



# Interim Financial Report 2019



INTERIM FINANCIAL REPORT 2019

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## INDEX

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The PRADA Group	3
Financial Review	9
Corporate Governance	33
Interim condensed Consolidated Financial Statements	43
Notes to the Interim condensed Consolidated Financial Statements	49



Miuccia Prada and Patrizio Bertelli

THE PRADA GROUP

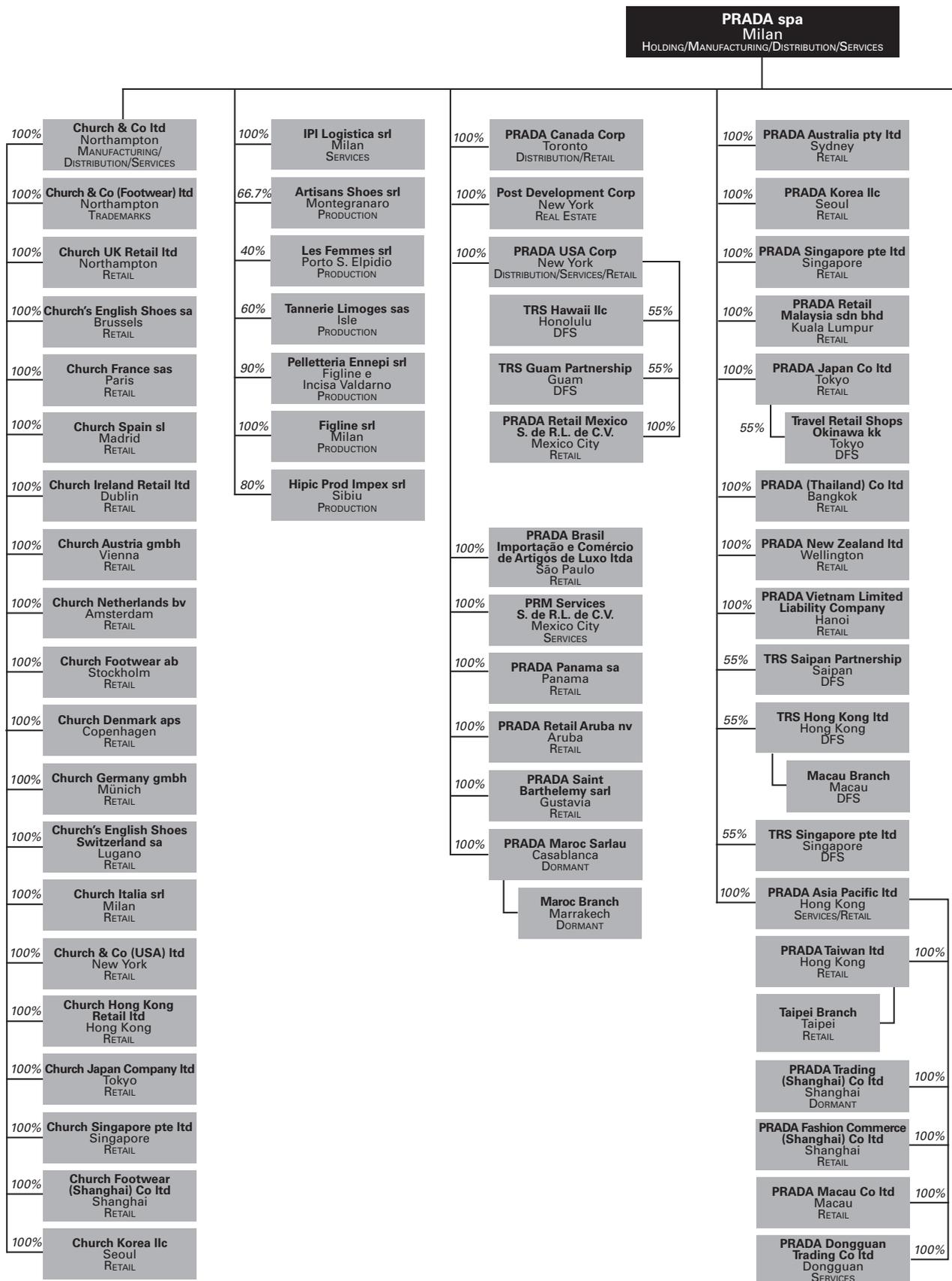
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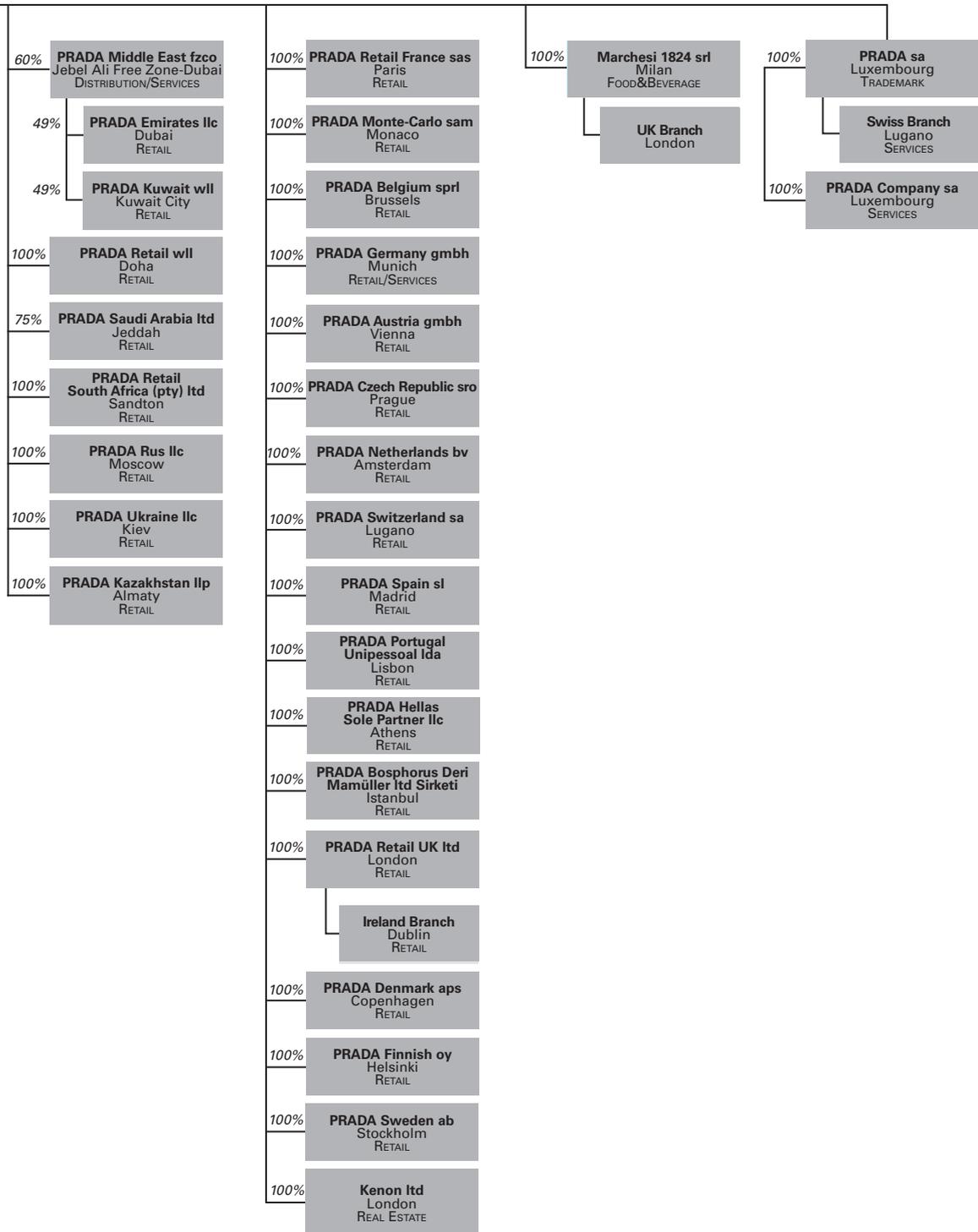
## PRADA S.P.A. COMPANY INFORMATION

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

<b>Nomination Committee</b>	Gian Franco Oliviero Mattei ( <i>Chairman</i> ) Carlo Mazzi Sing Cheong Liu
<b>Board of Statutory Auditors</b>	Antonino Parisi ( <i>Chairman</i> ) Roberto Spada ( <i>Standing member</i> ) David Terracina ( <i>Standing member</i> )
<b>Supervisory Board</b> (Leg. Decr. 231/2001)	David Terracina ( <i>Chairman</i> ) Gian Franco Oliviero Mattei Paolo De Paoli
<b>Main Shareholder</b>	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
<b>Joint Company Secretaries</b>	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy  Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
<b>Authorized Representatives in Hong Kong</b>	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy  Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
<b>Alternate Authorized Representative to Carlo Mazzi in Hong Kong</b>	Sing Cheong Liu Flat A, 17/F, Park Haven 38 Haven Street Causeway Bay, Hong Kong
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>Auditor</b>	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

# PRADA GROUP STRUCTURE







# FINANCIAL REVIEW

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## **BASIS OF PREPARATION OF FINANCIAL REVIEW**

The financial information for the six months ended June 30, 2019 presented herein refers to the group of companies controlled by PRADA spa, holding company of the Prada Group, and is based on the unaudited Interim condensed Consolidated Financial Statements of the six-month period ended June 30, 2019.

The International Financial Reporting Standards (IFRSs) adopted to prepare this report differ from those applied to prepare the consolidated financial statements for the year ended December 31, 2018 due to the transition to a new standard, IFRS 16 - Leases.

For the sake of comparability, on a voluntary basis the management has prepared a restated version of the Statement of Profit or Loss for the six months ended June 30, 2018 ("2018 Pro-forma") in which the retrospective effects of IFRS 16 were estimated. The adjustment resulted in a Euro 6.2 million decrease in the profit for the first six months of 2018, attributable essentially to interest expense.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	IFRS		Pro-forma	
	six months ended June 30 2019 (unaudited)	%	six months ended June 30 2018 (unaudited)	%
Net Sales	1,546,378	98.5%	1,510,603	98.4%
Royalties	23,745	1.5%	24,723	1.6%
<b>Net revenues</b>	<b>1,570,123</b>	<b>100%</b>	<b>1,535,326</b>	<b>100%</b>
Cost of goods sold	(444,374)	-28.3%	(429,256)	-28.0%
<b>Gross margin</b>	<b>1,125,749</b>	<b>71.7%</b>	<b>1,106,070</b>	<b>72.0%</b>
Operating expenses	(975,275)	-62.1%	(932,696)	-60.7%
<b>EBIT</b>	<b>150,474</b>	<b>9.6%</b>	<b>173,374</b>	<b>11.3%</b>
Interest and other financial expenses, net	(7,749)	-0.4%	(10,752)	-0.7%
Interest expenses on Lease Liability	(24,735)	-1.6%	(22,970)	-1.5%
Dividends from investments	2,023	0.1%	302	0.0%
<b>Total financial income/(expenses)</b>	<b>(30,461)</b>	<b>-1.9%</b>	<b>(33,420)</b>	<b>-2.2%</b>
<b>Income before taxation</b>	<b>120,013</b>	<b>7.7%</b>	<b>139,954</b>	<b>9.1%</b>
Taxation	34,418	2.2%	(41,001)	-2.7%
<b>Net income for the period</b>	<b>154,431</b>	<b>9.9%</b>	<b>98,953</b>	<b>6.4%</b>
Net income/(loss) - Non-controlling interests	(463)	0.0%	(504)	0.0%
<b>Net income - Group</b>	<b>154,894</b>	<b>9.9%</b>	<b>99,457</b>	<b>6.5%</b>
<b>Basic and diluted earnings per share (in Euro per share)</b>	<b>0.061</b>		<b>0.039</b>	
Depreciation, amortization and impairment on tangible and intangible fixed assets	110,730	7.1%	105,283	6.9%
Depreciation of the Right of Use assets	229,419	14.6%	222,724	14.5%
<b>Total depreciation, amortization and impairment</b>	<b>340,149</b>	<b>21.7%</b>	<b>328,007</b>	<b>21.4%</b>
<b>EBITDA</b>	<b>490,623</b>	<b>31.2%</b>	<b>501,381</b>	<b>32.7%</b>

## KEY FINANCIAL INFORMATION

	IFRS	Pro-forma
Key economic figures (amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Net revenues	1,570,123	1,535,326
EBITDA	490,623	501,381
EBITDA %	31.2%	32.7%
EBIT	150,474	173,374
EBIT %	9.6%	11.3%
Net income of the Group	154,894	99,457
Earnings per share (Euro)	0.061	0.039
Average number of employees	13,618	13,044
Net Operating Cash Flows	137,334	180,018

	IFRS	IFRS
Key indicators (amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Net operating working capital	700,936	638,493
Net invested capital	5,845,267	3,210,574
Net financial position surplus/(deficit)	(506,634)	(313,505)
Group shareholders' equity	2,899,943	2,877,986

## HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

The first half of 2019 featured important commercial decisions intended to strengthen the brand equity of the Prada and Miu Miu brands and enhance their product value.

In the retail channel seasonal markdowns were stopped to the benefits of full price sales, whereas in the wholesale channel a more selective approach to buyers was adopted in order to raise the level of control over the markets. Those decisions are improving consistency in pricing, as well as reinforcing the relationships with customers. The markets are responding positively to these initiatives, with a gradual improvement of full price retail sales over the period.

The design content of the collections presented to the market over the six-month period was built from the creative talent of the internal design department and pursued through creative dialogue in areas outside the industry. For example, some

of the most illustrious proponents of twenty-first century design collaborated with Prada on the "Prada Invites" capsule collection, coming up with a limited series of new articles in nylon. Nylon, an industrial material that has become a symbol of Prada, is also the focus of the Re-Nylon Project whereby the Group plans to replace, by 2021, all the virgin nylon used in its production cycle with repurposed nylon. A capsule collection and a communication campaign developed in collaboration with National Geographic inaugurated the ambitious plan in June.

The fashion shows, as usual rich in content and impeccably executed, benefited from a special innovative impulse, particularly in the exceptional installations of Prada 2020 S/S Menswear at the Minsheng Wharf's Silo Hall in Shanghai, and Miu Miu Croisière 2020 at the Auteuil Hippodrome in Paris.

Among the retail events of the period, essential for telling the brand story and enhancing the buying experience, "Prada Mode" stands out for the international resonance acquired. On the heels of the successful experiment in Miami in 2018, this exclusive experience centering on contemporary culture arrived in March at the Barrack Block at Tai Kwun in Hong Kong for the Art Basel show.

