance (audited)	20,656	20,197	40,853
Exchange differences	(11)	(192)	(203)
Increases	-	4,757	4,757
Utilization	-	(4,153)	(4,153)
Reversal	-	(121)	(121)
Closing balance (unaudited)	20,645	20,488	41,133

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Prepaid sponsorship	22,675	13,522
Other receivables and advances	5,848	6,027
Financial receivables	-	2,004
Total	28,523	21,553

7. Other current assets

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
VAT	35,332	59,610
Income tax and other tax receivables	99,883	87,372
Other assets	12,934	20,486
Prepayments	43,287	43,290
Deposits	7,890	10,718
Total	199,326	221,476

8. Capital expenditure

The changes in the carrying amount of property, plant and equipment for the period ended June 30, 2020 are shown below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Opening balance (audited)	785,065	63,623	389,543	293,571	69,191	41,487	1,642,480
Additions	356	2,579	8,708	4,537	2,339	16,590	35,109
Depreciation	(8,815)	(5,945)	(58,524)	(19,790)	(5,189)	-	(98,263)
Disposals	(7)	(10)	-	(363)	(10)	-	(390)
Exchange differences	(11,643)	(140)	(4,350)	(2,274)	(164)	(406)	(18,977)
Other movements	775	2,045	2,538	1,090	97	(7,346)	(801)
Impairment	-	-	(643)	(1,078)	(8)	(4,817)	(6,546)
Closing balance (unaudited)	765,731	62,152	337,272	275,693	66,256	45,508	1,552,612

The changes in the carrying amount of intangible assets for the period ended June 30, 2020 are shown below:

(amounts in thousands of Euro)	Trademarks and other intellectual property rights	Goodwill	Store Lease Acquisi-tions	Software	Other intan-gibles	Assets in progress	Total net carrying amount
Opening balance (audited)	225,249	518,703	1,156	58,224	7,221	33,277	843,830
Additions	336	-	(5)	3,345	70	10,445	14,191
Amortization	(6,582)	-	(251)	(7,622)	(1,021)	-	(15,476)
Exchange differences	(2,674)	(604)	(6)	(25)	(4)	1	(3,312)
Other movements	-	-	47	12,253	3	(12,257)	46
Closing balance (unaudited)	216,329	518,099	941	66,175	6,269	31,466	839,279

Impairment test

As required by IAS 36, "Impairment of Assets", intangible assets with indefinite useful lives are not amortized but tested for impairment at least once per year. The Group reports no intangible assets with indefinite useful lives other than goodwill. As of June 30, 2020 goodwill amounts to Euro 518.1 million, detailed by Cash Generating Unit ("CGU") as follows:

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
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	8,350	8,954
Pasticceria Marchesi 1824	7,975	7,975
Total	518,099	518,703

At the reporting date, management made an assessment about the impact of the pandemic on the carrying values of the above reported CGUs. When the enterprise value was already close to the carrying value at December 31, 2019 and the impact on revenues did not show apparent signs of recovery after the stores reopening, management updated the business projections and relevant impairment tests, which results gave no raise to any goodwill write-off.

However, since value in use is measured on the basis of estimates and assumptions, management, considering also the uncertainty related to the evolution of the pandemic, cannot guarantee that the value of goodwill or other tangible or intangible assets will not be subject to impairment in the future.

9. Right of Use assets

The changes in the carrying amount of the Right of Use assets for the period ended June 30, 2020 are shown below:

(amounts in thousands of Euro)	Real Estate	Vehicles	Hardware	Plant and machinery	Total net carrying amount
Opening balance (audited)	2,358,995	1,692	237	1,917	2,362,841
New contracts, initial direct costs and remeasurement	108,523	130	(1)	83	108,735
Depreciation	(229,492)	(544)	(42)	(394)	(230,472)
Contracts termination	(5,100)	-	-	-	(5,100)
Exchange differences	(11,480)	(2)	(8)	-	(11,490)
Closing balance (unaudited)	2,221,446	1,276	186	1,606	2,224,514

The increase for new contracts, initial direct costs and remeasurements was attributable both to renewals of contracts (mainly in USA, Canada, Australia, France and Great Britain) and remeasurement of contractual provisions like indexes-linked payments.

10. Other non-current assets

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Guarantee deposits	69,967	70,732
Deferred rental income	715	968
Pension fund surplus	14,281	15,315
Prepayments for commercial agreements	62,600	62,600
Other long-term assets	15,611	15,757
Total	163,174	165,372

11. Payables to related parties – current

The current payables to related parties are shown below:

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Financial payables	3,398	3,387
Other payables	10,505	22,670
Total	13,903	26,057

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 other payables related to the residual debt for the acquisition of Fratelli Prada spa.

