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PRADA spa
(Stock Code: 1913)

**ANNOUNCEMENT
OF THE CONSOLIDATED RESULTS
FOR THE TWELVE-MONTH PERIOD
ENDED DECEMBER 31, 2020**

- Progressive improvement trend in the Retail channel thanks to the growth of local consumption in the second half of the year in all geographical areas;
- Net retail sales for the twelve months ended December 31, 2020 were down by 18% compared to 2019. The contraction of 32% reported in the first six months of 2020 reduced to -6% in the second half of 2020 compared to the same period of 2019. Net Retail sales benefited also from the sharp acceleration in the on-line sales up by 217% compared to the twelve months ended December 31, 2019;
- Wholesale sales down by 49% compared to the twelve months ended December 31, 2019, in line with the channel rationalization process started before the pandemic and aimed to protect the brand image and ensuring additional retail growth;
- EBIT for the twelve months ended December 31, 2020 was equal to Euro 20 million, with an operating loss of Euro 196 million in the first six months of 2020 and an operating profit of Euro 216 million in the second six months;
- Net Operating Cash Flows of Euro 262 million for the twelve months ended December 31, 2020;
- Net financial deficit improved from Euro 406 million at December 31, 2019 to Euro 311 million at December 31, 2020.

Presentation of the Prada Group

PRADA spa (the "Company" or "Parent Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). The Prada Group is a leading player in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands producing and distributing leather goods, footwear and apparel. It also operates in the food sector with Marchesi 1824 and in the eyewear and fragrance industries under licensing agreements.

It owns 23 production facilities (20 in Italy, 1 in France, 1 in United Kingdom and 1 in Romania) and its products are sold in 70 countries worldwide mainly through its directly operated stores, which numbered 633 at December 31, 2020. The Prada Group's products are also sold via e-commerce, in selected prestigious department stores, by independent retailers in very exclusive locations, and by important e-tailers.

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

Basis of Presentation

The financial information for the twelve months ended December 31, 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 Consolidated Financial Statements for the twelve-month period ended December 31, 2020.

At the date of presentation of this document, 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.

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
Covid-Related Rent Concessions: Amendment to IFRS 16	January 1, 2020	October 2020
Amendments to IFRS 3 Business Combinations	January 1, 2020	April 2020
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	January 1, 2020	January 2020
IAS 1 and IAS 8: definition of material	January 1, 2020	November 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	November 2019

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 the profit or loss of Covid-related rental discounts.

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

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

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

On October 12, 2020, the European Commission completed the endorsement process of the amendment to IFRS 16 for Covid-Related Rent Concessions. The application of such amendment is valid for financial statements starting from June 1, 2020, with early adoption allowed for financial years starting from January 1, 2020. The Prada Group opted for the early adoption thus recognizing the Covid-related rent discounts from January 2020, when the health emergency began to significantly affect the Group's activities in China.

As a result of the above, the Statement of Profit or Loss for the twelve months ended December 31, 2020 includes a total of Euro 87.6 million of Covid-related rent discounts within Operating expenses.

Key financial information

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

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

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

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

2020 highlights

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

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

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

The Group's reaction to the emergency was immediate, decisive and far-reaching. Each business function revised its activities and adapted the workforce, prioritizing employee safety and customer centrality.

Prada's business model, which is deeply rooted in Italy and features strict controls over all the productive processes, along with full collaboration with government authorities and the flexibility of the Group's craft workers, enabled limiting the production shutdown to merely five weeks. This ensured some supply continuity to the stores. The ability to readily reallocate finished products within the retail network helped the assortment in stores that stayed open and the growth of the direct e-commerce channel, thus preventing excessive inventories. The retail personnel kept contacts with customers alive during the various closure periods, whereas all the other functions ensured operational continuity in a context of severe cost containment, especially in the first half of the year.

Operating expenses were reduced thanks in part to rent discounts obtained and wage supplements where the Group's subsidiaries were eligible to access. In addition, the investment program was revised during the year as some renovation and relocation projects for the retail network were postponed. Some marketing initiatives were canceled or postponed too and discretionary expenses were trimmed. At the same time, at the reopening of the stores in the various countries, an important plan of pop-ups and special installations in the retail spaces was implemented, fully integrating it with a dedicated communication strategy.