The determination demanded by the Board of Directors to make technological progress was behind the information technology developments of the period, which advanced in all business areas (retail, industrial and corporate) and led to the stipulation of important partnership agreements having a twofold purpose: to ensure that the digital evolution roadmap is followed and to obtain a competitive edge in the monitoring of new technologies in the industry. For the first objective, partnerships were entered into for the implementation of advanced solutions assisting the optimization of processes in the sales area, particularly those related to the customer experience and merchandising. For the second objective, a partnership agreement was stipulated with a startup accelerator for the launching of a global hub of innovation in Milan, dedicated to the fashion industry.

The capital expenditures of the period involved the retail and corporate areas with important projects aimed to innovate and boost the store network and the Group's image.

Lastly, during the period, the application procedure for the Patent Box regime was

completed and on July 1, 2019 PRADA spa and the Italian Tax Authority formally signed the agreement. Such agreement, effective for the tax years from 2015 to 2019, enabled to state significant extraordinary income in the six-month period under review in the taxation line.

## ANALYSIS OF NET REVENUES

(amounts in thousands of Euro)	IFRS		IFRS		% change
	six months ended June 30 2019 (unaudited)	%	six months ended June 30 2018 (unaudited)	%	
<b>Net Sales by geographical area</b>					
Europe	598,364	38.7%	563,003	37.3%	6.3%
Asia Pacific	498,578	32.2%	519,594	34.4%	-4.0%
Americas	215,676	14.0%	203,967	13.5%	5.7%
Japan	180,556	11.7%	171,278	11.3%	5.4%
Middle East	51,300	3.3%	50,805	3.4%	1.0%
Other countries	1,904	0.1%	1,956	0.1%	-2.7%
<b>Total Net Sales</b>	<b>1,546,378</b>	<b>100%</b>	<b>1,510,603</b>	<b>100%</b>	<b>2.4%</b>
<b>Net Sales by brand</b>					
Prada	1,284,429	83.1%	1,236,703	81.9%	3.9%
Miu Miu	220,774	14.3%	234,545	15.5%	-5.9%
Church's	32,844	2.1%	31,663	2.1%	3.7%
Other	8,331	0.5%	7,692	0.5%	8.3%
<b>Total Net Sales</b>	<b>1,546,378</b>	<b>100%</b>	<b>1,510,603</b>	<b>100%</b>	<b>2.4%</b>
<b>Net Sales by product line</b>					
Leather goods	867,852	56.1%	858,769	56.8%	1.1%
Footwear	309,393	20.0%	307,860	20.4%	0.5%
Clothing	339,442	22.0%	315,354	20.9%	7.6%
Other	29,691	1.9%	28,620	1.9%	3.7%
<b>Total Net Sales</b>	<b>1,546,378</b>	<b>100%</b>	<b>1,510,603</b>	<b>100%</b>	<b>2.4%</b>
<b>Net Sales by channel</b>					
Net Sales of direct operated stores (DOS)	1,231,918	79.7%	1,236,991	81.9%	-0.4%
Sales to independent customers and franchisees	314,460	20.3%	273,612	18.1%	14.9%
<b>Total Net Sales</b>	<b>1,546,378</b>	<b>100%</b>	<b>1,510,603</b>	<b>100%</b>	<b>2.4%</b>
<b>Net Revenues</b>					
Net Sales	1,546,378	98.5%	1,510,603	98.4%	2.4%
Royalties	23,745	1.5%	24,723	1.6%	-4.0%
<b>Total Net Revenues</b>	<b>1,570,123</b>	<b>100%</b>	<b>1,535,326</b>	<b>100%</b>	<b>2.3%</b>

## DISTRIBUTION CHANNELS

The retail sales for the six months ended June 30, 2019 were substantially in line with those at current exchange rates for the same period of 2018. The 3.1% contraction emerging in the comparison at constant exchange rates is explained by the decision to stop markdowns sales, consistently with the objective of

strengthening the brand desirability and the customer relationship. The responses of the markets were positive, as demonstrated by steady growth of the full-price sales over the six-month period.

There were 11 store openings and 10 closures during the period, with a total of 637 Directly Operated Stores (DOS) as at June 30, 2019.

Wholesale sales rose by 14.9% at current exchange rates and by 13.7% at constant exchange rates, mainly as the result of greater deliveries to e-tailers. The performance of this channel was not impacted yet by the decision to rationalize the network of independent account.

## MARKETS

The Asia Pacific market reported a sales decline of 4% at current exchange rates and of 6.4% at constant exchange rates. Greater China produced net sales of Euro 336.6 million, down by 2.3% at current exchange rates and by 5.1% at constant exchange rates. The contractions in Hong Kong, triggered by social unrest and unfavorable currency fluctuation, were mitigated by better trends in Mainland China, also supported by local advertising initiatives.

Full price retail sales in the overall region were broadly in line with last year.

Net sales in Europe rose by 6.3% at current exchange rates and by 6.5% at constant exchange rates.

The aforementioned increase in wholesale sales, greater for this region than for the others, contributed to the growth of the entire region. The performances of the retail channel were fairly consistent with those of the comparative period as the positive contribution of full price sales was offset by the negative impact of the markdowns reduction policy.

Net sales in the American market rose by 5.7% at current exchange rates and were substantially stable at constant exchange rates. Full price retail sales, sustained by local consumers, were positive.

Net sales in Japan rose by 5.4% at current exchange rates and fell by 0.5% at constant exchange rates. The positive performance of the full price retail sales was offset by the negative impact of the markdowns reduction policy.

Net sales in the Middle East were substantially consistent at current exchange rates and fell by 5.3% at constant exchange rates. The markdowns reduction policy and distress in Kuwait were largely responsible for the results of the six-month period.

## PRODUCTS

Clothing sales increased by 7.6% at current exchange rates and by 5.3% at constant exchange rates. The progress shown by this product category is visible across all regions and all brands. It is worth noting the positive performance of Linea Rossa. Leather goods sales rose by 1.1% at current exchange rates and fell by 1.5% at constant exchange rates. Growth in Europe, the Americas and Japan at current exchange rates was offset in part by a contraction in Asia Pacific and in the Middle East.

Footwear sales were in line with those of the comparative period at current exchange rates and fell by 1.8% at constant exchange rates. The contraction in the Asia Pacific region affected the performances of this product category. Full price retail sales were positive driven by both women and men collection.

## BRANDS

Net sales of the Prada brand rose by 3.9% at current exchange rates and by 1.4% at constant exchange rates. All product categories, supported by the performance of full-price sales, showed progress from the comparative six-month period.

Net sales of the Miu Miu brand contracted by 5.9% at current exchange rates and by 8.4% at constant exchange rates. The decrease was entirely attributable to the reduction in markdown sales. Clothing sales reported a growth compared to the first six months of 2018.

Sales of Church's brand products rose by 3.7% at current exchange rates and by 2.7% at constant exchange rates.

"Other brands", consisting primarily of sales of Marchesi 1824 brand patisserie products, showed growth of 8.3%.

## ROYALTIES

Licensing agreements generated royalty income of Euro 23.7 million, down by 4% at current exchange rates essentially as a result of a decline in the eyewear segment, which the Group and its business partners are handling with marketing and distributional new initiatives.

## NUMBER OF STORES

	June 30, 2019		December 31, 2018		June 30, 2018	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	401	24	398	25	397	25
Miu Miu	164	9	166	9	166	9
Church's	62	-	63	-	59	-
Car Shoe	4	-	4	-	4	-
Marchesi	6	-	5	-	5	-
<b>Total</b>	<b>637</b>	<b>33</b>	<b>636</b>	<b>34</b>	<b>631</b>	<b>34</b>

	June 30, 2019		December 31, 2018		June 30, 2018	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	227	4	226	4	230	4
Americas	111	-	111	-	110	-
Asia Pacific	193	24	195	25	189	25
Japan	84	-	81	-	79	-
Middle East and Africa	22	5	23	5	23	5
<b>Total</b>	<b>637</b>	<b>33</b>	<b>636</b>	<b>34</b>	<b>631</b>	<b>34</b>

## OPERATING RESULTS

The gross margin narrowed slightly from the 72% of the 2018 Pro-forma to 71.7%. The dilution, caused by a less favorable sales mix, was mitigated by a better ratio of full-price sales to markdown sales.

The 2019 Statement of Profit or Loss, compared with 2018 Pro-forma, showed a Euro 42.6 million increase in operating expenses due to currency exchange impact (Euro 22 million), additional communication and advertising activities (Euro 8 million) and higher personnel costs due to the work force increase, mainly in the sales area (Euro 11 million).

(amounts in thousands of Euro)	IFRS		Pro-forma	
	six months ended June 30 2019 (unaudited)	% of net revenues	six months ended June 30 2018 (unaudited)	% of net revenues
Product design and development costs	65,053	4.1%	64,570	4.1%
Advertising and communications costs	101,477	6.5%	93,287	6.1%
Selling costs	706,565	45.0%	678,374	44.2%
General and administrative costs	102,180	6.5%	96,465	6.3%
<b>Total Operating expenses</b>	<b>975,275</b>	<b>62.1%</b>	<b>932,696</b>	<b>60.7%</b>

EBIT for the six months ended June 30, 2019 was Euro 150.5 million, or 9.6% of net sales, whereas for the 2018 Pro-forma period was Euro 173.4 million, or 11.3% of net sales.

The finance costs consisted primarily of interest expenses regarding the adjustment of the present value of the Lease Liability (Euro 24.7 million at June 30, 2019 and Euro 23 million in the 2018 Pro-forma), while the remainder consisted mainly of the cost of bank borrowings.

The income tax for the period benefitted from the recognition of income of Euro 77 million, which was the tax relief for the four years from 2015 to 2018 and for the six months under review pursuant to the signature of the aforementioned Patent Box. In this respect, on July 1, 2019 PRADA spa and the Italian Tax Authority ("Ufficio Accordi Preventivi") stipulated an agreement for the tax benefit regime regarding income deriving from the use of qualifying intangible assets.

# ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

## NET INVESTED CAPITAL

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)	June 30 2018 (unaudited)
Right of Use assets	2,382,864	-	-
Non-current assets (excluding deferred tax assets)	2,709,808	2,700,098	2,569,487
Trade receivables, net	336,337	321,913	290,649
Inventories, net	685,282	631,791	612,660
Trade payables	(320,683)	(315,211)	(301,427)
Net operating working capital	700,936	638,493	601,882
Other current assets (excluding items of financial position)	208,893	208,085	201,031
Other current liabilities (excluding items of financial position)	(224,169)	(245,754)	(232,261)
Other current assets/(liabilities), net	(15,276)	(37,669)	(31,230)
Provision for risks	(47,242)	(51,310)	(57,285)
Post-employment benefits	(57,635)	(60,001)	(61,521)
Other long-term liabilities	(26,470)	(166,091)	(171,872)
Deferred taxation, net	198,282	187,054	184,547
Other non-current assets/(liabilities)	66,935	(90,348)	(106,131)
Net invested capital	5,845,267	3,210,574	3,034,008
Shareholder's equity - Group	(2,899,943)	(2,877,986)	(2,776,166)
Shareholder's equity - Non-controlling interests	(19,630)	(19,083)	(17,641)
Total Consolidated shareholders' equity	(2,919,573)	(2,897,069)	(2,793,807)
Long-term financial payables	(537,017)	(487,431)	(505,008)
Short-term financial, net surplus/(deficit)	30,383	173,926	264,807
Net financial position surplus/(deficit)	(506,634)	(313,505)	(240,201)
Long-term Lease Liability	(2,064,920)	-	-
Short-term Lease Liability	(354,140)	-	-
Total Lease Liability	(2,419,060)	-	-
Net financial position surplus/(deficit), including Lease Liability	(2,925,694)	(313,505)	(240,201)
Shareholders' equity and net financial position	(5,845,267)	(3,210,574)	(3,034,008)
Net Debt to Consolidated shareholders' equity ratio	17.3%	10.8%	8.6%

The introduction of IFRS 16 required recognizing in non-current assets the Right of Use assets (Euro 2,382.9 million at June 30, 2019) and in the liabilities the Lease Liability (Euro 2,419.1 million at June 30, 2019), with consequential changes in the Statement of Financial Position.

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

Taking this into account, the net invested capital at June 30, 2019 amounts to Euro 5,845.3 million, offset by net bank debt of Euro 506.6 million, the aforementioned

lease liabilities of Euro 2,419.1 million and the Group's equity of about Euro 2,900 million.

The capital expenditure is detailed below:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Retail	56,157	74,191
Real estate	60,000	-
Production, Logistics and Corporate	61,252	51,591
<b>Total</b>	<b>177,409</b>	<b>125,782</b>

Capital expenditure was invested in the retail area for the renovation and relocation projects, as well as store openings (11 in the period), while that related to Real estate referred to the purchase of a strategic building to enhance the image of the Prada brand in Spain. Other capital expenditures regarded the IT area, the reinforcement of production and logistics structures in Italy and office furnishings.

The net operating working capital stands at Euro 700.9 million at June 30, 2019, up by Euro 62.4 million compared to December 31, 2018. The change was almost entirely attributable to the higher level of inventories, due both to the temporary increase following the decision to reduce markdown sales and the seasonality of the manufacturing cycle.

The other current liabilities (net) decreased in the period by some Euro 22.4 million, mainly following the payment of capital expenditures and the aforementioned reclassification of the deferred rent liability (current portion) to reduce the Right of Use assets.

The non-current liabilities (net) decreased in the period by Euro 157.3 million, essentially following the aforementioned reclassification of Euro 162.9 million of deferred rent liabilities (non-current portion) to reduce the Right of Use assets. The decrease was also affected by the payment of long-term benefits to employees and the increase in deferred tax assets due to larger temporary differences between tax and statutory values of inventory.