12. Trade payables

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Trade payables – third parties	282,637	322,105
Trade payables – related parties	7,164	5,225
Total	289,801	327,330

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	289,801	240,370	22,028	10,034	7,919	3,968	5,482
Total	289,801	240,370	22,028	10,034	7,919	3,968	5,482

(amounts in thousands of Euro)	Dec. 31 2019 (audited)	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

13. Other current liabilities

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Payables for capital expenditure	26,195	38,588
Accrued expenses and deferred income	14,552	18,098
Other payables	78,038	75,608
Total	118,785	132,294

14. 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 (audited)	518	2,347	46,619	49,484
Exchange differences	(2)	6	(283)	(279)
Reversals	(74)	(479)	-	(553)
Utilized	(32)	(689)	(1,534)	(2,255)
Increases	84	900	3,409	4,393
Closing balance (unaudited)	494	2,085	48,211	50,790

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

Management Discussion and Analysis for the six-month period closed at June 30, 2020

Distribution channels

The revenues for the six months ended June 30, 2020 were Euro 937.7 million, down by 40.3% at current exchange rates compared with the same period of 2019 (Euro 1,570.1 million). Exchange rates did not have a material effect on revenues, either at a consolidated level or for the following details.

Due to the pandemic, the retail channel began to show a decline in February, at the peak of the health emergency in China, despite the double-digit growth recorded until then in Europe, the Americas and the Middle East. The subsequent global spread led to the temporary closing of stores in nearly all countries, with a 40% on average of closed stores from February to May, after a peak of 70% in April. The net sales of the retail channel fell by 32.3% versus the comparative period.
Thanks also to investments made in recent years in functionality, geographical coverage and user experience, e-commerce sales more than doubled compared with the first half of 2019, although the relevant baseline was not that significant in absolute amounts. The online sales growth was apparent, and even stronger, also after the physical stores reopenings.
After three new openings and seven closures in the period, at June 30, 2020 there are 637 directly operated stores (DOS), with some 8% of them still closed due to the pandemic. Overall, the retail channel accounted for 90% of the Prada Group's net sales in the period.

The wholesale channel presented a 71.1% decline compared with 2019, reflecting the decision to downsize the network of independent clients to protect the brand image and foster additional retail growth.

Markets

Retail sales in Asia Pacific were down by 18.8% at current exchange rates, due to the effects of the Covid-19 that impacted firstly in Mainland China and that led also to the disappearance of tourist flows, notably in Hong Kong S.A.R. and Macao S.A.R. which suffered for the whole period under review. Nevertheless, due to the rapid recovery of consumer spending when the Covid-19 emergency ended, retail net sales in the Chinese mainland resumed growth since April, leading the total retail net sales of the period in line with those of the comparative six-month of 2019.
South Korea and Taiwan, which didn’t experience major store closures, had rather robust double-digit growth over the six-month period.
The wholesale sales showed a decline in the duty-free channel given the absence of tourists’ flows.

In Europe, the effects of the prolonged lockdown periods were worsened by the travel ban, considering the relevance of touristic flows in this region.
After a double-digit growth in January and February, retail net sales in the region underwent a significant decline, totaling a 40.8% overall contraction compared to the six-month period of 2019. The market registered a very good response to store reopenings from local consumption, but it was still impacted by the lack of travelers.
Europe continues to be the largest market for the wholesale channel, even after the aforementioned marketing policies. The contraction of the six-month period had a significant impact on the total data of the entire channel.

The American retail channel performed in a similar manner to that of Europe, which means double-digit growth in the first two months of the year followed by a large decline due to the stores shutdowns. The net retail sales fell by 41.6% at current exchange rates compared with the first six months of 2019, while the wholesale channel saw a larger decline.

The Japanese market reported net retail sales down by 36.7% compared with the first six months of 2019. The sales contraction was attributable to stores closures that mainly impacted domestic consumption and, to a lesser extent, the absence of tourism flows in Japan and in the Hawaiian islands, Guam and Saipan, which are part of this sales area. Upon stores reopening in Japan, the region showed trends progressively improving.

Like Europe and America, the Middle East reported growth in the first two months of the year, followed by a sudden contraction during the lockdown. The sales of the six-month period were down by 42.6% at current exchange rates, as a result of the decrease of domestic customers and absence of tourism in Dubai.

