



Separate Financial Statements 2020

SEPARATE FINANCIAL STATEMENTS 2020

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Miuccia Prada and Patrizio Bertelli

CORPORATE INFORMATION

PRADA S.P.A. CORPORATE INFORMATION

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Company Corporate web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Share Capital	Euro 255,882,400 (represented by 2,558,824,000 shares of Euro 0.10 each)
Board of Directors	Carlo Mazzi (<i>Chairman & Executive Director</i>) Miuccia Prada Bianchi (<i>Chief Executive Officer & Executive Director</i>) Patrizio Bertelli (<i>Chief Executive Officer & Executive Director</i>) Alessandra Cozzani (<i>Chief Financial Officer & Executive Director</i>) 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>)
Audit Committee	Gian Franco Oliviero Mattei (<i>Chairman</i>) Giancarlo Forestieri Maurizio Cereda
Remuneration Committee	Maurizio Cereda (<i>Chairman</i>) Carlo Mazzi Gian Franco Oliviero Mattei

Nomination Committee	Gian Franco Oliviero Mattei (<i>Chairman</i>) Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi (<i>Chairman</i>) Roberto Spada (<i>Standing member</i>) David Terracina (<i>Standing member</i>)
Supervisory Board (Italian Leg. Decr. 231/2001)	David Terracina (<i>Chairman</i>) Gian Franco Oliviero Mattei Gianluca Andriani
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Authorized Representatives in Hong Kong S.A.R.	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Alternate Authorized Representative to Carlo Mazzi in Hong Kong S.A.R.	Sing Cheong Liu Flat A, 17/F Park Haven 38 Haven Street Causeway Bay, Hong Kong S.A.R. (P.R.C.)
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong S.A.R. (P.R.C.)
Auditor	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

FINANCIAL REVIEW

INTRODUCTION

PRADA spa is the parent company of the PRADA Group. PRADA spa acts as a holding company and carries out manufacturing, distribution, retail, and brand management operations in the luxury goods sector, both directly and through its subsidiaries and associates.

Its main activities are as follows:

- production of leather goods, clothing, footwear, and accessories of all kinds bearing the Prada, Miu Miu, Car Shoe and Church's brands;
- licensing the Prada and Miu Miu trademarks for the design, production and distribution of items other than those aforementioned;
- wholesale worldwide distribution of leather goods, footwear and clothing bearing the Prada, Miu Miu and Car Shoe brands;
- retail sales at sales outlets and stores in Italy and online;
- management of equity investments;
- services to Group companies, including:
 - retail management services (preparation of budgets, selection of product mix, visual displaying, store management);
 - advertising and promotional services, in particular media planning and design;
 - information technology services regarding the IT infrastructure and the centralized, integrated management of software;
 - engineering services for store openings, renovation and maintenance;
 - financial services involving the granting of loans;
 - corporate services regarding legal affairs and tax advisory, administration/accounting, human resource, security and logistics consultancy.

The Board of Directors' Financial Review refers to PRADA spa (the "Company"), the operational holding company of the PRADA Group. It is based on the separate financial statements for the year ended December 31, 2020, prepared in accordance with the International Financial Reporting Standards ("IFRSs") adopted in the European Union. The Financial Review should be read in conjunction with the financial statements and the related notes, which form an integral part of the Separate Financial Statements.

2020 HIGHLIGHTS

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

The pandemic had the greatest effect on the Company's business in the first half of the year, although countries experienced uneven trends depending on the different timing of the outbreaks. Sales picked up gradually towards the end of the first half of the year, practically everywhere, to the point of full retail recovery in October and December compared to the same months of 2019 (November again suffered from the lockdowns, mainly in Europe).

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

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

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

Operating expenses were reduced thanks in part to rent discounts obtained and

wage supplements available. In addition, the investment program was revised during the year as some renovation and relocation projects for the retail network were postponed. Some marketing initiatives were canceled or postponed too and discretionary expenses were trimmed.