## NET FINANCIAL POSITION

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)	June 30 2018 (unaudited)
Bank borrowing - non-current	(537,017)	(487,431)	(505,008)
Total financial payables - non-current	(537,017)	(487,431)	(505,008)
Bonds - current	-	-	(130,000)
Financial payables and bank overdrafts - current	(293,774)	(421,481)	(481,810)
Payables to related parties - current	(3,343)	(4,415)	(4,336)
Total financial payables - current	(297,117)	(425,896)	(616,146)
<b>Total financial payables</b>	<b>(834,134)</b>	<b>(913,326)</b>	<b>(1,121,154)</b>
Cash and cash equivalents	327,500	599,821	880,953
<b>Total cash and cash equivalents</b>	<b>327,500</b>	<b>599,821</b>	<b>880,953</b>
<b>Net financial surplus/(deficit), total</b>	<b>(506,634)</b>	<b>(313,505)</b>	<b>(240,201)</b>
<b>Net financial surplus/(deficit) excluding related party balances</b>	<b>(503,291)</b>	<b>(309,090)</b>	<b>(235,865)</b>

The Net Operating Cash Flow for the six months in question, after the payment of lease liabilities for Euro 226.8 million, amounted to Euro 137.3 million and made it possible to finance the vast majority of the capital expenditure of the period, amounting to Euro 184.7 million and also including the purchase of a prestigious real estate in Madrid for Euro 60 million. The net financial position at the end of the period, also reflecting the payment of dividends of Euro 145.8 million, is negative and it stands at Euro 506.6 million.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	June 30 2019 (unaudited)
Short-term Lease Liability	(354,140)
Long-term Lease Liability	(2,064,920)
<b>Total Lease Liability</b>	<b>(2,419,060)</b>

The Lease Liability decreased from 2,449 million at January 1, 2019 (first-time adoption of IFRS 16) to Euro 2,419 million at June 30, 2019. The decrease referred to payments in the period (Euro 226.8 million), offset in part by interest

recognized to adjust the present value of the Lease Liability (Euro 24.7 million), remeasurements due to contractual renewals (Euro 185.8 million) and exchange rate differences.

The lease liabilities of the Group are concentrated in the U.S.A., Japan and Italy.

The net financial indebtedness, including Lease Liability, amounted to Euro 2,925.7 million at June 30, 2019.

Further information on the maturity profile of debt and obligation of the Group, currency and interest rate structure, details of charge on Group's assets and contingent liabilities is set out in notes 18, 23 and 25 of the Notes to the Interim condensed Consolidated Financial Statements.

## RISK FACTORS

### RISK FACTORS REGARDING THE INTERNATIONAL LUXURY GOODS MARKET

#### ECONOMIC RISKS AND INTERNATIONAL BUSINESS RISKS

The performance of the luxury goods market is influenced by the general economy. Accordingly, the Group's business performance is exposed to global macroeconomic risks due to its international scale. An unfavorable global economy could adversely affect the propensity to spend on luxury goods having a negative impact on the Group's operations, results, cash flows and financial condition.

Moreover, a substantial portion of sales originates from purchases of products by customers on trips abroad. Therefore, unfavorable economic conditions, social or geopolitical situations leading to instability, and natural disasters resulting in lower travel volumes have in the past, and could in the future, negatively impact the Group's operations, results, cash flow and financial condition.

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

#### INTELLECTUAL PROPERTY RISKS

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

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

#### RISKS REGARDING IMAGE AND BRAND RECOGNITION

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

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

## RISKS REGARDING ABILITY TO ANTICIPATE TRENDS AND REACT TO SHIFTS IN CONSUMER PREFERENCES

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

The Group pursues those objectives through strong efforts dedicated to the creative activities of its design and product development departments. Approximately 1,000 individuals work in such departments between the design area, where a mix of nationalities, cultures and talents contribute to creativity, and the development area, where craft skills combined with solid manufacturing processes enable the Group to continue to compete and keep abreast of emerging consumer trends and lifestyles.

Close collaboration with the world of art and culture serves as another fundamental way to understand changes in society and consumer patterns.

## RISKS SPECIFIC TO THE PRADA GROUP

### STRATEGIC RISKS

The possibility for the Group to improve its business performance depends on the successful implementation of its strategy for each brand, which is achieved primarily through the continuous support and development of retail sales.

The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positioning, accompanied by store operations geared toward making the buying experience unique. The restyling of the store layout, as for example the recent revamping of concepts, aims to further expand the capacity to attract customers. The performance of the retail channel is also supported by marketing initiatives intended to enhance the identity of the brands in the specific markets and emphasize the unique features that distinguish the style and craftsmanship of the products.

Moreover, the implementation of the omnichannel strategy has paved the way for medium to long-term business development based on product quality, high-performance innovation and distribution and communication channels that are constantly evolving and in line with the needs of the new generations of consumers.

#### RISKS REGARDING THE IMPORTANCE OF KEY PERSONNEL

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business. Its success also depends on Prada's ability to attract and retain people who are qualified in the design, marketing, merchandising and distribution of the products.

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

#### RISKS REGARDING THE OUTSOURCING OF MANUFACTURING ACTIVITIES

While the Group designs, controls and produces in-house most of its prototypes, samples and most sophisticated work, it outsources the remaining production of its finished products to external manufacturers ("contract manufacturers") with appropriate expertise and capacity, and centralizes the management of all raw materials.

The Group has implemented a strict inspection and quality control process for all outsourced production and contractually requires its contract manufacturers to comply with all regulations on brand ownership and other intellectual property rights. Moreover, the Group demands compliance with applicable regulations concerning labor, social security, and occupational health and safety. The Group also requires its contract manufacturers to read the Prada Group Code of Ethics and comply with the principles set forth therein. Risk of contractual non-compliance is mitigated by a control system based on procedures that define internal responsibilities for the assessment of the suppliers' ethical, technical and financial soundness.

#### CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which

an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through its business and financial strategies.

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

#### LIQUIDITY RISK

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

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

#### TAX RISKS

The Group's tax risks, which could derive from compliance errors or incorrect interpretation of regulations, are constantly monitored within the scope of the internal control system, specifically in the tax control framework implemented by the Group. The effectiveness of the tax risk management system has entitled Prada spa to participate in the Cooperative Compliance Tax Regime in Italy (under Italian Legislative Decree 128/2015). Under the Cooperative Compliance Tax Regime, the Group has set up a systematic, continuous and open communication channel with

the Italian tax authorities based on reciprocal transparency and trust, which will enable to minimize uncertainties about the tax aspects of its business operations. Following the admission to such Regime, the Italian Tax Authority invited PRADA spa to join an international collaborative compliance program (International Compliance Assurance Programme) recently promoted by the OECD (Organisation for Economic Co-operation and Development), which allows the management of potential tax risks. The Prada Group, after the successful conclusion of the pilot phase, is currently applying to join the permanent second wider phase of such Programme.

## LEGAL AND REGULATORY RISKS

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

- risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong that the Company must observe as it is listed on the Stock Exchange of Hong Kong Limited;
- risks associated with occupational health and safety under Italian Legislative Decree 81/08 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001, as subsequently amended;
- possible events that could adversely affect the accuracy of the annual financial statements and the protection of assets;
- changes in international tax rules applicable in the various countries where the Group operates;
- possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used.

The Group involves various divisions and uses external experts as necessary to keep its processes and procedures constantly updated in order to comply with changing rules and regulations, thereby reducing legal and regulatory risk to an acceptable level. Monitoring activities are performed by divisional managers, auditors, and special entities and committees such as the Supervisory Board, Internal Control Committee and Industrial Compliance Committee.

## FOREIGN EXCHANGE RISK

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

The management of foreign exchange risk is described in more detail in the Notes to the unaudited Interim condensed Consolidated Financial Statements.

## INTEREST RATE RISK

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

The management of interest rate risk is described in more detail in the Notes to the unaudited Interim condensed Consolidated Financial Statements.

## DATA PROCESSING RISKS

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

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

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

## OTHER INFORMATION

### INFORMATION ON RELATED-PARTY TRANSACTIONS

Information on the Group's transactions and balances with related parties is provided in the Notes to the Interim condensed Consolidated Financial Statements, insofar as required by IFRS, and in the Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange rules.

### NON-IFRS MEASURES

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

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

2018 Pro-forma: 2018 Consolidated Statement of Profit or Loss for the six months ended June 30, 2018 ("2018 IFRS Consolidated Statement of Profit or Loss") adjusted following the application of IFRS 16. The adjustments were determined by applying the same criteria and assumptions adopted in the first time application of the new standard at January 1, 2019, as reported above. These adjustments made to 2018 IFRS Consolidated Statement of Profit of Loss represent the management's best estimate to facilitate comparison with the 2019 Consolidated Statement of Profit of Loss.

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

EBITDA: Earnings before Interest, Taxation, Depreciation and Amortization, i.e. "Consolidated net income for the period", adjusted to exclude "Total financial

income/(expenses)", "Taxation" and "Total depreciation, amortization and impairment (included the Depreciation of the Right of Use assets)".

The following table sets forth the EBIT and EBITDA:

	IFRS	Pro-forma	IFRS
(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)	six months ended June 30 2018 (unaudited)
Consolidated net income for the period	154,431	98,953	105,164
Taxation	(34,418)	41,001	43,574
Total financial income/(expenses)	30,461	33,420	10,450
<b>EBIT (Earnings before Interest and Taxation)</b>	<b>150,474</b>	<b>173,374</b>	<b>159,188</b>
Depreciation, amortization and impairment	110,730	105,283	111,618
Depreciation of the Right of Use assets	229,419	222,724	-
<b>Total depreciation, amortization and impairment</b>	<b>340,149</b>	<b>328,007</b>	<b>111,618</b>
<b>EBITDA (Earnings before Interest, Taxation, Depreciation and Amortization)</b>	<b>490,623</b>	<b>501,381</b>	<b>270,806</b>

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

Net financial position surplus/(deficit), including lease liabilities: Net Financial Position including lease obligations.

	IFRS	IFRS	IFRS
(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)	June 30 2018 (unaudited)
Net financial position surplus/(deficit)	(506,634)	(313,505)	(240,201)
Short-term Lease Liability	(354,140)		
Long-term Lease Liability	(2,064,920)		
<b>Total Lease Liability</b>	<b>(2,419,060)</b>		
<b>Net financial position surplus/(deficit), including Lease Liability</b>	<b>(2,925,694)</b>		

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

Free Cash Flow: Net Operating Cash Flow, net of operating Investment.

	IFRS	IFRS	IFRS
(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)	June 30 2018 (unaudited)
Cash Flow from operating activities	404,939	434,870	202,256
Cost of net financial debt: interest paid	(452)	(7,566)	(1,446)
Lease Liability: interest paid	(24,580)	-	-
Tax Paid	(15,724)	(62,196)	(20,792)
<b>Net Cash Flow from operating activities</b>	<b>364,183</b>	<b>365,108</b>	<b>180,018</b>
Repayment of Lease Liabilities	(226,849)	-	-
<b>Net Operating Cash Flow</b>	<b>137,334</b>	<b>365,108</b>	<b>180,018</b>
Net cash flow utilized by investing activities	(184,748)	(379,421)	(139,125)
<b>Free Cash Flow</b>	<b>(47,414)</b>	<b>(14,313)</b>	<b>40,893</b>

## TREASURY SHARES

At June 30, 2019 the Group does not hold treasury shares, as reported in the section relating to the Report on Corporate Governance.

## EVENTS AFTER THE REPORTING DATE

During the period, the application procedure for the Patent Box regime was completed and on July 1, 2019 PRADA spa and the Italian Tax Authority ("Ufficio Accordi Preventivi") signed an agreement to determine the economic contribution regarding the direct use of intangible assets (trademarks), effective for the tax years from 2015 to 2019.

## OUTLOOK

The Group believes the strategic review of wholesale and the ending of seasonal markdowns, despite short-term impact, will reinforce the relationship with customers and enhance product value. Prada, aware that digital innovation is key to compete in an evolving market, is strongly committed to driving technology across the business, leading to more efficient decision making.

The execution of this program is the necessary step towards sustainable revenue and margin growth, which Prada will target by strengthening its brands' cultural heritage.

Milan, August 1, 2019

# CORPORATE GOVERNANCE

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## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to 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, 2019 to June 30, 2019 (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. Each Committee is chaired by an independent non-executive director. 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").

In addition, the Board has established a Supervisory Body under the Italian Legislative Decree 231 of June 8, 2001 (the "Decree").

## **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 four meetings on January 23, February 14, March 12 and May 16, 2019, 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 2019, the findings of the internal auditors, internal controls, risk assessment, annual review of the Group's continuing connected transactions for 2018, tax and legal updates (including management of data privacy matters), the financial reporting matters (including the annual results for the year 2018), before recommending them to the Board for approval. The Audit Committee also recommended the appointment of an external auditor of the Company for the three financial years ending December 31, 2021.

The Audit Committee held a meeting on August 1, 2019 to, among others, review the interim results for the period ended June 30, 2019, 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 March 15, 2019, with an attendance rate of 100% to review and recommend certain updates to the long-term incentive plan and to the management by objectives plans for executives and Directors and to review and recommend the adoption of a welfare plan for employees.

## **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 latter was adopted by the Company at the Board meeting on March 15, 2019. The Nomination Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu, and one executive director, Mr. Carlo Mazzi. During the Reviewed Period, the Nomination Committee held one meeting on March 15, 2019, with an attendance rate of 100% to perform the annual review of the independence of independent non-executive directors and to recommend to the Board for its approval the procedure for the selection of the candidates to be proposed as a Director of the Company.

## **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 two meetings of the Board on March 15, 2019 and May 16, 2019.

## **SUPERVISORY BODY**

In compliance with 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. Paolo De Paoli.

## **DIVIDENDS**

The Company may distribute dividends subject to the approval of the shareholders in a shareholders' general meeting.

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

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. On March 15, 2019, the Board recommended for the financial year 2018 the payment of a final dividend of Euro/cents 6 per share in the capital of the Company, representing a total dividend of Euro 153,529,440. The Shareholders approved the distribution and payment of the final dividend at the annual general meeting held

on April 30, 2019. The dividend was paid on May 24, 2019, while the relevant withholding tax was paid in July 2019.

## **CHANGE IN INFORMATION OF DIRECTORS PURSUANT TO LISTING RULE 13.51B(1)**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors since the Company's 2018 Annual Report, other than the changes disclosed in other paragraphs of this Corporate Governance report, is set out below:

<b>Name of Director</b>	<b>Change</b>
Carlo MAZZI	Appointed as a Board member of Sammontana S.p.A..
Stefano SIMONTACCHI	Appointed as a Board member of Fattorie Osella S.p.A..
Sing Cheong LIU	Retired as an Independent Non-Executive Director of Swire Properties Limited on 14 May 2019.