The objective of enhancing the value of the Group over the long-term led to the appointment during the year of Raf Simons as Prada's new Creative Co-Director

and the addition of new top positions in the Industrial, Marketing and Communication areas.

The pandemic spurred the digital evolution reinforcing the Prada Group's vision of expanding the omnichannel strategy, which during the year made additional progress: an important plan to update the back-end technological and organizational structures was established, the prada.com and miumiu.com customer experiences were redesigned on an international scale, new e-commerce markets were opened, content was localized and customized, and the digital communication strategy was strengthened through full use of social media channels, in various areas of the world. Sales from the e-commerce channel tripled from 2019 levels and the Group's brand relevance in the digital world showed considerable improvements.

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

In the year of the pandemic, the focus on sustainability in the Group's business led to numerous initiatives aimed at offering wide-ranging support in the society: from the conversion of the Torgiano plant in Umbria, Italy for the production of personal protective equipment and scrubs to be donated to hospitals and employees, to support scientific research on the novel coronavirus, not to mention the numerous donations. One of these led to allocating the proceeds from the Tools of Memory auction to support UNESCO's "Keeping Girls in the Picture" campaign, to contrast social abuses relating to the public health emergency.

On the environmental front, the campaign to transition from the use of virgin nylon to regenerated nylon ("Prada Re-Nylon") proceeded according to plan thanks to the use of the new version of the iconic fabric for the production of a complete collection including clothing and footwear.

The agenda of the Fashion Pact, a coalition of 60 leading international fashion companies of which Prada was one of the first participants, made large steps forward in taking concrete action to contrast climate change, restore biodiversity and protect the oceans.

In December 2020, the adventure officially began in Auckland for the Luna Rossa sailing team, sponsored by the Group and one of the protagonists of the Prada Cup and 36th America's Cup presented by Prada. The prestigious competition, the oldest still played, has been planned to achieve extraordinary media exposure to the brand thanks to a global coverage with 195 territories involved.

Last, but not least, in order to optimize the retail presence in Milan and to profitably realize no longer useful real estate assets, in December 2020 the Prada Group sold its commercial property in Via della Spiga, occupied until March by a Prada store that closed during the pandemic and never reopened.

The transaction generated an extraordinary income amounting to Euro 27 million, net of tax.

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

Scope of work of Messrs. Deloitte & Touche S.p.A.

The figures in respect of the Group's "Consolidated Statement of financial position", "Consolidated Statement of Profit or Loss for the twelve-month period ended December 31, 2020", "Statement of consolidated comprehensive income for the twelve-month period ended December 31, 2020", "Statement of Consolidated cash flows for the twelve-month period ended December 31, 2020", "Statement of changes in consolidated shareholders' equity", as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte & Touche S.p.A., to the amounts set out in the Group's audited Consolidated financial statements for the twelve-month period ended December 31, 2020 and some of the "Notes to the Consolidated financial statements" thereto, except for the effects deriving from the inclusion of the non-IFRS measure "Selling expenses of the closed stores during the lockdowns" in the "Consolidated Statement of Profit or Loss for the twelve-month period ended December 31, 2020". The work performed by Messrs. Deloitte & Touche S.p.A. in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by Messrs. Deloitte & Touche S.p.A. on the preliminary announcement.

Consolidated statement of Profit or Loss for the twelve months closed at December 31, 2020

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

(*) non-IFRS measures

Non-IFRS Measures

The Group uses certain financial measures (“non-IFRS measures”) to assess its business performance and to help readers understand and analyze the results of its operations and its financial position. Although they are used by the Group’s management, such measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare these Consolidated Financial Statements.

Other companies operating in the luxury goods industry might use the same measures, but with different calculation criteria. For this reason, non-IFRS measures should always be read in conjunction with the related notes, and may not be directly comparable with those used by other companies.

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

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

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

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

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

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

(*) Shown without the impact of Covid-related rent discounts.