The objective of enhancing the value of the Company over the long-term, which was never called into question despite the unforeseen events, led to the appointment during the year of Raf Simons as Prada's new Creative Co-Director and the addition of important top positions in the Industrial, Marketing and Communication areas. The impetus given by the pandemic to the digital evolution reinforced the Prada Group's vision of expanding the omnichannel strategy, which during the year made additional progress: an important plan to update the back-end technological and organizational structures was established, the prada.com and miumiu.com customer experiences were redesigned on an international scale, new e-commerce markets were opened, content was localized and customized, and the digital communication strategy was strengthened through full use of social media channels, in various areas of the world. Sales from the e-commerce channel tripled from those of 2019 and the metrics measuring the Group's brand relevance in the digital world showed considerable improvements.

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

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

On the environmental front, the campaign to transition from the use of virgin nylon to regenerated nylon ("Prada Re-Nylon") proceeded according to plan thanks to the use of the new version of the iconic fabric for the production of various

articles in the clothing and footwear collections.

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

On April 22, 2020, with the aim of rationalize and simplify the Prada Group structure, the Board of Directors of Prada spa approved the plan of merger by incorporation of Fratelli Prada spa, a wholly owned subsidiary acquired by Prada spa on October 29, 2019 and operating Prada stores located in the city of Milan. On October 7, 2020 the merger agreement was signed, with legal effect on the same date and tax and accounting effect on January 1, 2020.

In December 2020, the adventure officially began in Auckland for the Luna Rossa sailing team, one of the protagonists of the Prada Cup and 36th America's Cup presented by Prada, where the Company is the Title and Presenting Sponsor. The prestigious competition, the oldest still played, has - thanks in part to Prada's contribution - a strong technological component and captivating broadcasting and webcast formats that have ensured extraordinary media exposure to the brand and global coverage with 195 territories involved.

Last, but not least, in order to optimize the retail presence in Milan and to profitably realize no longer strategic real estate assets, in December 2020 the Company sold its commercial property in Via della Spiga, occupied until March by a Prada store that closed during the pandemic and never reopened. The transaction generated an extraordinary income amounting to Euro 27 million, net of tax. On the financial front, the Company stipulated new loans and opened new lines of credit for the purpose of having greater flexibility. At the same time, the Board of Director's proposal not to distribute dividends, approved at the May 2020 General Meeting, and a disciplined cost containment plan enabled to keep the debt under strict control. The year-end net financial deficit is Euro 23 million less than at December 31, 2019, providing the basis for the applications needed to relaunch the business activities.

The following tables show some key performance and financial indicators for the past two reporting periods.

(amounts in thousands of Euro)	twelve months ended December 31 2020	%	twelve months ended December 31 2019	%
Net sales	1,156,692	97.3%	1,780,423	97.7%
Royalties	31,936	2.7%	42,400	2.3%
Net Revenues	1,188,628	100.0%	1,822,823	100.0%
Cost of goods sold	(598,424)	50.3%	(841,844)	-46.2%
Gross Margin	590,204	49.7%	980,979	53.8%
Operating expenses	(595,638)	-50.3%	(774,134)	-42.5%
EBIT	(5,434)	-0.5%	206,845	11.3%
Interest and other financial expenses, net	(55,808)	-4.6%	(55,124)	-3.0%
Dividends from investments	37,014	3.1%	48,741	2.7%
Income before taxation	(24,228)	-2.0%	200,462	11.3%
Taxation	8,052	0.6%	48,565	2.6%
Net income for the period	(16,176)	-1.4%	249,027	13.7%
Depreciation, amortization and impairment	109,319	9.2%	101,052	5.5%
EBITDA	103,885	8.7%	307,897	16.8%
Roe	0.80%		13.00%	
Roi	0.17%		6.29%	
Ros	0.46%		11.35%	

After double-digit growth in January and February, the net sales fell considerably, bottoming out between March and June; the annual contraction was 35% compared with 2019. The effects of repeated, prolonged lockdown periods were aggravated by the restrictions imposed on the movement of individuals, considering the significance of tourism flows for the market.