## **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.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES**

As at June 30, 2019, the Directors of the Company and their associates held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the

Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

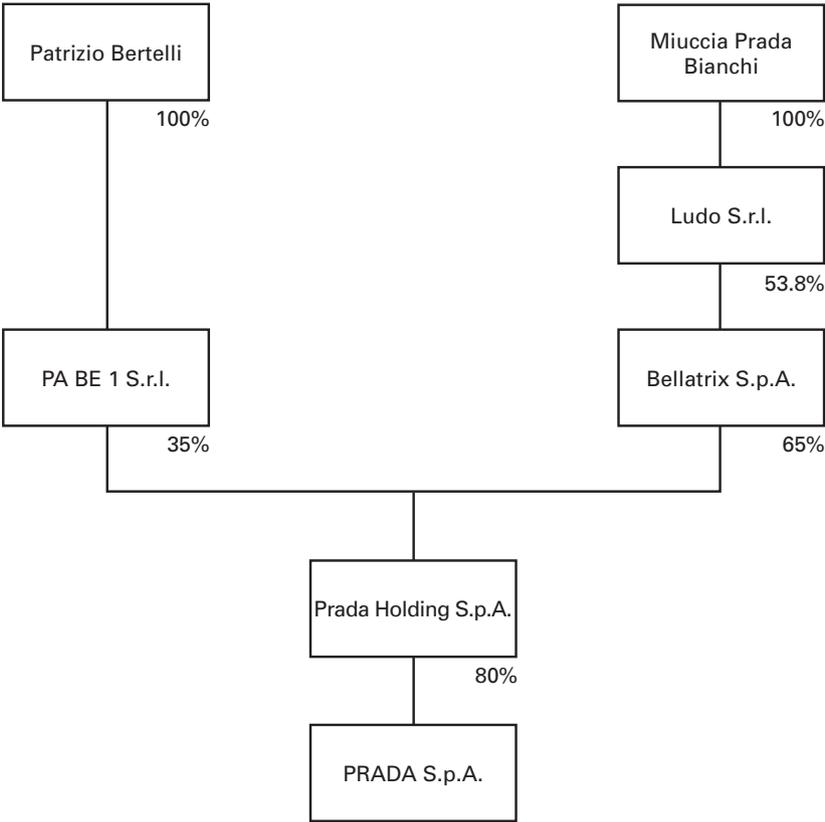
**(a) Long positions in shares and underlying shares of the Company**

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

Notes:

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

The deemed interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at June 30, 2019 are summarized in the following chart:



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

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests	
Ms. Miuccia Prada Bianchi	Prada Holding S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%	
	Prada Holding S.p.A.	Preference Shares	300	As above	50%	
	Prapar Corporation	Common Shares	50	As above	100%	
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%	
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%	
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%	
	Ludo S.r.l.	Ordinary Shares	100,311	Beneficial Owner	100%	
	C.I.D. - Cosmetics International Distribution Corp.	Common Share	1	Controlled Corporation	100%	
	Fratelli Prada S.p.A.		Ordinary Shares	890,094	Controlled Corporation	89.01%
				16,706	Beneficial Owner	1.67%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	Controlled Corporation	100%	
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%	
	Prada Holding S.p.A.	Preference Shares	300	As above	50%	
	Prapar Corporation	Common Shares	50	As above	100%	
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%	
	C.I.D. - Cosmetics International Distribution Corp.	Common Share	1	As above	100%	
		PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%

Save as disclosed above, as at June 30, 2019, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at June 30, 2019, other than the interests of the Directors of the Company as disclosed above, the following persons held interests in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
<u>Long Positions</u>			
Prada Holding S.p.A.	Legal and beneficial owner	2,046,470,760	80.00%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80.00%
Ludo S.r.l.	Interest of controlled corporation	2,046,470,760	80.00%
PA BE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80.00%
Invesco Advisor Inc.	Investment Manager	137,700,330	5.38%

### Note:

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Notes	June 30 2019 (unaudited)	December 31 2018 (audited)
<b>Assets</b>			
<u>Current assets</u>			
Cash and cash equivalents	6	327,500	599,821
Trade receivables, net	7	336,337	321,913
Inventories, net	8	685,282	631,791
Derivative financial instruments - current	9	8,555	9,718
Receivables from, and advance payments to, related parties - current	10	15,608	12,626
Other current assets	11	184,528	185,741
<b>Total current assets</b>		<b>1,557,810</b>	<b>1,761,610</b>
<u>Non-current assets</u>			
Property, plant and equipment	12	1,637,048	1,577,352
Intangible assets	13	824,560	920,011
Right of Use assets	14	2,382,864	-
Investments in equity instruments	15	114,844	99,538
Deferred tax assets	33	228,973	217,104
Other non-current assets	16	133,285	102,992
Derivative financial instruments - non-current	9	70	205
Receivables from, and advance payments to, related parties - non-current	10	203	-
<b>Total non-current assets</b>		<b>5,321,847</b>	<b>2,917,202</b>
<b>Total Assets</b>		<b>6,879,657</b>	<b>4,678,812</b>
<u>Liabilities and Shareholders' Equity</u>			
<u>Current liabilities</u>			
Short-term lease liability	17	354,140	-
Short-term financial payables and bank overdrafts	18	293,774	421,481
Payables to related parties - current	19	3,347	4,477
Trade payables	20	320,683	315,211
Tax payables	21	85,486	85,043
Derivative financial instruments - current	9	18,487	14,220
Other current liabilities	22	120,194	146,429
<b>Total current liabilities</b>		<b>1,196,111</b>	<b>986,861</b>
<u>Non-current liabilities</u>			
Long-term lease liability	17	2,064,920	-
Long-term financial payables	23	537,017	487,431
Long-term employee benefits	24	57,635	60,001
Provision for risks and charges	25	47,242	51,310
Deferred tax liabilities	33	30,691	30,050
Other non-current liabilities	26	16,445	159,013
Derivative financial instruments non-current	9	10,023	7,077
<b>Total non-current liabilities</b>		<b>2,763,973</b>	<b>794,882</b>
<b>Total Liabilities</b>		<b>3,960,084</b>	<b>1,781,743</b>
<u>Shareholders' Equity</u>			
Share capital		255,882	255,882
Total other reserves		2,447,228	2,383,720
Translation reserve		41,939	32,941
Net income for the period		154,894	205,443
Net Equity attributable to owners of the Group	27	2,899,943	2,877,986
Net Equity attributable to Non-controlling interests	28	19,630	19,083
<b>Total Net Equity</b>		<b>2,919,573</b>	<b>2,897,069</b>
<b>Total Liabilities and Total Net Equity</b>		<b>6,879,657</b>	<b>4,678,812</b>
<b>Net current assets</b>		<b>361,699</b>	<b>774,749</b>
<b>Total Assets less current Liabilities</b>		<b>5,683,546</b>	<b>3,691,951</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Notes	six months ended June 30 2019 (unaudited)	%	six months ended June 30 2018 (unaudited)	%
Net Revenues	29	1,570,123	100.0%	1,535,326	100.0%
Cost of goods sold	30	(444,374)	-28.3%	(429,474)	-28.0%
<b>Gross margin</b>		<b>1,125,749</b>	<b>71.7%</b>	<b>1,105,852</b>	<b>72.0%</b>
Operating expenses	31	(975,275)	-62.1%	(946,664)	-61.6%
<b>EBIT</b>		<b>150,474</b>	<b>9.6%</b>	<b>159,188</b>	<b>10.4%</b>
Interest and other financial income/(expenses), net		(7,749)	-0.4%	(10,752)	-0.7%
Interest expenses on Lease Liability		(24,735)	-1.6%	-	-
Dividends from investments		2,023	0.1%	302	0.0%
<b>Total financial income/(expenses)</b>	<b>32</b>	<b>(30,461)</b>	<b>-1.9%</b>	<b>(10,450)</b>	<b>-0.7%</b>
<b>Income before taxation</b>		<b>120,013</b>	<b>7.7%</b>	<b>148,738</b>	<b>9.7%</b>
Taxation	33	34,418	2.2%	(43,574)	-2.9%
<b>Net income for the period</b>		<b>154,431</b>	<b>9.9%</b>	<b>105,164</b>	<b>6.8%</b>
Net income/(loss) - Non-controlling interests	28	(463)	0.0%	(504)	0.0%
<b>Net income - Group</b>	<b>27</b>	<b>154,894</b>	<b>9.9%</b>	<b>105,668</b>	<b>6.9%</b>
Basic and diluted earnings per share (in Euro per share)	34	0.061		0.041	

## CONSOLIDATED STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Income before taxation	120,013	148,738
<b>Profit or loss adjustments</b>		
Depreciation and amortization of Right of Use assets	229,419	-
Depreciation and amortization of property, plant and equipment and intangible assets	108,561	109,871
Impairment of property, plant and equipment and intangible assets	2,169	1,746
Non-monetary financial (income) expenses	3,156	12,152
Interest expenses on Lease Liability	24,735	-
Other non-monetary (income) expenses	3,492	10,648
<b>Balance Sheet changes</b>		
Other non-current assets and liabilities	(7,414)	(11,970)
Trade receivables, net	(13,864)	(1,365)
Inventories, net	(50,401)	(41,106)
Trade payables	11,563	(11,967)
Other current assets and liabilities	(26,490)	(14,491)
<b>Cash flows from operating activities</b>	<b>404,939</b>	<b>202,256</b>
Interest paid (net), including interest paid of Lease Liability	(25,032)	(1,446)
Taxes paid	(15,724)	(20,792)
<b>Net cash flows from operating activities</b>	<b>364,183</b>	<b>180,018</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(187,231)	(139,065)
Disposals of property, plant and equipment and intangible assets	860	1,638
Dividends from investments	2,023	302
Acquisition of additional shares from Non-Controlling interests	(400)	(2,000)
<b>Net cash flow utilized by investing activities</b>	<b>(184,748)</b>	<b>(139,125)</b>
<b>Financing activities</b>		
Dividends paid to shareholders of PRADA Spa	(145,536)	(181,912)
Dividends paid to Non-Controlling shareholders	(310)	(3,835)
Repayment of Lease Liability	(226,849)	-
Repayment of short-term portion of long-term borrowings - third parties	(222,580)	(39,227)
Arrangement of long-term borrowings - third parties	100,000	103,875
Change in short-term borrowings - third parties	41,425	52,371
Share capital increases by Non-Controlling shareholders of subsidiaries	-	297
<b>Cash flows generated/(utilized) by financing activities</b>	<b>(453,850)</b>	<b>(68,431)</b>
<b>Change in cash and cash equivalents, net of bank overdrafts</b>	<b>(274,415)</b>	<b>(27,538)</b>
Foreign exchange differences	2,094	15,881
Opening cash and cash equivalents, net of bank overdrafts	599,821	892,610
<b>Closing cash and cash equivalents, net of bank overdrafts</b>	<b>327,500</b>	<b>880,953</b>
Cash and cash equivalents, net of bank overdrafts	327,500	880,953
Closing cash and cash equivalents, net of bank overdrafts	327,500	880,953

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	twelve months ended December 31 2018 (audited)	six months ended June 30 2018 (unaudited)
Net income for the period - Consolidated	154,431	208,182	105,164
<b>A) Items recyclable to P&amp;L:</b>			
Change in Translation Reserve	9,210	37,804	23,824
Tax impact	-	-	-
Change in Translation Reserve less tax impact	9,210	37,804	23,824
Change in Cash Flow Hedge reserve	(4,371)	(7,300)	(6,710)
Tax impact	1,052	2,016	1,853
Change in Cash Flow Hedge reserve less tax impact	(3,319)	(5,284)	(4,857)
<b>B) Items not recycled to P&amp;L:</b>			
Change in Fair Value Investments in equity instruments reserve	14,915	(6,706)	740
Tax impact	-	-	-
Change in Fair Value Investments in equity instruments reserve less tax impact	14,915	(6,706)	740
Change in Actuarial reserve	-	(826)	-
Tax impact	-	98	-
Change in Actuarial reserve less tax impact	-	(728)	-
Consolidated comprehensive income for the period	175,237	233,268	124,871
Comprehensive income for the period - Non Controlling Interests	(249)	3,558	(82)
Comprehensive income for the period - Group	175,486	229,710	124,953

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

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Investments in equity instruments Reserve	Other reserves	Total other reserves	Net income for period	Equity		
											Net Equity attributable to owners of the Group	Net Equity attributable Non-controlling interests	Total Net Equity
Balance at January 1, 2018 (audited)	2,558,824,000	255,882	(4,035)	410,047	(5,336)	(4,103)	(5,570)	1,975,582	2,370,620	217,721	2,840,188	21,486	2,861,674
Allocation of 2017 net income	-	-	-	-	-	-	-	217,721	217,721	(217,721)	-	-	-
Dividends	-	-	-	-	-	-	-	(191,912)	(191,912)	-	(191,912)	(3,835)	(195,747)
Transactions with Non-Controlling shareholders	-	-	-	-	-	-	-	197	197	-	197	(225)	(28)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	297	297
Comprehensive income for the period (recyclable to P&L)	-	-	23,405	-	(4,857)	-	740	(3)	(4,120)	105,668	124,953	(82)	124,871
Balance at June 30, 2018 (unaudited)	2,558,824,000	255,882	19,370	410,047	(10,193)	(4,103)	(4,830)	2,001,585	2,392,506	105,668	2,773,426	17,641	2,791,067
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,894)	(1,894)
Transactions with Non-Controlling shareholders	-	-	-	-	-	-	-	(197)	(197)	-	(197)	(352)	(549)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	48	48
Comprehensive income for the period (recyclable to P&L)	-	-	13,571	-	(427)	-	-	3	(424)	99,775	112,922	3,649	116,571
Comprehensive income for the period (not recyclable to P&L)	-	-	-	-	-	(719)	(7,446)	-	(8,165)	-	(8,165)	(9)	(8,174)
Balance at December 31, 2018 (audited)	2,558,824,000	255,882	32,941	410,047	(10,620)	(4,822)	(12,276)	2,001,391	2,383,720	205,443	2,877,986	19,083	2,897,069
Allocation of 2018 net income	-	-	-	-	-	-	-	205,443	205,443	(205,443)	-	-	-
Dividends	-	-	-	-	-	-	-	(153,529)	(153,529)	-	(153,529)	(310)	(153,839)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	1,106	1,106
Comprehensive income for the period (recyclable to P&L)	-	-	8,998	-	(3,319)	-	-	(2)	(3,321)	154,894	160,571	(249)	160,322
Comprehensive income for the period (not recyclable to P&L)	-	-	-	-	-	-	14,915	-	14,915	-	14,915	-	14,915
Balance at June 30, 2019 (unaudited)	2,558,824,000	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

The accounting policies and the notes are an integral part of the consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

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## **1. GENERAL INFORMATION**

PRADA spa (the "Company"), together with its subsidiaries (collectively the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the leading companies in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, clothing and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements. In addition, with its acquisition of Pasticceria Marchesi 1824, the Group made, in the recent years, its entry into the food industry, where it is consistently positioned at the highest levels of quality.