Consolidated statement of financial position

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

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	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 the period	Equity		
											Net Equity attributable to owners of Group	Net Equity attributable to Non-controlling interests	Total Net Equity
Balance at December 31, 2018	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)	(1,113)	(154,642)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	1,130	1,130
Acquisition of Fratelli Prada spa	-	-	-	-	-	-	-	(48,630)	(48,630)	-	(48,630)	-	(48,630)
Gain/(losses) from the disposal of equity instruments	-	-	-	-	-	-	2,235	2,298	4,533	-	4,533	-	4,533
Comprehensive income 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	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)	-	-	(64,796)	-	2,675	-	-	-	2,675	(54,139)	(116,260)	(1,755)	(118,015)
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	(3,635)	(15,206)	-	(18,841)	-	(18,841)	1	(18,840)
Balance at December 31, 2020	2,558,824	255,882	(3,359)	410,047	(5,794)	(8,151)	(25,188)	2,262,759	2,633,673	(54,139)	2,832,057	19,663	2,851,720

Summarized statement of consolidated cash flows for the twelve months closed at December 31, 2020

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

Statement of consolidated comprehensive income for the twelve months closed at December 31, 2020

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

Notes to the consolidated results for the period closed at December 31, 2020

1. Analysis of Net Revenues

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

2. Number of stores

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

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

3. Earnings and dividends per share, basic and diluted

Earnings per share

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

	December 31 2020	December 31 2019
Group net income/(loss) in Euro	(54,138,620)	255,787,505
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and Diluted earnings (losses) per share in Euro, calculated on weighted average number of shares	(0.021)	0.100

Dividend per share

The Board of Directors, taking into account on one hand the withdrawn distribution of the dividends of previous year as a conservative measure and, on the other hand, the positive trend in sales of the second half of the year, confirmed also in the first months of 2021, proposed to the Shareholders' Meeting to distribute a dividend of Euro 0.035 per share, for a total of Euro 89,558,840. Last, but not least the proposal of dividends distribution relies on the well-balanced Net financial position at period end. Such dividends can be drawn from the distributable reserves of PRADA spa, which amount to Euro 1,625 million.

During the period of twelve months ended December 31, 2020 the Group did not distributed dividends.

At the meeting held on March 18, 2020 the Board of Directors proposed, on the basis of the results closed as at December 31, 2019, the distribution of a final dividend for a total amount of Euro 51,176,480 (Euro 0.02 per share).

Following the outbreak of the Covid-19 pandemic, on April 22, 2020, the Board of Directors revised its previous recommendation, suggesting the General Meeting of Shareholders to approve the allocation of the 2019 net income to retained earnings and extraordinary reserve, without the distribution of any dividend. Accordingly, with the aim of providing the Group with additional resources to support the rapid recovery of the previous activity paces, on May 26, 2020 the General Meeting of Shareholders approved the suggestion made on April 22, 2020.

4. Trade receivables, net

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

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

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

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

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

(amounts in thousands of Euro)	Dec. 31 2019	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 December 31, 2019	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)	Dec. 31 2020	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	290,380	263,358	6,094	12,720	1,492	854	5,862
Total December 31, 2020	290,380	263,358	6,094	12,720	1,492	854	5,862

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

5. Inventories, net

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

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

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

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

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

7. Other current assets

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

8. Capital expenditure

The changes in the carrying amount of property, plant and equipment for the period ended December 31, 2020 are shown below:

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

The changes in the carrying amount of intangible assets for the period ended December 31, 2020 are shown below:

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

9. Right of Use assets

The changes in the carrying amount of the Right of Use assets for the period ended December 31, 2020 are shown below:

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

The increase for new contracts, initial direct costs and remeasurements was attributable to lease renewals (mainly in Asia Pacific and the U.S.A.) and the remeasurement of the lease liability to adjust to indexes commonly used in the real estate industry (primarily the consumer price index).

Contracts termination amounted to some Euro 24 million for the period and referred mainly to leases in Europe.

10. Other non-current assets

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

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

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

11. Payables to related parties - current

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial payables	3,101	3,387
Other payables	380	22,670
Total	3,481	26,057

12. Trade payables

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

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

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

(amounts in thousands of Euro)	Dec. 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 December 31, 2019	327,330	305,620	7,222	2,353	982	599	10,554

13. Other current liabilities

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

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

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

Management Discussion and Analysis for the year ended December 31, 2020

Distribution channels

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

The retail channel, that started the year with double-digit growth in Europe, the Americas and the Middle East, began to show a decline in February, at the height of the public health emergency in China. The subsequent global spread led to the closing of stores in nearly all countries: from February to May the Prada Group operated with an average of 40% of stores closed, which peaked at 70% in April.