However, the response of local customers to the reopening of the stores and the direct e-commerce channel enabled to mitigate the effects of the missing tourism flows.

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

The gross margin decreased respect with that of 2019, whereas the operating

expenses grew as a percentage of net revenues, resulting in a drop in EBIT: from 11.3% to -0.5%. The analysis of operating expenses is detailed in the Notes to the Financial Statements (Note 25).

The net financial expenses consist primarily of the following income and expenses:

- Euro 37 million in dividends received;
- Euro 10 million in net exchange losses;
- Euro 3.5 million in net interest expense;
- Euro 40 million in impairment losses of investments in subsidiaries;
- Euro 2 million in other financial expenses.

The taxation of the year consists mainly of deferred tax assets recognized on the tax loss of the period.

During the reporting period, the Company incorporated the wholly owned subsidiary Fratelli Prada spa with accounting and tax effects from January 01, 2020. As a consequence of this operation, accounted for by using the carryover method, the Company equity decreased for Euro 51 million, difference between the value of the investment in the subsidiary and its net asset at January 01, 2020.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NET INVESTED CAPITAL

The statement of financial position is reclassified below to provide a better view of net invested capital.

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Right of use assets	294,420	274,318
Non-current assets (excluding deferred tax assets)	1,935,644	2,003,026
Trade receivables, net	526,652	776,685
Inventories, net	295,694	319,433
Trade payables	(635,002)	(865,380)
Net operating working capital	187,344	230,738
Other current assets (excluding items of financial position)	206,165	175,054
Other current liabilities (excluding items of financial position)	(179,389)	(189,644)
Other current assets/(liabilities), net	26,776	(14,590)
Provision for risks	(1,581)	(4,675)
Long-term employee benefits	(35,704)	(25,049)
Other long-term liabilities	(54,822)	(14,142)
Deferred taxation, net	42,212	29,299
Other non-current assets/(liabilities)	(49,896)	(14,567)
Net invested capital	2,394,288	2,478,925
Shareholder's equity	(1,938,553)	(2,016,425)
Total shareholders' equity	(1,938,553)	(2,016,425)
Long-term financial, net surplus/(deficit)	(240,872)	(314,186)
Short-term financial, net surplus/(deficit)	75,340	125,072
Dividend payable	(2)	(2)
Net financial position surplus/(deficit)	(165,534)	(189,116)
Long-term lease liability	(275,612)	(264,616)
Short-term lease liability	(42,146)	(39,467)
Financial receivables IFRS16 - leases	27,557	30,699
Total lease liability	(290,201)	(273,384)
Shareholders' equity and net financial position	(2,394,288)	(2,478,925)
Debt to Equity ratio	6.9%	7.6%

Change in Right of use assets is explained by the incorporation of Fratelli Prada spa for Euro 33 million and new contracts, reduced by the amortization of the year.

Non-current assets (excluding deferred tax assets), consisting of tangible assets, intangible assets and equity investments, decreased by Euro 85 million including the elimination of the investment in Fratelli Prada spa (Euro 66 million), depreciation, amortization and impairment, net of the increase for capital expenditure of the period.

As of December 31, 2020, the Company had net invested capital of Euro 2,394 million, net financial indebtedness of Euro 166 million and equity of Euro 1,939 million.

Net operating working capital was Euro 187 million at December 31, 2020, down by Euro 44 million from that of December 31, 2019.

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Net operating working capital	187,344	230,739
Derivative Financial instruments	4,657	(6,556)
Other receivables from parent, subsidiaries, associated companies and related parties	59,566	26,355
Other current assets	41,031	35,997
Current tax receivables (payables)	78,000	88,490
Other liabilities to parent, subsidiaries, associated companies and related parties	(10,706)	(30,645)
Other current liabilities	(145,773)	(128,232)
Other current assets (liabilities), net	22,475	(14,591)
Net working capital	214,119	216,148

Net working capital decreased by Euro 2 million, resulting from a decrease in the net operating working capital balanced by the increase in Other current assets, attributable to Receivables from related parties for the sale of a property in via della Spiga (Euro 20 million) and a positive fair value of Derivative Financial instruments.