Products

The retail sales by product category showed less negative results for clothing and leather goods (down by 27.2% and 30.7% at current exchange rates, respectively) than for footwear (-40.8% at current exchange rates).
The wholesale sales, strongly impacted by the aforementioned rationalization, showed a deeper impact on footwear category.

Brands

The net sales fell for all the Group's brands, although the Prada band retail sales reported less unfavorable rates with a 31% decrease at current exchange rates. The retail sales of the Miu Miu brand fell by 35.5%, and Church's by 51.3%.
"Other brands", consisting primarily of sales of Marchesi 1824 brand patisserie products in Italy and in the U.K., showed a decline of 57%.

Royalties

Licensed businesses generated less royalty income (-47.9% compared to the same six-month period of 2019), with the fragrance segment suffering less.

Operating results

The gross margin was down slightly from that of the comparative period (70.4% for the first six months of 2020 versus 71.7% for the same six months of 2019) due to less industrial fixed costs absorbed, mitigated by a more favorable mix of sales by channel.

The total operating expenses, including the Selling expenses of the closed stores during the lockdowns, were Euro 856.1 million, down by Euro 119.2 million from the comparative period.

More in detail, the selling expenses, Euro 611.4 million including the Selling expenses of the closed stores during the lockdowns (Euro 112.4 million), fell by Euro 95.1 million, substantially as a result of the store rent discounts obtained to deal with the impacts of the pandemic (about Euro 41 million), reduced variable costs (Euro 15 million) and the use of government subsidies to support income of the staff pertaining the selling area (Euro 18.5 million).

Advertising and communications costs, Euro 94.2 million in the six months ended June 30, 2020, presented a reduction of Euro 7.3 million from the same period of 2019 due to the postponement or cancellation of projects and events and less expenditure for traditional media space.

The product design and development costs of Euro 53 million in the six months ended June 30, 2020 were Euro 12.1 million lower than in the same period of 2019 largely as a result of less activities of product development in terms of both the materials used and the cost of labor.

General and administrative costs, Euro 97.5 million in the six months ended June 30, 2020, showed a decrease of Euro 4.6 million compared with the same period of 2019 attributable essentially to the containment of discretionary spending, such as travel and consulting services, as well as the recognition of government subsidies relating to the pandemic.

The operating result for the period was a loss of Euro 195.8 million.

The figures above reported included the selling expenses pertaining to the closed stores during the lockdowns, as detailed below:

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)
Rights of use assets, net of Covid-related lease discounts	49,890
Cost of labor, net social buffers	33,766
Depreciation of tangible fixed assets	23,558
Other expenses	5,161
Selling expenses of the closed stores during the lockdowns	112,375

Financial charges and taxation

The net finance costs rose from Euro 30.5 million for the six months ended June 30, 2019 to Euro 39.7 million. The interest expense calculated under IFRS 16 decreased by Euro 1.3 million because of a lower lease liability and a shorter time horizon, whereas the interest expense on bank debt rose by a similar amount as a result of the greater average exposure than in the comparative period.
Foreign exchange losses amounted to Euro 11.3 million, up by about Euro 7 million primarily as a result of negative foreign exchange differences on leases contracts named in currencies different from those used to prepare the relevant financial statements.

The taxation line showed income of Euro 52 million generated by the recognition of deferred tax assets on carryforwards of losses that the Group is reasonably certain to recover.

Net invested capital

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Right of use assets	2,224,514	2,362,841
Non-current assets (excluding deferred tax assets)	2,544,750	2,670,839
Trade receivables, net	204,376	317,554
Inventories, net	735,869	712,611
Trade payables	(289,801)	(327,330)
Net operating working capital	650,444	702,835
Other current assets (excluding items of financial position)	236,476	244,341
Other current liabilities (excluding items of financial position)	(204,918)	(250,090)
Other current assets/(liabilities), net	31,558	(5,749)
Provision for risks	(50,790)	(49,484)
Post-employment benefits	(66,028)	(63,519)
Other long-term liabilities	(42,608)	(23,215)
Deferred taxation, net	265,191	214,869
Other non-current assets/(liabilities)	105,765	78,651
Net invested capital	5,557,031	5,809,417
Shareholder's equity – Group	(2,736,332)	(2,967,158)
Shareholder's equity – Non-controlling interests	(18,376)	(21,417)
Total Consolidated shareholders' equity	(2,754,708)	(2,988,575)
Long-term financial payables	(504,601)	(583,766)
Short-term financial, net surplus/(deficit)	(10,887)	178,222
Net financial position surplus/(deficit)	(515,488)	(405,544)
Long-term lease liability	(1,888,742)	(2,005,761)
Short-term lease liability	(398,093)	(409,537)
Total lease liability	(2,286,835)	(2,415,298)
Net financial position surplus/(deficit), including lease liability	(2,802,323)	(2,820,842)
Shareholders’ equity and net financial position	(5,557,031)	(5,809,417)
Net financial deficit to Consolidated shareholders' equity ratio	18.7%	13.6%