As of June 30, 2019, the Group's products are sold in 70 countries worldwide through a network of 637 directly operated stores ("DOS") and a select network of luxury department stores, independent retailers and franchise stores.

The Company is a joint-stock company with limited liability, registered and domiciled in Italy. Its registered office is at via Antonio Fogazzaro 28, Milan.

The unaudited Interim condensed Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of PRADA spa on August 1, 2019.

## **2. BASIS OF PREPARATION**

The unaudited Interim condensed Consolidated Financial Statements of the Prada Group for the six months ended June 30, 2019, including the "Consolidated Statement of financial position", the "Consolidated Statement of profit or loss", the "Consolidated Statement of cash flows", the "Consolidated Statement of comprehensive income", the "Consolidated Statement of changes in equity" and the "Notes to the Interim condensed Consolidated Financial Statements", have been prepared in accordance with the "IAS 34 Interim Financial Reporting".

These unaudited Interim condensed Consolidated Financial Statements should be read together with the Consolidated financial statements of the Prada Group for the twelve months ended December 31, 2018 that were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the

International Accounting Standards Board ("IASB") as endorsed by the European Union.

At the date of presentation of these unaudited Interim condensed Consolidated Financial statements, there were no differences between IFRSs as endorsed by the European Union and applicable to the Prada Group and those issued by the IASB. IFRSs also refer to all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The Group has prepared the Interim condensed Consolidated Statement of financial position presenting separately current and non-current assets and liabilities. All the details needed for an accurate and complete information are provided in the Notes to the Interim condensed Consolidated Financial Statements. The Consolidated Statement of profit or loss is classified by destination. The cash flow information is provided in the Consolidated Statement of cash flows which has been prepared under the indirect method.

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

In accordance with IFRSs, the preparation of Consolidated financial statements requires management to make estimates and assumptions when determining the values of certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

### 3. NEW IFRS AND AMENDMENTS TO IFRS

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

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

Of these standards above only the IFRS 16 had a significant impact for the Group

and below are explained the details on how the Group applied, for the first time, the new standard.

## **IFRS 16 LEASE**

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

The new standard applies to all existing leases that provide for the payment of fixed rents, including indexed ones, or a guaranteed minimum ("rent in scope"). Purely variable rent, typically linked to sales without a guaranteed minimum, is excluded from the scope of application of the standard ("out of scope rent").

The standard is effective for annual periods beginning on or after January 1, 2019 and the Company opted to apply it retrospectively according to the "modified retrospective approach". The main impacts on financial statements at the transition date (January 1, 2019) can be summarized as follows:

- recognition of lease liabilities, i.e. the present value of the residual future payments, of Euro 2,448.9 million;
- recognition of the Right of Use assets in the non-current assets for Euro 2,414.4 million. This amount is mainly made up of the value of the lease liability:
  - increased by key money of Euro 94.5 million (reclassified from intangible assets to this new asset category) and by the reinstatement costs, included in the leasehold improvements, and prepayment of Euro 36.5 million;
  - reduced by the deferred rent expenses of Euro 162.9 million already accrued as at January 1, 2019 pursuant to the previous "IAS 17 Leases" standard (reversing this item from non-current liabilities) and by onerous lease of Euro 2.6 million;
- introduction of two new cost components: the depreciation of the Right of Use assets (Euro 229.4 million for the first six months of 2019) and the interest expense related to the updating of the present value of the lease liability (Euro 24.8 million at June 30, 2019).

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

In adopting IFRS 16, the Prada Group used the exemption allowed by IFRS 16:5(a) regarding short-term leases and low-value assets, although the effects of these

exemptions were immaterial. For such leases, the introduction of IFRS 16 did not entail recognition of the lease liability and the related Right of Use assets, as the lease payments are still recognized in the Statement of Profit or Loss on a straight-line basis over the terms of the respective leases, as it was under the "IAS 17 Leases".

Transition to IFRS 16 introduced areas where professional judgment may be required, involving the establishment of some accounting policies and the use of estimates. The main ones are summarized below:

- the identification of a lease term is very important because the form, legislation and common business practice regarding leases for real estate vary considerably from one jurisdiction to another. Based on its past experience, the Group has set an accounting policy for inclusion of the lease renewal period beyond the non-cancellable period, limited to cases in which the lease assigns an enforceable right that the Group is reasonably certain to exercise;
- since most leases stipulated by the Group do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments was determined as the risk-free rate of each country in which the leases were stipulated, with payment dates based on the terms of the specific lease, increased by the parent company's credit spread.

The adoption of the new IFRS Standard did not have any material effect on the opening equity balance of the year 2019.

The adoption of the new standard entailed the increase of the EBITDA following the reclassification of fixed rental costs (so called "rent in scope") within the charges for depreciation (Euro 229.4 million in the first half of 2019).

EBIT raised too, albeit to a limited extent, but not insignificant, following the reclassification of a component of fixed rent cost within the interest expense (Euro 24.7 million in the first half of 2019).

Reconciliation between lease commitment presented in accordance with IAS17 as at December 31, 2018 and lease liabilities determined in accordance with IFRS16 as at January 1, 2019:

(amounts in thousands of Euro)	
Commitments relating to operating leases as at December 31, 2018 (audited)	2,497,088
Contracts out of scope	(16,113)
Leases entered into, but with a commencement date after January 1, 2019	(54,622)
Impact of discounting	(209,628)
Optional period and other impacts	232,194
Lease liabilities as at January 1, 2019 (unaudited)	2,448,919

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

New IFRS and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 17 Insurance Contracts	January 1, 2021	Not endorsed yet
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Not endorsed yet
IFRS 3: Business Combination	January 1, 2020	Not endorsed yet
IAS 1 and IAS 8: Definition of Material	January 1, 2020	Not endorsed yet

As at the date of these Consolidated Financial Statements, the Directors have not yet completed the analysis necessary to assess the impacts of the above reported new standards, amendments and operational guides not yet applicable to the Prada Group.

#### 4. MERGERS AND ACQUISITIONS

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

On January 24, 2019 Prada spa established in Italy the company Figline srl in order to develop the production activities of the leather goods division. The company is still in a start-up phase.

## 5. OPERATING SEGMENTS

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

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

### NET REVENUES

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

### GEOGRAPHICAL INFORMATION

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Europe	3,162,278	2,161,446
Americas	631,968	188,340
Asia Pacific	692,035	218,826
Japan	488,109	72,473
Middle East and Africa	106,721	47,090
<b>Total</b>	<b>5,081,111</b>	<b>2,688,175</b>

The total amount of Euro 5,081.1 million (Euro 2,688.2 million at December 31,

2018) relates to the Group's non-current assets. Differently from December 2018, the total amount includes the Right of Use assets on lease contracts (Euro 2,382.8 million). Consistently with IFRS 8, it does not include in both periods derivative financial instruments, deferred tax assets and the pension fund surplus.

## 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are detailed as follow:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Cash on hand	46,528	54,893
Bank deposit accounts	106,090	98,723
Bank current accounts	174,882	446,205
<b>Total</b>	<b>327,500</b>	<b>599,821</b>

Bank deposits accounts are broken down by currency as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Hong Kong Dollar	69,215	64,730
Chinese Renmimbi	26,513	8,244
Korean Won	-	15,259
US Dollar	211	210
Other Currencies	10,151	10,280
<b>Total bank deposit accounts</b>	<b>106,090</b>	<b>98,723</b>

Bank current accounts are broken down by currency as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Euro	28,656	246,883
US Dollar	72,433	87,671
GB Pound	8,469	12,409
Hong Kong Dollar	7,061	52,273
Korean Won	7,316	3,869
Other Currencies	50,947	43,100
<b>Total bank current accounts</b>	<b>174,882</b>	<b>446,205</b>

At June 30, 2019, bank current accounts and bank deposit accounts generated

interest income of between 0% and 6.9% per year (between 0% and 5% at December 31, 2018).

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

## 7. TRADE RECEIVABLES, NET

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Trade receivables - third parties	335,552	319,945
Allowance for bad and doubtful debts	(8,319)	(8,821)
Trade receivables - related parties	9,104	10,789
<b>Total</b>	<b>336,337</b>	<b>321,913</b>

Trade receivables from related parties mainly refer to the sale of finished products to Fratelli Prada spa, a related company and franchisee of the Prada Group.

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Opening Balance	8,821	7,892
IFRS 9 First time Adoption - Bad Debt Provision	-	2,246
Exchange differences	26	7
Increases	359	413
Reversals	(288)	(325)
Utilization	(599)	(1,412)
<b>Closing Balance</b>	<b>8,319</b>	<b>8,821</b>

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	344,656	292,015	21,893	10,454	5,330	1,917	13,047
<b>Total</b>	<b>344,656</b>	<b>292,015</b>	<b>21,893</b>	<b>10,454</b>	<b>5,330</b>	<b>1,917</b>	<b>13,047</b>

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

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less provision for doubtful debts	336,337	290,302	21,615	10,442	5,300	1,912	6,766
<b>Total</b>	<b>336,337</b>	<b>290,302</b>	<b>21,615</b>	<b>10,442</b>	<b>5,300</b>	<b>1,912</b>	<b>6,766</b>

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

## 8. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Raw materials	112,654	104,036
Work in progress	41,858	36,327
Finished products	569,795	530,324
Allowance for obsolete and slow-moving inventories	(39,391)	(39,312)
<b>Total</b>	<b>684,916</b>	<b>631,375</b>
Return assets	2,101	2,391
Allowance for return assets	(1,735)	(1,975)
<b>Total</b>	<b>685,282</b>	<b>631,791</b>

The inventories increased from Euro 631.8 million at December 31, 2018 to Euro 685.3 million at June 30, 2019. The change was almost entirely attributable to the temporary increase following the decision to reduce markdown sales and the seasonality of the manufacturing cycle.

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

(amounts in thousands of Euro)	Raw materials	Finished Products	Total allowance for obsolete and slow-moving inventories	Allowance for return assets	Total allowance on inventories
Balance at December 31, 2018 (audited)	20,690	18,622	39,312	1,975	41,287
Exchange differences	-	27	27	-	27
Increases	-	160	160	-	160
Utilization	-	(105)	(105)	(240)	(345)
Reversal	-	(3)	(3)	-	(3)
Balance at June 30, 2019 (unaudited)	20,690	18,701	39,391	1,735	41,126

## 9. DERIVATIVE FINANCIAL INSTRUMENTS: ASSETS AND LIABILITIES

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Financial assets regarding derivative instruments - current	8,555	9,718
Financial assets regarding derivative instruments - non-current	70	205
<b>Total Financial Assets - Derivative financial instruments</b>	<b>8,625</b>	<b>9,923</b>
Financial liabilities regarding derivative instruments - current	(18,487)	(14,220)
Financial liabilities regarding derivative instruments - non-current	(10,023)	(7,077)
<b>Total Financial Liabilities - Derivative financial instruments</b>	<b>(28,510)</b>	<b>(21,297)</b>
<b>Net carrying amount - current and non-current</b>	<b>(19,885)</b>	<b>(11,374)</b>

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)	IFRS7 Category
Forward contracts	8,625	9,916	Level II
Options	-	7	Level II
<b>Positive fair value</b>	<b>8,625</b>	<b>9,923</b>	
Forward contracts	(14,882)	(10,138)	Level II
Options	(576)	(1,095)	Level II
Interest rate swaps	(13,052)	(10,064)	Level II
<b>Negative fair value</b>	<b>(28,510)</b>	<b>(21,297)</b>	
<b>Net carrying amount - current and non-current</b>	<b>(19,885)</b>	<b>(11,374)</b>	

All of the above derivative instruments are qualified as Level II of the fair value hierarchy proposed by IFRS 7. The Group has not entered into any derivative contracts that could be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives arranged to hedge foreign exchange rate risks (forward contracts and options) were determined by using one of the most widely

used valuation platforms on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

The Group entered into the derivative contracts in the course of its risk management activities, in order to hedge financial risks stemming from exchange and interest rate fluctuation.

## FOREIGN EXCHANGE RATE TRANSACTIONS

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

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate at June 30, 2019) are as stated below.

Contracts in effect as of June 30, 2019 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	June 30 2019 (unaudited)
Currency				
Canadian Dollar	-	8,259	-	8,259
Chinese Renminbi	-	76,613	-	76,613
GB Pound	-	35,804	-	35,804
Hong Kong Dollar	-	59,753	(68,002)	(8,249)
Japanese Yen	-	96,248	-	96,248
Korean Won	-	28,281	-	28,281
Russian Ruble	-	6,844	(978)	5,866
Singapore Dollar	-	12,244	-	12,244
Swiss Franc	-	10,239	(2,611)	7,628
US Dollar	1,318	57,557	(24,719)	34,156
Australian Dollar	-	5,171	-	5,171
Other currencies	-	19,814	-	19,814
<b>Total</b>	<b>1,318</b>	<b>416,827</b>	<b>(96,310)</b>	<b>321,835</b>

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

Contracts in effect as of June 30, 2019 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	June 30 2019 (unaudited)
Currency				
GB Pound	-	20,914	-	20,914
Swiss Franc	-	51,328	-	51,328
US Dollar	-	64,696	(59,095)	5,601
Singapore Dollar	-	14,940	-	14,940
Australian Dollar	-	9,850	-	9,850
Other currencies	-	16,663	-	16,663
<b>Total</b>	<b>-</b>	<b>178,391</b>	<b>(59,095)</b>	<b>119,296</b>

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

All contracts in place as at June 30, 2019 will mature within 12 months, except for some forward contracts to hedge future trade cash flows which mature after June 30, 2020 and whose notional net amount is Euro 15 million (referring entirely to forward sale contracts).

All contracts in place at the reporting date were entered into with major financial institutions, and no counterparties are expected to default.

## INTEREST RATE TRANSACTIONS

The Group enters into interest rate swaps (IRS) in order to hedge the risk of interest rate fluctuations on bank loans. The key features of the IRS agreements in place as at June 30, 2019 are summarized as follows:

Contract	Interest Rate Swap (IRS) Agreement					Hedged loan			
	Currency	Notional amount	Interest rate	Maturity date	June 30, 2019 (unaudited)	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	40,333	1.457%	May-2030	(3,410)	Euro/000	Term Loan	40,333	May-2030
IRS	Euro/000	84,000	-0.093%	Sep-2022	(493)	Euro/000	Term Loan	84,000	Sep-2022
IRS	Euro/000	90,000	0.013%	Feb-2021	(668)	Euro/000	Term Loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(1,123)	Euro/000	Term Loan	100,000	Jun-2021
IRS	GBP/000	52,800	2.778%	Jan-2029	(7,328)	GBP/000	Term Loan	52,800	Jan-2029
IRS	Yen/000	600,000	1.360%	Mar-2020	(30)	Yen/000	Term Loan	600,000	Mar-2020
Total fair value (amounts in thousands of Euro)					(13,052)				

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

## 10. RECEIVABLES FROM, AND ADVANCE PAYMENTS TO, RELATED PARTIES

Receivables from, and advances to, related parties-current are detailed below:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Prepaid sponsorships	9,708	6,761
Other receivables and advances	5,900	5,865
Receivables from and advances to related parties - current	15,608	12,626

Additional information on related party transactions is provided in Note 38.