NET FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Long term debt, net of current portion	(385,868)	(488,108)
Payables to parent company, subsidiaries, associates and related parties	(13,878)	-
Total financial payables - non-current	(399,746)	(488,108)
Financial payables and bank overdrafts - current	(177,787)	(122,678)
Payables to parent company, subsidiaries, associates and related parties	(53,095)	(44,007)
Total financial payables - current	(230,882)	(166,685)
Total financial payables	(630,629)	(654,793)
Financial receivables from parent company, subsidiaries, associates and related parties - non-current	158,874	173,922
Financial receivables from parent company, subsidiaries, associates and related parties - current	202,928	221,061
Cash and cash equivalents	103,295	70,696
Total financial receivables and cash and cash equivalents	465,097	465,679
Net financial surplus/(deficit), total	(165,532)	(189,114)
Dividend payable	(2)	(2)
Net financial position surplus/(deficit)	(165,534)	(189,116)
Net financial surplus/(deficit) third parties	(460,362)	(540,092)
Lease liability	(317,758)	(304,083)
Financial Receivables IFRS 16 (Leases)	27,557	30,699
Net financial surplus/(deficit) including Financial Receivables IFRS 16 and Lease liability	(750,563)	(813,476)
Net financial position surplus/(deficit) including lease liability third parties	(778,120)	(844,175)

As at December 31, 2020, the net financial shows deficit amounts to Euro 166 million, decreased by Euro 23 million compared with the previous reporting date. Long-term financial payables decreased by Euro 88 million, due to the reclassification to short-term financial payables of payments due within 12 months, net of the new bank loans.

At the end of the reporting period, the Company had access to additional credit lines totaling Euro 869 million (Euro 574 million as at December 31, 2019), of which Euro 600 million committed and Euro 269 million uncommitted.

As shown in the Statement of Cash Flows, cash flows from operating activities amount to Euro 127 million and cash used by the investing activities amount to Euro 16 million including dividends received for Euro 37 million. A detailed analysis

of dividends by counterparty is provided in Note 26 "Interest and other financial income/(expenses), net" to the Financial Statements.

FINANCIAL RISK HEDGING POLICIES

The Company's financial risk hedging policies and the effects of the strategies adopted are described in the notes to the financial statements.

RESEARCH AND DEVELOPMENT

The Company sees the creative process as the first step toward quality.

This unique approach enables the Company to anticipate and set trends, by experimenting constantly with shapes, fabrics, leathers and production techniques. Research and development activities aim to create innovative products through the search for new or improved materials, the research and definition of design concepts, and the development of prototypes.

RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in Note 28 to the Financial Statements.

TREASURY STOCK

As of December 31, 2020, the Company did not own any treasury stock.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

The "company information" and "significant acquisitions and divestments" sections of the Notes to the Financial Statements provide the information on the most significant events of the reporting period.

EVENTS AFTER THE REPORTING DATE

No significant event to be reported.

OUTLOOK

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

Continuous investment in people, products and customers relationships delivered resilience and rapid recovery in sales. At the same time, the direct control of manufacturing and distribution, combined with brand equity and focus on digital

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

PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

The Board of Directors propose to cover the loss of the period amounting to Euro 16,175,880.17 with the use of the Retained earnings reserve for the corresponding amount.

Taking into account on one hand the withdrawn distribution of the dividends of the previous year as a conservative measure and, on the other hand, the positive trends in sales of the second half of the year, continuing also in the first months of 2021, the Board recommends for the Reviewed Period, the distribution of a final dividend of Euro 89,558,840 (Euro 0.035 per share), as follows:

- Euro 51,176,480 from the Extraordinary reserve
- Euro 38,382,360 from the Retained earnings reserve.