The net invested capital at June 30, 2020 amounts to Euro 5,557 million, balanced by net bank debt of Euro 515 million, the lease liability of Euro 2,287 million and the Group's equity of Euro 2,755 million.

The right-of-use assets were down by Euro 138.3 million compared with December 31, 2019 after depreciation (Euro 230.5 million) and foreign exchange losses (Euro 11.5 million), offset by new leases or extensions of expiring ones (Euro 108.7 million).

The non-current assets, which consist essentially of tangible assets, intangible assets and financial assets, fell from Euro 2,670.8 million as December 31, 2019 to Euro 2,544.8 million mainly after the depreciation, amortization and impairment of the period (Euro 120.3 million) net of the capital expenditures (Euro 49.3 million) detailed below:

(amounts in thousands of Euro)	six months ended June 30 2020 (unaudited)	six months ended June 30 2019 (unaudited)
Retail	28,075	56,157
Real estate	-	60,000
Production, logistics and corporate	21,225	61,252
Total capital expenditures	49,300	177,409

Many store renovation and restyling investment projects planned for the period were postponed because of the pandemic. Instead, the technological and digital evolution projects moved forward according to plan.

The net operating working capital is Euro 650.4 million, down by Euro 52.4 million with respect to December 31, 2019 due to the collection of trade receivables regarding deliveries made at the end of 2019, net of a slight increase in inventories and a decrease in trade payables following the lower business volumes.

The other current liabilities (net) of Euro 5.7 million showed in the net invested capital at December 31, 2019 are now a net asset of Euro 31.6 million as a result of the payment of amounts due for capital expenditures (Euro 24.6 million) and direct and indirect taxes (Euro 26.7 million), net of increases in the fair value of derivatives (Euro 6 million).

The other non-current assets (net), which had been Euro 78.7 million at December 31, 2019, rose by Euro 27.1 million due basically to the recognition of deferred tax assets on loss carryforwards (about Euro 40 million) and the reclassification to short-term of the final tranche for the acquisition of Fratelli Prada spa (Euro 20.7 million), net of a the recognition of a pre-payment for a long-term commercial agreement (Euro 40 million).

Net financial position

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

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Bank borrowing – non-current	(505,726)	(584,141)
Total financial payables – non-current	**(505,726)**	**(584,141)**
Financial payables and bank overdrafts - current	(537,910)	(241,464)
Payables to related parties	(3,398)	(3,387)
Total financial payables – current	**(541,308)**	**(244,851)**
Total financial payables	**(1,047,034)**	**(828,992)**
Cash and cash equivalents	530,421	421,069
Financial receivables from related parties - non-current	1,125	375
Financial receivables from related parties - current	-	2,004
Total Cash and cash equivalents and financial receivables	**531,546**	**423,448**
Net financial deficit, total	**(515,488)**	**(405,544)**

The net operating cash flow for the six-month period, after the payment of the lease liabilities (Euro 177.6 million), was an outflow of Euro 26.5 million; added to the payment of capital expenditures of Euro 82.2 million, it resulted in a net financial deficit of Euro 515.5 million at the end of the period. The period-end net financial position shows an increase of Euro 110 million compared to December 31, 2019, but it maintains the levels reported at June 30, 2019.

During the period the Group reimbursed loans due of Euro 155 million, arranged and drew down new long-term loans for a total amount of Euro 175 million, and signed an agreement for additional financial flexibility by stipulating a new revolving credit facility for Euro 300 million.

The amount of undrawn lines of credit as at June 30, 2020 is Euro 748 million.

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	June 30 2020 (unaudited)	December 31 2019 (audited)
Short-term lease liability	**398,093**	**409,537**
Long-term lease liability	**1,888,742**	**2,005,761**
Total lease liability	**2,286,835**	**2,415,298**

The lease liability decreased from Euro 2,415 million at December 31, 2019 to Euro 2,287 million as a result of the payments of the period (Euro 201 million), net of remeasurements due to lease adjustments or renewals (Euro 98.1 million) and interest recognized to adjust the present value of the liability (Euro 23.4 million).
The lease liability is concentrated mainly in the U.S.A., Japan and Italy.