Receivables from, and advances to, related parties-non current amount to Euro 0.2 million.

## 11. OTHER CURRENT ASSETS

The other current assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
VAT	51,989	48,576
Taxation and other tax receivables	56,233	54,181
Other assets	14,969	14,115
Prepayments	54,638	55,897
Guarantee deposits	6,699	12,972
Total	184,528	185,741

## OTHER ASSETS

The other assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Advances to suppliers	4,642	2,741
Incentives for retail investments	721	3,574
Other receivables	9,606	7,800
Total	14,969	14,115

## PREPAYMENTS

The prepayments are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Rental costs	8,098	17,704
Insurance	2,492	1,897
Design costs	11,999	12,354
Fashion shows and advances on advertising campaigns	12,187	10,254
Other	19,862	13,688
<b>Total</b>	<b>54,638</b>	<b>55,897</b>

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

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

## DEPOSITS

The guarantee deposit refer primarily to security deposits paid under retail leases and reduced from December 31, 2018 to June 30, 2019 mainly for the reclassification into the same category of non-current assets.

## 12. PROPERTY, PLANT AND EQUIPMENT

Historical cost and accumulated depreciation are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	847,901	207,268	1,364,818	475,157	187,840	84,151	3,167,135
Accumulated depreciation	(124,751)	(145,474)	(936,231)	(281,571)	(101,756)	-	(1,589,783)
Net carrying amount at December 31, 2018 (audited)	723,150	61,794	428,587	193,586	86,084	84,151	1,577,352

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	912,287	212,771	1,360,298	564,377	174,646	55,341	3,279,720
Accumulated depreciation	(133,441)	(150,629)	(954,986)	(296,969)	(106,647)	-	(1,642,672)
Net carrying amount at June 30, 2019 (unaudited)	778,846	62,142	405,312	267,408	67,999	55,341	1,637,048

The changes in the carrying amount during the six months ended June 30, 2019 were as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Balance at December 31, 2018 (audited)	723,150	61,794	428,587	193,586	86,084	84,151	1,577,352
IFRS16 First Time Adoption	(3,544)	-	(7,701)	(662)	-	-	(11,907)
Additions	66,912	4,818	26,764	31,076	2,154	31,901	163,625
Depreciation	(8,761)	(5,349)	(55,536)	(18,988)	(5,270)	-	(93,904)
Disposals	(674)	(5)	(2)	(164)	(15)	-	(860)
Exchange differences	315	(14)	3,941	1,410	46	75	5,773
Other movements	1,448	898	11,051	61,441	(14,956)	(60,655)	(773)
Impairment	-	-	(1,792)	(291)	(44)	(131)	(2,258)
Balance at June 30, 2019 (unaudited)	778,846	62,142	405,312	267,408	67,999	55,341	1,637,048

Capital expenditure was invested in the retail area primarily for the purchase of a strategic building to enhance the image of the Prada brand in Spain and renovation and relocation projects, as well as store openings (11 in the period). Other capital expenditures regarded the IT area, the reinforcement of production and logistics structures in Italy and office furnishings.

The impairment of Euro 2.3 million referred principally to the store closures and to the retail restyling projects.

## 13. INTANGIBLE ASSETS

Historical cost and accumulated amortization are set forth below:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	403,525	547,594	235,702	137,766	63,144	15,383	1,403,114
Accumulated depreciation	(167,450)	(29,328)	(139,569)	(92,792)	(53,964)	-	(483,103)
Net carrying amount at December 31, 2018 (audited)	236,075	518,266	96,133	44,974	9,180	15,383	920,011

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	403,767	547,536	62,168	153,669	63,138	12,833	1,243,111
Accumulated depreciation	(174,231)	(29,290)	(60,734)	(99,324)	(54,972)	-	(418,551)
Net carrying amount at June 30, 2019 (unaudited)	229,536	518,246	1,434	54,345	8,166	12,833	824,560

The changes in the carrying amount during the six months ended June 30, 2019 were as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
Balance at December 31, 2018 (audited)	236,075	518,266	96,133	44,974	9,180	15,383	920,011
IFRS16 First Time Adoption	-	-	(94,480)	-	-	-	(94,480)
Additions	406	-	-	4,179	38	9,161	13,784
Amortization	(6,880)	-	(219)	(6,524)	(945)	-	(14,568)
Disposals	-	-	-	(1)	-	-	(1)
Exchange differences	(65)	(20)	-	-	-	(1)	(86)
Other movements	-	-	-	11,717	(107)	(11,710)	(100)
Balance at June 30, 2019 (unaudited)	229,536	518,246	1,434	54,345	8,166	12,833	824,560

The carrying amount of trademarks at the reporting date is broken down as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Miu Miu	135,736	138,482
Church's	76,512	78,487
Prada	5,501	5,502
Other trademarks and other intellectual property right	11,787	13,604
Total	229,536	236,075

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

Store lease acquisition reduced from Euro 96.1 million to Euro 1.4 million at June 30, 2019 due to the reclassification of "Key money" into the Right of Use Assets category, made at January 1, 2019 for the first time adoption of IFRS 16 (as described in the paragraph "new IFRS and amendments to IFRS"). The residual amount of Euro 1.4 million at June 30, 2019 is related to rents out of scope.

The total capital expenditure for tangibles and intangibles in the six months ended June 30, 2019 was Euro 177.4 million, as broken down below:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Retail	56,157	74,191
Real estate	60,000	-
Production, Logistics and Corporate	61,252	51,591
<b>Total</b>	<b>177,409</b>	<b>125,782</b>

## 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 a year. The Group reports no intangible assets with indefinite useful lives other than goodwill. As of June 30, 2019 goodwill amounts to Euro 518.2 million, detailed by Cash Generating Unit ("CGU") as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (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	8,497	8,517
Pasticceria Marchesi 1824	7,975	7,975
<b>Total</b>	<b>518,246</b>	<b>518,266</b>

No evidence emerged during the period under review to suggest any indication of

impairment. However, as value in use is measured based on estimates, the Group cannot guarantee that the value of goodwill or other intangible assets will not be impaired in the future.

## 14. RIGHT OF USE ASSETS

The changes in the carrying amount of the Right of Use assets for the period ended June 30, 2019 are shown below:

(amounts in thousands of Euro)	Real Estate	Vehicles	Hardware	Plant and machinery	Total net carrying amount
Balance at December 31, 2018 (audited)	-	-	-	-	-
IFRS16 First Time Adoption	2,410,489	1,712	247	1,935	2,414,383
New contracts, initial direct costs and remeasurement	185,776	-	-	-	185,776
Depreciation	(228,385)	(594)	(42)	(398)	(229,419)
Contracts termination	(7,970)	-	-	-	(7,970)
Exchange differences	20,094	-	-	-	20,094
Balance at June 30, 2019 (unaudited)	2,380,004	1,118	205	1,537	2,382,864

The increase in the period of the “New contracts, initial direct costs and remeasurement” mainly referred to the renewal of some contracts in Far East.

## 15. INVESTMENTS IN EQUITY INSTRUMENTS

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Investments in equity instruments	112,863	97,948
Other investments	1,981	1,590
Total	114,844	99,538

The Investments in equity instruments increased from Euro 97.9 million at December 31, 2018 to Euro 112.9 million at June 30, 2019, for the positive net change in the fair value of the equity assets. The change in the fair value was recognized through a specific equity reserve.

## 16. OTHER NON-CURRENT ASSETS

The other non-current assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Guarantee deposits	71,986	64,770
Deferred rental income	615	9,606
Pension fund surplus	11,693	11,719
Other long-term assets	48,991	16,897
<b>Total</b>	<b>133,285</b>	<b>102,992</b>

The increase in the Other long-term assets was mainly due to the recognition of a portion of the tax benefit (Patent Box regime) equal to some Euro 32 million, estimated to be utilized after twelve months.

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

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Nature:		
Stores	66,951	59,590
Offices	3,873	3,900
Warehouses	119	117
Other	1,043	1,163
<b>Total</b>	<b>71,986</b>	<b>64,770</b>

(amounts in thousands of Euro)	June 30 2019 (unaudited)
Maturity:	
Between one to two years	20,584
Between two to five years	19,864
After more than five years	31,538
<b>Total</b>	<b>71,986</b>

The guarantee deposits refer primarily to security deposits paid under retail leases and increased from December 31, 2018 to June 30, 2019 mainly for the reclassification from the same category of current assets.

## 17. LEASE LIABILITY

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	June 30 2019 (unaudited)
Short-term Lease Liability	354,140
Long-term Lease Liability	2,064,920
<b>Total</b>	<b>2,419,060</b>

The lease liabilities decreased from 2,449 million at January 1, 2019 (first-time adoption of IFRS 16) to Euro 2,419 million at June 30, 2019. The decrease referred to payments of the period (Euro 226.8 million), offset in part by interest recognized to adjust the present value of the Lease Liability (Euro 24.7 million), remeasurements due to contractual renewals (Euro 185.8 million) and exchange differences.

The lease liabilities of the Group are concentrated in the U.S.A., Japan and Italy.

## 18. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Short-term bank loans	197,650	152,365
Current portion of long-term loans	96,508	269,195
Deferred costs on loans	(384)	(323)
Financial lease	-	244
<b>Total</b>	<b>293,774</b>	<b>421,481</b>

The short-term bank loans as of June 30, 2019 refer to the utilization of credit lines by PRADA spa for an amount of Euro 145.5 million, by PRADA Japan co ltd for Euro 51.4 million and by Prada Bosphorus Deri Mamuller Ltd for Euro 0.6 million. Some of the credit lines of Prada Japan Co. ltd contain covenants based on financial statements of said subsidiary, all of which are met as at June 30, 2019.

Short-term loans are broken down by currency below:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Euro	145,561	90,365
Japanese Yen	51,416	62,000
Other Currencies	673	-
<b>Total</b>	<b>197,650</b>	<b>152,365</b>

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations by using hedging agreements, as explained in Note 9.

## 19. PAYABLES TO RELATED PARTIES - CURRENT

The current portions due to related parties are presented below:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Financial payables	3,343	4,415
Other payables	4	62
<b>Total</b>	<b>3,347</b>	<b>4,477</b>

The financial payables due to related parties regard two interest-free loans granted by the non-controlling shareholders of the Group's subsidiaries in the Middle East (Note 38).

## 20. TRADE PAYABLES

Trade payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Trade payables - third parties	313,703	309,294
Trade payables - related parties	6,980	5,917
<b>Total</b>	<b>320,683</b>	<b>315,211</b>

The following table summarizes trade payables by maturity date:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	320,683	288,938	15,268	4,592	1,418	2,904	7,563
<b>Total</b>	<b>320,683</b>	<b>288,938</b>	<b>15,268</b>	<b>4,592</b>	<b>1,418</b>	<b>2,904</b>	<b>7,563</b>

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

## 21. TAX PAYABLES

The tax payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Current income taxes	33,731	44,637
VAT and other taxes	51,755	40,406
<b>Total</b>	<b>85,486</b>	<b>85,043</b>

The Group recognizes current tax liabilities of Euro 33.7 million as of June 30, 2019 (Euro 44.6 million as at December 31, 2018) against tax credits of Euro 56.2 million (Euro 54.2 million as of December 31, 2018), as reported in Note 11.

## 22. OTHER CURRENT LIABILITIES

The other current liabilities are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Payables for capital expenditure	36,443	50,085
Accrued expenses and deferred income	10,992	19,719
Other payables	72,759	76,625
<b>Total</b>	<b>120,194</b>	<b>146,429</b>

The decrease is due to the fact that, with the application of the new IFRS16 standard, the deferred rent liabilities (current portion) were reclassified to reduce the Rights of Use assets (the deferred rent remained solely for variable rent contracts).

The other payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Short-term benefits for employees and other personnel	56,506	60,681
Customer advances	7,778	6,334
Returns from customers	4,608	6,145
Other	3,867	3,465
<b>Total</b>	<b>72,759</b>	<b>76,625</b>

## 23. LONG-TERM FINANCIAL PAYABLES

The long-term financial payables are as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Long-term bank borrowings	537,870	486,369
Deferred costs on loans	(853)	(751)
Financial lease - non current	-	1,813
<b>Total</b>	<b>537,017</b>	<b>487,431</b>

During the first half of 2019 PRADA spa arranged a new long-term loan of Euro 100 million, which is subject to covenants based on PRADA spa's consolidated financial statements. The covenant is respected at June 30, 2019.

During the same period, the parent company and other Group's companies repaid current portions of long-term loans for Euro 222.6 million.

The long-term bank borrowings as of June 30, 2019, excluding finance lease obligations and amortized costs, are set forth below:

Borrower	Amount in thousands of Euro	Type of loan	Currency	Expiry date MM/YYYY	Interest rate (1)	Current Portion (Euro thousands)	Non-current Portion (Euro thousands)	Pledge
PRADA spa	84,000	Term-loan	EUR	02/2022	0.407%	17,000	67,000	-
PRADA spa	40,334	Term-loan	EUR	05/2030	2.737%	3,667	36,667	Mortgage loan
PRADA spa	100,000	Term-loan	EUR	06/2021	0.752%	-	100,000	-
PRADA spa	100,000	Term-loan	EUR	06/2024	0.379%	11,111	88,889	-
PRADA spa	87,500	Term-loan	EUR	06/2022	0.480%	37,500	50,000	-
PRADA spa	90,000	Term-loan	EUR	02/2021	0.963%	-	90,000	-
PRADA Japan Co. Ltd	24,470	Syndicate loan	JPY	09/2022	0.469%	6,117	18,353	-
PRADA Japan Co. Ltd	24,470	Syndicate loan	JPY	09/2022	0.469%	6,117	18,353	-
PRADA Japan Co. Ltd	4,894	Term-loan	JPY	03/2020	1.360%	4,894	-	-
PRADA Japan Co. Ltd	1,631	Term-loan	JPY	03/2020	0.810%	1,631	-	-
PRADA Japan Co. Ltd	816	Term-loan	JPY	03/2020	1.180%	816	-	-
Kenon Ltd	58,892	Term-loan	GBP	01/2029	4.477%	2,761	56,131	Mortgage loan
Prada Middle East	12,083	Term-loan	USD	02/2022	4.523%	4,394	7,689	-
Tannerie Limoges sas	2,375	Term-loan	EUR	01/2024	1.200%	500	1,875	Mortgage loan
Hipic Prod Impex srl	2,913	Term-loan	RON	11/2021	4.070%	-	2,913	-
	634,378					96,508	537,870	

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

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

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements, as described in Note 9.