Chief Executive Officer
Patrizio Bertelli



Milan; March 10, 2021

CORPORATE GOVERNANCE PRACTICES

The Company is seamlessly engaged in maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders, to enhance shareholder value and to uphold the Group's credibility and reputation. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, where the company has its legal seat, 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 such practices have complied with the code provisions set out in the Code for the entire Reviewed Period (i.e. the year ended December 31, 2020). This Corporate Governance report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Listing Rules. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents of non-compliance during the Reviewed Period.

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

BOARD OF DIRECTORS

A. BOARD COMPOSITION

The Board is currently composed of nine Directors, of which four are Executive Directors, one is Non-Executive Director and four are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is relevant to the business activities and strategic development of the Company and the Group. The Company has maintained both on its own website and on the website of The Stock Exchange of Hong Kong Limited (the "HKSE") an updated list of its Directors, identifying their respective roles and functions, also specifying if they are an Independent Non-Executive Director.

B. BOARD MEETINGS

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual and interim results), and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings through electronic means was 88.9%.

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

C. BOARD ATTENDANCE

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

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		2/2	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	6/6				0/1
Ms. Alessandra COZZANI (Chief Financial Officer)	6/6				1/1
Non-Executive Directors					
Mr. Stefano SIMONTACCHI	5/6				1/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI ¹	6/6	7/7	2/2	1/1	1/1
Mr. Maurizio CEREDA ²	6/6	7/7	2/2		1/1
Mr. Giancarlo FORESTIERI ³	6/6	7/7			1/1
Mr. Sing Cheong LIU ⁴	5/6			1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6				1/1
Mr. Roberto SPADA	6/6				1/1
Mr. David TERRACINA	5/6				1/1
Date(s) of Meeting	Mar 18, 2020	Feb 18, 2020	Feb 20, 2020	Mar 18, 2020	May 26, 2020
	Apr 22, 2020	Mar 4, 2020	Sep 24, 2020		
	Jun 22, 2020	Mar 17, 2020			
	Jul 29, 2020	Jul 9, 2020			
	Nov 19, 2020	Jul 29, 2020			
	Dec 21, 2020	Oct 12, 2020			
		Nov 18, 2020			
Average Attendance Rate of Directors	88.9%	100%	100%	100%	77.8%
Notes:					
1. Chairman of Audit Committee and Nomination Committee and member of Remuneration Committee					
2. Chairman of Remuneration Committee and member of Audit Committee					
3. Member of Audit Committee					
4. Member of Nomination Committee					

D. ROLES AND RESPONSIBILITIES

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

During the Reviewed Period all Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties. In addition, due to the uncertainty at a worldwide level created by the surge of the COVID-19 pandemic, the meetings of the Board held during the Reviewed Period devoted additional time to discuss the actual situation of the business as well as the measures adopted by the Company and the Group to boost its business.

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

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

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

E. NON-EXECUTIVE DIRECTORS

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

F. INDEPENDENT NON-EXECUTIVE DIRECTORS

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. The independence of the Independent Non-Executive Directors was further confirmed by the review of the Nomination Committee made on February 26, 2021. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries.

G. LIABILITY INSURANCE FOR THE DIRECTORS

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

H. DIRECTORS' TRAINING

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

The Directors (namely, Mr. Carlo Mazzi, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Stefano Simontacchi, Mr. Gian Franco Oliviero Mattei, Mr. Giancarlo Forestieri, Mr. Sing Cheong Liu and Mr. Maurizio Cereda)

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

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

APPOINTMENT OF DIRECTORS

At the shareholders' general meeting of the Company held on April 27, 2018 ("2018 AGM"), the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for Reviewed Period. Under the Company's By-laws, the Directors may be re-appointed.

CORPORATE GOVERNANCE FUNCTIONS OF THE BOARD

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

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

- (ii) to review and monitor the training and continuous professional development of directors and senior management;
- (iii) to review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the Code of Ethics, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative Decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;
- (v) to review the Environmental, Social and Governance ("ESG") matters;
- (vi) to review the Company's compliance with the Code and disclosure of such in the Corporate Governance report; and
- (vii) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

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

- (i) reviewed and approved connected transactions of the Company;
- (ii) reviewed the level of compliance with the Code;
- (iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee; and
- (iv) reviewed and approved the social responsibility report; and
- (v) approved the Group's main transactions and corporate reorganization plans.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee, each committee is chaired by an Independent Non-Executive Director. Each of the Committees' terms of reference is available on both the website of the Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.