The net financial indebtedness, including the lease liability, is about Euro 2,802 million at June 30, 2020.

Events after the reporting date

Nothing to report.

Outlook

The first half of 2020 saw a temporary interruption of the Group's growth trajectory in a situation of ongoing management of the pandemic.

The Group is confident that the growth will gradually resume by the end of the year, when the stores network will again be fully operational.

The excellent response of local consumers after the reopenings confirms the desirability of the Group's products and the strong relationship with its customers, which has been further strengthened by the continued focus on digital technology.

Given the level of uncertainty, it is difficult today to foresee the evolution of trading over the coming months and make forecasts. However, assuming a positive perspective, if recent encouraging retail trends are confirmed and if further significant outbreaks of the pandemic can be avoided and the Group is able to reopen its remaining closed stores, in the second half of the year the Group may return to a level of profitability that would bring the operating results for the whole of 2020 to breakeven.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months from January 1, 2020 to June 30, 2020 (the "Reviewed Period").

The Board

The Board of Directors of the Company (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.

The Board is composed of nine directors of which four are executive directors, one is a non-executive director and four are independent non-executive directors.

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. The written terms of reference of each Committee are of no less exacting terms than those set out in the Code and are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 related financial management expertise to discharge the responsibility of the Audit Committee. 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 and internal audit processes and the implementation of the Company's risk management functions and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. During the Reviewed Period, the Audit Committee held three meetings on February 18, March 4 and March 17, 2020, with an attendance rate of 100%. The Audit Committee often invites the Company's senior management, the Group's internal and external auditors and the members of the board of statutory auditors to their meetings. The Audit Committee's activities for the Reviewed Period covered: the audit plan for the year 2020, the findings of the internal auditors, internal controls, risk assessment, annual review of the Group's continuing connected transactions for 2019, tax and legal updates (including management of data privacy matters), the financial reporting matters (including the annual results for the year 2019), before recommending them to the Board for approval.

The Audit Committee, in July, held two further meetings on July 9 and 29, 2020 to, among others, review the interim results for the period ended June 30, 2020, before recommending them to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. In compliance with Rule 3.25 of the Listing Rules, the Remuneration Committee is chaired by an independent non-executive director and comprises of a majority of independent non-executive directors. 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, where appropriate, adoption. The Remuneration Committee consists of two independent non-executive directors, namely, Mr. Maurizio Cereda (Chairman) and Mr. Gian Franco Oliviero Mattei, and one executive director, Mr. Carlo Mazzi. During the Reviewed Period, the Remuneration Committee held one meeting on February 20, 2020, with an attendance rate of 100% to review and recommend the remuneration package for certain executives with strategic responsibilities.

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. In discharging its duties, the Nomination Committees has considered the Board Diversity Policy and the Directors' Nomination Policy. 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 18, 2020, with an attendance rate of 100% to perform the annual review of the independence of independent non-executive directors.

Board of Statutory Auditors

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

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.

During the Reviewed Period, the members of board of statutory auditors attended three meetings of the Board on March 18, 2020 and April 22, 2020 and June 22, 2020.

Supervisory Body

In compliance with the Italian Legislative Decree 231 of June 8, 2001 (the "Decree"), 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.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in a shareholders' general meeting. On March 15, 2019, in accordance with the Code, the Board adopted a Dividend Policy aimed at providing its shareholders a sustainable dividend stream, taking into account the cash flow from operating activities and underlying earnings achieved.

No dividends have been declared or paid by the Company in respect of the Reviewed Period.

On March 18, 2020, the Board recommended for the financial year 2019 the payment of a final dividend of Euro/cents 2 per share in the capital of the Company, representing a total dividend of Euro 51,176,480 (the "March Board Meeting"). Following the spread of the pandemic, on April 22, 2020, the Board resolved to withdraw the recommendation it made at the March Board Meeting regarding the distribution of a final dividend and instead recommended to retain the whole net income of the Company for the financial year 2019 amounting to Euro 249,027,388 and allocate it as follows: (i) Euro 51,176,480 to the extraordinary reserves of the Company, and (ii) Euro 197,850,908 to the retained earnings of the Company.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific written confirmations 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 Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by relevant employees who are likely to be in possession of 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.

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.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company is published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.pradagroup.com. The interim report will be available on the same websites and dispatched to the shareholders of the Company in due course.

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

Milan (Italy), July 29, 2020

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