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

(amounts in thousands of Euro)	June 30, 2019 (unaudited)		December 31, 2018 (audited)	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	90%	10%	58%	42%
Long-term financial payables	35%	65%	40%	60%

## 24. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Post-employment benefits	48,417	47,407
Other long-term employee benefits	9,218	12,594
<b>Total liabilities for long-term benefits</b>	<b>57,635</b>	<b>60,001</b>
Pension plan surplus (Note 16)	(11,693)	(11,719)
<b>Net liabilities for long-term benefits</b>	<b>45,942</b>	<b>48,282</b>

The net balance of long-term employee benefits as at June 30, 2019 is Euro 45.9 million (Euro 48.3 million as at December 31, 2018), and all the benefits are classified as defined benefit plans.

The post-employment benefits consist of Euro 22 million (Euro 22.5 million at December 31, 2018) in liabilities accounted for by Italian companies and Euro 26.4 million by the foreign subsidiaries (Euro 25 million at December 31, 2018).

The following table shows the changes in long-term employee benefits in the six months ended June 30, 2019:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Balance at December 31, 2018 (audited)	22,452	24,955	(11,719)	12,594	48,282
Current service cost	243	929	-	768	1,940
Actuarial (gains)/losses	-	-	-	24	24
Benefits paid	(676)	(109)	-	(4,216)	(5,001)
Exchange differences	-	623	26	48	697
<b>Balance at June 30, 2019 (unaudited)</b>	<b>22,019</b>	<b>26,398</b>	<b>(11,693)</b>	<b>9,218</b>	<b>45,942</b>

The defined benefit obligations are measured in accordance with independent appraisals on a yearly basis.

## 25. PROVISIONS FOR RISKS AND CHARGES

The changes in the provisions for risks and charges are summarized as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Balance at December 31, 2018 (audited)	1,425	3,101	46,784	51,310
IFRS16 First Time Adoption	-	-	(2,649)	(2,649)
Exchange differences	14	22	499	535
Reversals	(73)	-	(55)	(128)
Utilized	(1,092)	(622)	(1,265)	(2,979)
Increases	50	1,623	1,070	2,743
Reclassification	-	(1,590)	-	(1,590)
Balance at June 30, 2019 (unaudited)	324	2,534	44,384	47,242

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.

The dispute initiated by PRADA spa following the audit begun by the Italian Customs Agency in 2012 for the tax years from 2007 to 2011, which had resulted in notices of assessment for the 2010 tax year, had the following developments in the first half of 2019: on April 18, 2019 PRADA spa lodged an appeal before the Court of Cassation against the first ruling adverse to it (argued on July 23, 2018 and notified on October 19, 2018), and on July 12, 2019 the other appeals, notified to the Company after the favourable rulings of the Livorno Provincial Tax Committee of March 22, 2018, were argued before the Tuscany Regional Tax Commission.

Another customs audit conducted at a subsidiary level involved PRADA Korea for the tax years from 2013 to 2016, regarding the duty liability on the year-end transfer pricing adjustments.

On December 2018, when the 2013-2016 audit was ending, it was decided to make a voluntary disclosure for years 2017 and 2018. Accordingly, in the first half of 2019 Prada Korea paid the amount due for such voluntary disclosure and charged the amount to PRADA spa as the Group distributor.

In 2019 a tax audit of Prada Korea was begun for years 2014 to 2015 regarding

primarily direct taxes and, due to extension of the assessed period, the effects of a restructuring process that took place in 2016 and 2017. The most substantial part of the audit concluded without any remarks, but some points are still pending and will be negotiated with the local revenue agency. A further last part of the audit ended with an agreement to pay some Euro 1.6 million.

As for the notice of assessment of direct taxes for the tax years from 2008 to 2011, extended to 2014, received by PRADA Germany gmbh from the German tax authorities in 2018, an agreement was reached to reduce the originally estimated liability from Euro 2.4 million to Euro 0.6 million. In the first half of 2019 the Company was refunded for nearly the entire amount paid in excess in 2018 on the basis of the original assessment.

## 26. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities amount to Euro 16.4 million (Euro 159 million as at December 31, 2018). The decrease was due to the fact that, with the application of the new IFRS16 standard, the deferred rent liabilities (non-current portion) were reclassified to reduce the Rights of Use assets (the deferred rent remained solely for variable rent contracts).

## 27. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP

The equity attributable to owners of the Group is as follows:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,053,303	2,001,391
Actuarial reserve	(4,822)	(4,822)
Fair value Investments in equity instruments reserve	2,639	(12,276)
Cash flow hedge reserve	(13,939)	(10,620)
Translation reserve	41,939	32,941
Net income for the period	154,894	205,443
<b>Total</b>	<b>2,899,943</b>	<b>2,877,986</b>

## **SHARE CAPITAL**

As at June 30, 2019, approximately 80% of PRADA spa's share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

## **SHARE PREMIUM RESERVE**

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

## **TRANSLATION RESERVE**

The changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve increased from the Euro 33 million at December 31, 2018 to Euro 41.9 million.

## **OTHER RESERVES**

The other reserves amount to Euro 2,053.3 million as at June 30, 2019. They increased by Euro 51.9 million from December 31, 2018 following the allocation of the previous fiscal year's profit (Euro 205.4 million), net of the dividends distributed to PRADA spa shareholders (Euro 153.5 million).

## **NET INCOME FOR THE PERIOD**

The Group's net income for the six months ended June 30, 2019 was Euro 154.9 million (Euro 205.4 million for the twelve months ended December 31, 2018).

## **CAPITAL GAINS TAX IN ITALY**

Capital gains realized from the sale of an Italian company by shareholders resident in Hong Kong have not been subject to taxation in Italy since January 1, 2016. Additional information on the Italian capital gains tax is provided in the Tax Booklet available on the Company's website ([www.pradagroup.com](http://www.pradagroup.com)).

## 28. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The following table shows the changes in the non-controlling interests during the periods ended June 30, 2019 and December 31, 2018:

(amounts in thousands of Euro)	June 30 2019 (unaudited)	December 31 2018 (audited)
Opening Balance	19,083	21,519
Translation differences	214	828
Dividends	(310)	(5,729)
Net income for the period	(463)	2,739
Actuarial reserve	-	(9)
Capital injection in subsidiaries	1,106	345
Transactions with non-controlling shareholders	-	(577)
IFRS 9 First time Adoption - Bad Debt Provision	-	(33)
Closing balance	19,630	19,083

## 29. NET REVENUES

The consolidated net revenues are mainly generated by sales of finished products and are stated net of returns and discounts:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Net sales	1,546,378	1,510,603
Royalties	23,745	24,723
<b>Total</b>	<b>1,570,123</b>	<b>1,535,326</b>

The Financial Review describes the net revenues by distribution channel, geographical area, brand and product.

## 30. COST OF GOODS SOLD

The cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Purchases of raw materials and production costs	419,090	386,544
Logistic costs, duties and insurance	74,552	76,250
Change in inventories	(49,268)	(33,320)
<b>Total</b>	<b>444,374</b>	<b>429,474</b>

For a better understanding of the change in the cost of goods sold, reference is made to the Financial Review where the comparison is made with the 2018 Proforma.

## 31. OPERATING EXPENSES

The operating costs are detailed below:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	% of net revenues	six months ended June 30 2018 (unaudited)	% of net revenues
Product design and development costs	65,053	4.1%	64,572	4.2%
Advertising and communications costs	101,477	6.5%	94,379	6.1%
Selling costs	706,565	45.0%	692,227	45.1%
General and administrative costs	102,180	6.5%	95,486	6.2%
<b>Total</b>	<b>975,275</b>	<b>62.1%</b>	<b>946,664</b>	<b>61.6%</b>

For a better understanding of the change in the operating expenses, reference is made to the Financial Review, where the comparison is made with the 2018 Proforma.

The following table shows the depreciation, amortization and impairment, cost of labor and rent expense included within the operating expenses:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Depreciation of Right of Use	227,691	-
Depreciation, amortization and impairment	102,148	103,811
Labor Cost	305,018	293,840
Pure variable lease (IFRS 16)	66,550	-
Variable lease (Including minimum guarantee - IAS 17)	-	161,538
Short term and low value lease (IFRS 16)	3,431	-
Fixed rent (IAS 17)	-	141,247
<b>Total</b>	<b>704,838</b>	<b>700,436</b>

## 32. FINANCIAL INCOME/(EXPENSES)

The net interest and other financial income/(expenses) are analyzed as follows:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Interest expenses on borrowings	(4,471)	(7,756)
Interest income	2,123	3,931
Interest income / (expenses) IAS 19	-	(3)
Exchange gains / (losses) - realized	(2,541)	(2,753)
Exchange gains / (losses) - unrealized	(1,827)	(3,346)
Other financial income / (expenses)	(1,033)	(825)
Interest and other financial income /(expenses), net	(7,749)	(10,752)
Interest expenses on Lease Liability	(24,735)	-
Dividends from investments	2,023	302
<b>Total</b>	<b>(30,461)</b>	<b>(10,450)</b>

The main variation in the other financial expenses is related to the recognition in 2019 of the Interest expenses on Lease Liability for the first time application of IFRS 16 (Euro 24.7 million at June 30, 2019).

Dividends from investments accrued in the six months period of 2019 amounted to Euro 2 million. The increase of Euro 1.7 million compared to the same period of 2018 (Euro 0.3 million at June 30, 2018) was related to investments in equity instruments made in the second half of 2019.

## 33. TAXATION

Income taxes have the following composition:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Current taxation	(26,018)	45,134
Deferred taxation	(8,400)	(1,560)
<b>Income taxes</b>	<b>(34,418)</b>	<b>43,574</b>

The income tax for the period benefitted from the recognition of income of Euro 77

million, which was the tax relief for the four years from 2015 to 2018 and for the six months under review pursuant to the signature of the aforementioned Patent Box. In this respect, on July 1, 2019 PRADA spa and the Italian Tax Authority (“Ufficio Accordi Preventivi”) stipulated an agreement for the tax benefit regime regarding income deriving from the use of qualifying intangible assets.

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

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	twelve months ended December 31 2018 (audited)
Opening balance	187,054	177,390
Exchange differences	1,941	4,650
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	1,052	2,669
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	-	102
Deferred taxes on FTA IFRS 9	-	444
Other movements	(166)	971
Deferred taxes for the period in profit or loss	8,401	828
Closing balance	198,282	187,054

Deferred tax assets and liabilities are classified by nature hereunder:

(amounts in thousands of Euro)	June 30, 2019 (unaudited)		December 31, 2018 (audited)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	116,357	-	108,491	-
Receivables and other assets	690	1,545	702	1,548
Useful life of non-current assets	49,140	9,776	48,238	8,743
Deferred taxes due to acquisitions	-	14,062	-	15,170
Provision for risks / accrued expenses	32,155	1,420	34,043	1,358
Non-deductible / taxable charges/income	8,430	86	7,830	65
Tax loss carryforwards	3,198	-	3,121	-
Derivative financial instruments	4,135	-	3,195	-
Long-term employee benefits	9,946	1,988	9,916	1,992
Other	4,922	1,814	1,568	1,174
Total	228,973	30,691	217,104	30,050

## 34. EARNINGS AND DIVIDENDS PER SHARE

### EARNINGS PER SHARE BASIC AND DILUTED

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

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Group net income in Euro	154,893,688	105,668,240
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and diluted earnings per share in Euro, calculated on weighted average number of shares	0.061	0.041

### DIVIDENDS PER SHARE

During the six-month period ended June 30, 2019, the Company distributed dividends for Euro 153,529,440 as approved at the General Meeting held on April 30, 2019 to approve the December 31, 2018 financial statements.

The dividends net of the withholding taxes (Euro 145.5 million) were paid during the period under review, whereas such withholding tax (Euro 8 million), calculated by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, was paid in July 2019.

## 35. ADDITIONAL INFORMATION

### NUMBER OF EMPLOYEES

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

(number of employees)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Production	3,062	2,925
Product design and development	1,031	1,020
Advertising and Communications	164	157
Selling	8,358	7,988
General and administrative services	1,003	954
Total	13,618	13,044

## EMPLOYEE REMUNERATION

The employee remuneration by business division is presented below:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Production	66,212	63,999
Product design and development	35,499	35,051
Advertising and Communications	7,935	8,267
Selling	218,835	207,830
General and administrative services	44,781	44,722
<b>Total</b>	<b>373,262</b>	<b>359,869</b>

The types of employee remuneration are presented below:

(amounts in thousands of Euro)	six months ended June 30 2019 (unaudited)	six months ended June 30 2018 (unaudited)
Wages and salaries	283,511	272,307
Post-employment benefits and other long-term benefits	15,425	16,194
Social contributions	61,050	57,022
Other	13,276	14,346
<b>Total</b>	<b>373,262</b>	<b>359,869</b>

## DISTRIBUTABLE RESERVES OF PARENT COMPANY, PRADA SPA

(amounts in thousands of Euro)	June 30, 2019 (unaudited)	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882	-	-	-	-
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	885,599	A, B, C	853,569	-	652,500
Fair value reserve	(2,640)	-	-	-	-
Time value reserve	(3,124)	-	-	-	-
Intrinsic value reserve	(5,750)	-	-	-	-
<b>Distributable amount</b>	-	-	<b>1,446,515</b>	-	<b>652,500</b>
A	share capital increase				
B	coverage of losses				
C	distributable to shareholders				

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

## EXCHANGE RATES

The exchange rates against the Euro used for consolidation of the statements of financial position and statements of profit or loss whose presentation currency differed from that of the consolidated financial statements as of June 30, 2019 and comparative periods are listed hereunder:

Currency	Average rate six months ended June 30 2019	Average rate six months ended June 30 2018	Closing rate June 30 2019	Closing rate December 31 2018
UAE Dirham	4.151	4.449	4.180	4.206
Australian Dollar	1.600	1.569	1.624	1.622
Brazilian Real	4.340	4.137	4.351	4.444
Canadian Dollar	1.507	1.546	1.489	1.561
Swiss Franc	1.129	1.170	1.111	1.127
Czech Koruna	25.684	25.494	25.447	25.724
Danish Kronor	7.465	7.448	7.464	7.467
GB Pound	0.874	0.880	0.897	0.895
Hong Kong Dollar	8.863	9.493	8.887	8.968
Indonesian Rupiah	16,038.820	16,670.214	16,083.350	16,500.000
Japanese Yen	124.333	131.653	122.600	125.850
Korean Won	1,294.406	1,302.851	1,315.350	1,277.930
Kuwait Dinar	0.343	0.364	0.345	0.348
Kazakhstani Tenge	428.495	395.518	433.080	439.370
Macau Pataca	9.133	9.778	9.163	9.238
Mexican Peso	21.659	23.070	21.820	22.492
Malaysian Ringgit	4.655	4.768	4.708	4.732
New Zealand Dollar	1.681	1.690	1.696	1.706
Panamanian Balboa	1.130	1.211	1.138	1.145
Qatari Riyal	4.131	4.430	4.165	4.181
Chinese Renminbi	7.668	7.712	7.819	7.875
Romanian Leu	4.742	4.655	4.734	4.664
Russian Ruble	73.773	71.953	71.598	79.715
Saudi Riyal	4.238	4.543	4.268	4.295
Swedish Kronor	10.513	10.148	10.563	10.255
Singapore Dollar	1.536	1.606	1.540	1.559
Thai Baht	35.719	38.427	34.897	37.052
Turkish Lira	6.349	4.950	6.566	6.059
Taiwan Dollar	35.001	35.755	35.342	35.197
Ukrainian Hryvna	30.443	32.406	29.764	31.714
US Dollar	1.130	1.211	1.138	1.145
Vietnamese Dong	25,856.492	27,235.868	26,232.000	26,118.500
South African Rand	16.034	14.880	16.122	16.459
Moroccan Dirham	10.847	11.250	10.897	10.947

## 36. REMUNERATION OF BOARD OF DIRECTORS

### REMUNERATION OF THE PRADA SPA BOARD OF DIRECTORS FOR THE SIX MONTHS ENDED JUNE 30, 2019

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	June 30 2019 (unaudited)
Carlo Mazzi	510	-	-	37	19	566
Miuccia Prada Bianchi	6,000	-	-	-	23	6,023
Patrizio Bertelli	6,000	-	-	-	23	6,023
Alessandra Cozzani	25	140	-	5	49	219
Stefano Simontacchi	25	-	-	-	1	26
Maurizio Cereda	40	-	-	-	2	42
Gian Franco Oliviero Mattei	70	-	-	-	13	83
Giancarlo Forestieri	30	-	-	-	5	35
Sing Cheong Liu	30	-	-	-	7	37
<b>Total</b>	<b>12,730</b>	<b>140</b>	<b>-</b>	<b>42</b>	<b>142</b>	<b>13,054</b>

### REMUNERATION OF THE PRADA SPA BOARD OF DIRECTORS FOR THE SIX MONTHS ENDED JUNE 30, 2018

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	June 30 2018 (unaudited)
Carlo Mazzi	510	-	-	37	19	566
Miuccia Prada Bianchi	6,259	-	-	-	23	6,282
Patrizio Bertelli	6,259	-	-	-	23	6,282
Alessandra Cozzani	25	140	56	7	65	293
Stefano Simontacchi	25	-	-	-	1	26
Maurizio Cereda	30	-	-	-	1	31
Gian Franco Oliviero Mattei	73	-	-	-	13	86
Giancarlo Forestieri	33	-	-	-	5	38
Sing Cheong Liu	33	-	-	-	8	41
<b>Total</b>	<b>13,247</b>	<b>140</b>	<b>56</b>	<b>44</b>	<b>158</b>	<b>13,645</b>

## 37. RELATED PARTY TRANSACTIONS

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

The following tables show the effect of related-party transactions on the consolidated financial statements in terms of statement of financial position balances at the reporting date and total transactions affecting the statement of profit or loss.

## STATEMENT OF FINANCIAL POSITION BALANCES AS OF JUNE 30, 2019 (UNAUDITED)

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties - current	Receivables from, and advances to, related parties - non current	Trade payables	Payables to related parties - current	Other liabilities	Lease Liabilities
Les Femmes srl	610	-	-	1,788	-	-	-
CECCO BRUNA 2011 srl	-	-	-	3	-	-	-
DFS Hawaii	-	-	-	449	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	31	-	-	-
DFS Cotai limitada	287	-	-	27	-	-	11,708
SPELM SA	-	-	-	-	-	-	4,322
Rubaiyat Modern Lux.Pr.Co. Ltd	-	-	-	-	988	-	-
LUDO DUE srl (*)	14	3	-	108	-	-	6,946
Progetto Prada Arte srl	3	-	-	-	-	-	-
Luna Rossa Challenge 2013 srl	938	9,708	-	-	-	-	-
Chora srl	-	5,848	-	219	-	-	-
Peschiera Immobiliare srl	-	18	-	-	-	-	-
Premiata srl	3	-	-	594	-	-	-
Conceria Superior spa	5	-	-	2,613	-	-	-
Perseo srl	-	-	-	490	-	-	-
COR 36 srl	17	-	-	-	-	-	-
Al Tayer Insignia LLC	515	-	-	12	2,355	-	-
Danzas LLC	-	-	97	21	-	-	-
Al Tayer Motors	-	-	-	(5)	-	-	-
Al Sanam Rent a Car LLC	-	-	-	1	-	-	-
Prapar Corporation	-	-	-	3	-	-	-
PRADA HOLDING spa	222	-	-	-	-	-	-
PH-RE (ex PABE-RE llc)	-	-	-	-	-	-	315,832
FRATELLI Prada spa	6,490	31	106	626	4	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	3,728	-
Relatives of members of the Board of Directors	-	-	-	-	-	324	-
<b>Total at June 30, 2019 (unaudited)</b>	<b>9,104</b>	<b>15,608</b>	<b>203</b>	<b>6,980</b>	<b>3,347</b>	<b>4,052</b>	<b>338,808</b>

(\*) LUDO DUE srl is a company incorporated in connection with the demerger of LUDO srl to which it has acquired certain assets and liabilities under a universal title of succession.

## STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2018 (AUDITED)

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

## STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED)

Currency	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest expenses
Les Femmes srl	-	2,297	-	-	-
CECCO BRUNA 2011 srl	-	30	-	-	-
DFS Hawaii	-	-	1,458	-	-
DFS Venture Singapore (Pte) Limited	-	-	97	-	-
DFS Cotai limitada	-	-	1,605	-	70
SPELM SA	-	-	212	-	18
LUDO DUE srl (*)	-	-	317	-	18
Luna Rossa Challenge 2013 srl	32	-	8,003	-	-
Chora srl	-	-	1,070	-	-
Peschiera Immobiliare srl	-	10	9	-	-
Premiata srl	-	595	368	-	-
Conceria Superior spa	9	10,589	58	-	-
Perseo srl	-	852	-	-	-
COR 36 srl	1	-	(14)	-	-
Al Tayer Group LLC	-	-	65	-	-
Al Tayer Insignia LLC	725	-	70	-	-
Danzas LLC	-	11	36	-	-
Al Sanam Rent a Car LLC	-	-	5	-	-
PRADA HOLDING spa	-	-	(61)	-	-
PH-RE (ex PABE-RE llc)	-	-	9,946	-	1,421
FRATELLI Prada spa	9,665	117	568	292	-
Relatives of members of the Board of Directors	-	-	553	-	-
<b>Total at June 30, 2019 (unaudited)</b>	<b>10,432</b>	<b>14,501</b>	<b>24,365</b>	<b>292</b>	<b>1,527</b>

(\*) LUDO DUE srl is a company incorporated in connection with the demerger of LUDO S.r.L. to which it has acquired certain assets and liabilities under a universal title of succession.

## STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2018 (UNAUDITED)

Currency	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income
DFS Hawaii	-	-	1,541	-
DFS Venture Singapore (Pte) Limited	-	-	139	-
DFS DFS Cotai limitada	-	-	2,493	-
SPELM Sa	-	-	214	-
Luna Rossa Challenge 2013 srl	35	-	(72)	-
Luna Rossa Challenge 2013 srl (Sponsoring Agreement CCT)	-	-	9,213	-
Chora srl	-	-	990	-
Peschiera Immobiliare srl	-	(2)	277	-
Premiata srl	-	504	350	-
La Mazza srl	-	92	-	-
Conceria Superior spa	6	9,997	57	-
Perseo srl	-	829	-	-
COR 36 srl	1	-	(14)	-
Al Tayer Group Llc	-	-	103	-
Al Tayer Insignia Llc	569	-	71	-
Danzas Llc	-	11	52	-
Al Tayer Motors	-	-	(1)	-
Al Sanam Rent a Car Llc	-	-	5	-
PRADA HOLDING spa	-	-	(54)	-
LUDO srl	-	-	671	-
PH-RE (ex PABE-RE llc)	-	-	10,143	-
Fratelli Prada spa	10,183	49	970	301
Relatives of members of the Board of Directors	-	-	412	-
Total at June 30, 2018 (unaudited)	10,794	11,480	27,560	301

The foregoing tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures", while the following transactions with related parties fall within the scope of application of the Hong Kong Stock Exchange Listing Rules.

The transactions with related party "PH-RE llc" (formerly PABE-RE llc) refer to the transaction between PABE-RE llc and PRADA Japan Co. Ltd in relation to the lease for the Aoyama buildings in Tokyo. The transactions reported for the six months ended June 30, 2019 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated July 15, 2015 ("Prada Aoyama") and May 26, 2017 ("Miu Miu Aoyama").

The transactions with related party "Fratelli Prada spa - franchising" refer to transactions between the Company and Fratelli Prada spa in relation to the franchising agreement for the Prada stores in Milan. The transactions reported for the six months ended June 30, 2019 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated January 25, 2017.

The transactions with related party Luna Rossa Challenge srl for the six months ended June 30, 2019 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated February 27, 2014.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported in Note 38, no transaction reported in the 2019 Interim condensed consolidated financial statements meets the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of "connected transaction" or "continuing connected transaction" according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders' approval requirements laid down in Chapter 14A.

## 38. FINANCIAL TREND

(amounts in thousands of Euro)	December 31 2018	December 31 2017 (*)	January 31 2017	January 31 2016	January 31 2015
Net revenues	3,142,148	2,741,095	3,184,069	3,547,771	3,551,696
Gross margin	2,262,594	2,030,696	2,289,112	2,567,565	2,550,579
Operating income (EBIT)	323,846	315,878	431,181	502,893	701,551
Group net income	205,443	217,721	278,329	330,888	450,730
Total assets	4,678,812	4,739,375	4,656,929	4,756,555	4,738,877
Total liabilities	1,781,743	1,873,204	1,552,399	1,659,178	1,720,730
Total Group shareholders' equity	2,877,986	2,844,652	3,080,502	3,080,340	3,000,737

(\*) eleven-month statement of profit or loss

## 39. CONSOLIDATED COMPANIES

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

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

Entity	Local currency	Share capital (000s of local currency)	% Interest	Registered office and principal country of operation	Date of incorporation/establishment (MM/DD/YYYY)	Main Business
<b>Middle East</b>						
PRADA Middle East Fzco (*)	AED	18,000	60	Jebel Ali Free Zone, AE	05/25/2011	Distribution/Services
PRADA Emirates Llc (**)	AED	300	29.4	Dubai, AE	08/04/2011	Retail
PRADA Kuwait Wll (**)	KWD	50	29.4	Kuwait City, KW	09/18/2012	Retail
PRADA Retail Wll (*)	QAR	15,000	100	Doha, QA	02/03/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75	Jeddah, SA	07/02/2014	Retail
<b>Other countries</b>						
PRADA Maroc Sarlau (*)	MAD	95,000	100	Casablanca, MA	11/11/2011	Retail
PRADA Retail South Africa Pty Ltd (*)	ZAR	50,000	100	Sandton, ZA	06/09/2014	Retail
(*) Company owned directly by PRADA spa						
(**) Company consolidated based on definition of control per IFRS 10						

## 40. DISCLOSURES REGARDING NON-CONTROLLING INTERESTS

The financial information of companies not entirely controlled by the Group is provided below, as required by IFRS 12.

June 30, 2019 financial statements (amounts in thousands of Euro):

(amounts in thousands of Euro)	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues six months	Net income / (loss) six months	Dividends paid to non-controlling shareholders
Artisans Shoes Srl.	66.7	EUR	36,254	7,656	38,637	694	(310)
TRS Hawaii Llc	55	USD	6,214	2,622	4,655	(468)	-
TRS Hong Kong Ltd	55	HKD	63	57	-	(4)	-
TRS Singapore Pte Ltd	55	SGD	1,356	1,078	736	36	-
TRS Guam	55	USD	7,548	5,123	4,546	301	-
TRS Saipan	55	USD	3,849	3,284	1,105	(126)	-
TRS New Zealand Pty. Ltd	55	NZD	-	-	-	-	-
TRS Okinawa	55	JPY	8,073	5,868	4,013	285	-
TRS MACAU	55	MOP	28,338	11,355	12,169	626	-
Prada United Arab Emirates	29.4	AED	114,700	(17,412)	23,574	(389)	-
Prada Middle East FZCO	60	AED	109,455	43,602	11,216	35	-
Prada Kuwait	29.4	KWD	26,373	998	9,907	12	-
Prada Saudi Arabia	75	SAR	24,694	6,268	8,314	(180)	-
Tannerie Limoges Sas.	60	EUR	9,472	(110)	5,471	(594)	-
Hipic Prod Impex Srl	80	RON	-	-	-	-	-
Pelletteria Ennepi Srl	80	EUR	6,632	2,494	-	79	-

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities as of the reporting date.

In 2011, PRADA spa and Al Tayer Insignia llc stipulated an agreement to develop the Prada and Miu Miu brands in the Middle East retail business. The agreement gives PRADA spa a call option exercisable on up to 20% of PRADA Middle East Fzco's share capital. At the reporting date, PRADA spa's management could not estimate with reasonable certainty the likelihood that the option will be exercised and, therefore, they could not attribute an economic value to the contractual clause.

## **41. EVENTS AFTER THE REPORTING DATE**

During the period, the application procedure for the Patent Box regime was completed and on July 1, 2019 PRADA spa and the Italian Tax Authority (“Ufficio Accordi Preventivi”) signed an agreement to determine the economic contribution regarding the direct use of intangible assets (trademarks), effective for the tax years from 2015 to 2019.