When the stores were reopened, and compatibly with the market environment influenced by the health measures introduced and the absence of tourists, net retail sales rallied, and the contraction at constant exchange rate narrowed from 32.5% for the first half of the year to 5.7% for the second half. In more detail, the retail sales recovery in the fourth quarter was stronger than in the third quarter, notwithstanding the reinstatement of the restrictions in Europe to counter a resurgence of the pandemic.

There are 633 stores at December 31, 2020, after twelve new store openings and twenty closings. At the reporting date, 140 stores are still closed to the public due to the pandemic.

The distress of physical stores was compensated for in part by direct e-commerce sales, which tripled in value compared with 2019 and had triple-digit growth rates throughout the whole period.

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

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

Markets

Asia Pacific was the first market to suffer the effects of the pandemic, but also the first to show important signs of recovery. Retail net sales for the year ended December 31, 2020 were substantially in line with those of 2019 (up by 0.7% at constant exchange rates, down by 1.1% at current exchange rates). During the year they showed significant recovery: in the first half of the year they posted a decrease of 18.3% at constant exchange rates compared with the first half of 2019, while in the second half of 2020 they showed an increase of 19% at constant exchange rates compared with the same period of 2019. Significant double-digit growth in mainland China, South Korea and Taiwan offset the revenue reduction in other countries, particularly Hong Kong S.A.R. and Macao S.A.R., which were severely impacted by the lack of tourism flows.

The absence of travelers, particularly in the duty free channel, was also responsible for the decline in wholesale sales, but for China where the channel in the second half of the year posted a significant growth compared to the second half of 2019.

In Europe, the effects of repeated, prolonged lockdown periods were aggravated by the restrictions imposed on the movement of individuals, considering the significance of tourism flows for this market.

After double-digit growth in January and February, the retail net sales of the region fell considerably, bottoming out between March and June; the annual contraction was 35.1% at constant exchange rates (-36.3% at current exchange rates) compared with 2019. However, the positive response of local customers to the reopening of the stores and the direct e-commerce channel enabled to mitigate the effects of the missing tourism flows. In the first half of 2020 the region posted at constant exchange rates a contraction of 40.7% compared to the same period of 2019, while in the second half of the year the difference compared to the same period of the last year was 30.8%. Furthermore, the results of the European market benefited from the particularly favorable performance of Russia.

Europe, the main market for the wholesale channel, was the region hit the most by the aforementioned strategic decision to select the independent accounts.

The American retail channel, after a double-digit growth until the end of February, experienced a drastic decrease at the time of the outbreak, posting a turnaround in the second half of the year. In America, the sales recovery when the stores reopened was stronger because local customers represent a structurally larger share than do tourists. The 41.9% contraction at constant exchange rate of the first half of 2020 compared with the same period of 2019 shrank to 16.6% on a twelve-month basis (-19.8% at current exchange rates), thanks to a second half with results up by 4.3% compared to the same period of 2019.

The decline in the wholesale of this region, although not material for the entire channel, was steeper than in other regions due to the struggles of some department stores.

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

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

Products

All product categories showed a decrease in the retail channel compared to the same twelve months of 2019: clothing -11.6% at constant exchange rates (-13.3% at current exchange rates), leather goods -18,6% (-20% at current exchange rates) and footwear -22.7% (-24.5% at current exchange rates).

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

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

Brands

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

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

Royalties

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

Operating results

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

The total operating expenses, including the operating costs of stores closed during the lockdown periods, were Euro 1,723.3 million, down by Euro 289.5 million from the comparative period. Approximately half of the reduction was attributable to rent discounts obtained and governments subsidies supplementing earned income, of which the Group benefited, especially Europe. The remainder was due to reduced discretionary expenses, greater real estate capital gains in 2020 and lower variable costs associated with sales.

Advertising and communications costs, Euro 206.8 million in the twelve months ended December 31, 2020, fell by Euro 24.2 million from the same period of 2019; a significant portion of the expenses incurred was allocated to digital communication that proved to be key to strengthen customers' relationships in the given circumstances.

The product design and development costs of Euro 102.2 million in the twelve months ended December 31, 2020 were Euro 25.1 million lower than in the same period of 2019, largely as a result of curbing the resources spent on product development activities.

General and administrative costs, Euro 154.4 million in the twelve months ended December 31, 2020, showed a decrease of Euro 29.9 million. This costs category included the capital gain on the sale of the building in via Spiga 18, Milan.

The EBIT was Euro 20.1 million.

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

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

Financial expenses and taxation

The net finance costs of Euro 71.9 million were substantially consistent with those of 2019 (Euro 72 million).

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

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

Net invested capital

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

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

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

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

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

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

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

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

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

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

Net financial position surplus/(deficit)

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

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

The net operating cash flow for the twelve-month period, after lease payments (Euro 373 million), was positive for Euro 262 million and enabled to finance the investing activities, equal to approximately Euro 150 million, in addition to contributing to the improvement of the net bank exposure. Moreover, the net financial deficit also benefitted from the postponement of the dividend distribution of 2019 results.

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

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

At December 31, 2020 all financial covenants were fully complied.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	December 30 2020	December 31 2019
Short-term lease liability	403,593	409,537
Long-term lease liability	1,729,819	2,005,761
Total lease liability	2,133,412	2,415,298

The Lease Liability decreased from Euro 2,415 million at December 31, 2019 to Euro 2,133 million as a result of the payments made in the period (Euro 373 million), net of re-measurements to reflect lease renewals or modifications

(Euro 254.3 million) and interest recognized to adjust the present value of the liability (Euro 42.7 million).

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

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

Events after the reporting date

No significant events to be reported.

Outlook

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

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

In an environment that is still uncertain, the fundamentals of the luxury sector remain strong and the Prada Group is well positioned to capture long term growth. The start of the year 2021 shows encouraging retail sales trend in spite of enduring Covid-related restrictions.

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 Company and its subsidiaries (the "Group"), to protect the rights of the Company's shareholders, to enhance shareholder value and to uphold the Group's credibility and reputation. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, 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"). Full details on the Company's corporate governance practices are set out in the Company's 2020 Annual Report.

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.

During the year ended December 31, 2020 (the "Reviewed Period"), the Audit Committee held seven meetings (with an attendance rate of 100%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Audit Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the year 2020, the findings of both the internal and external auditors, internal controls, risk assessment, annual review of the continuing connected transaction of the Group for 2019, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2019 and the interim financial results as at June 30, 2020) before recommending them to the Board for approval.

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

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.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"). Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with 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.

The Company has adopted policies to ensure that inside information are handled and disseminated in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

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.

Shareholders' general meeting (the "AGM")

On the basis of the emergency legislation in connection with the mitigation of COVID-19 pandemic - regarding also the arrangements on the timing and the organization of companies' annual general meetings - which is still in place in Italy, the AGM of the Company will be held by the end of May 2021.

Notice of the AGM will be published on the Company's website at www.pradagroup.com and on the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk and dispatched to the shareholders of the Company in due course.

Final Dividend

Taking into account on one hand the withdrawn distribution of the dividends of the previous year as a conservative measure and on the other hand the positive trends in sales, continued also in the first months of 2021, the Board recommended for the Reviewed Period a final dividend of Euro 89,558,840 (Euro 0.035 per share). The payments shall be made:

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

Subject to the shareholders' approval at the AGM of the final dividend, such dividend will be paid by Wednesday, June 30, 2021.

Book Closure and Record Dates

For the information on the book closure and record dates for determining shareholders' right to attend and vote at the AGM and for determining the shareholder's entitlement to the payment of the proposed final dividend, the Company will publish the relevant dates in the notice of AGM at appropriate times.

Publication of Annual Results Announcement and Annual Report

This Annual Results Announcement is published on the Company's website at www.pradagroup.com and on the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. The Company's 2020 Annual Report will be published on the same websites and dispatched to shareholders of the Company in due course.

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

Milan (Italy), March 10, 2021

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 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.