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

A. AUDIT COMMITTEE

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

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

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

AUDITOR'S COMPENSATION

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. for the audit of the Consolidated financial statements and the Separate financial statements for the Reviewed Period, together with non-audit services rendered to Prada S.p.A. are illustrated below.

Type of service	Audit firm	Fees in thousands of euro
Audit services	Deloitte & Touche S.p.A.	450
Other advisory services	Deloitte & Touche S.p.A.	31
Total fees of audit firm for period ended December 31, 2020		481

B. REMUNERATION COMMITTEE

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

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

REMUNERATION POLICY

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

The Group's remuneration policy is designed to reward and retain highly professional staff and skilled managers, newly graduates and workers, with the certainty that

the creation of value is achieved in the medium and long term through constant organizational learning and the consolidation of collaborators' experiences and skills.

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

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

The Company has adopted long term cash incentive plans for senior managers and key managers for retention purposes, under which the benefit of a senior manager or a key manager under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period. Other incentive schemes specific to sales staff are also in place, and, technicians of the Company may receive a collection bonus that is provided to them following the development of a seasonal collection.

The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors. Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

C. NOMINATION COMMITTEE

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to determine the policy for the nomination of Directors and to make recommendations to the Board for consideration and, where appropriate, adoption on the structure, size

and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one the Chairman of the Board, Mr. Carlo Mazzi.

During the Reviewed Period, the Nomination Committee held one meeting on March 18, 2020 (with an attendance rate of 100%) to perform the annual review of the independence of the Independent Non-Executive Directors of the Company for the 2019 financial year.

The Nomination Committee held one meeting on February 26, 2021, to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period and to recommend to the shareholders the structure of the Board and the election and appointment of nine directors in total at the forthcoming shareholders' general meeting.

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

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

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

to the Board for its consideration and approval.

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

The Director Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which includes the high ethical character and reputation for integrity, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy which may be relevant to the Company's business and strategic direction, commitment in respect of available time, merit and potential contributions to the Board, and the independence criteria under the Listing Rules, if the candidate is proposed to be appointed as an independent non-executive director. The policy also lays down the nomination process on appointment or re-appointment of directors.

The Nomination Committee will review and endorse the candidates proposed by shareholders for new directorship or for re-election and make recommendations to the Board for consideration. The Board will then make a decision as to whether the nominated candidate shall be eligible to be appointed or re-appointed, as the case may be, as a director of the Company and will in turn recommend to shareholders to vote in favor of the relevant resolutions to be proposed at the shareholders general meeting of the Company.

D. SUPERVISORY BODY

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced

individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Gianluca Andriani.

BOARD OF STATUTORY AUDITORS

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

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

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

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Separate financial statements of the Company for the year ended December 31, 2020 with a view to ensuring such Separate financial statements give a true and fair view of the state of affairs of the Company itself. In preparing these Separate financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Separate financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

In addition, the Board is generally satisfied of the adequacy of resources, staff

qualifications and experience, training program and budget of the Company's accounting and financial reporting function during the Reviewed Period.

As regards the auditor of the Company, its responsibilities are stated in the auditor's reports on the Separate financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

In particular, the measures adopted by the Group to contrast and contain the impacts of the spread of the Covid-19 pandemic on the Company's activities, aimed at mitigating the health and safety risk at work, have been continuously assessed during the Reviewed Period.

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

The risk assessment documents are periodically updated by the Internal Audit Department - with the support of the management - then reviewed by the Audit Committee and submitted to the Board for the relevant approval.

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

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

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

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

INSIDE INFORMATION

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

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

- has adopted certain policies to ensure potential inside information is captured and confidentiality is maintained until timely and proper disclosure is made (the "Policy on Inside Information");
- has made available on the Company's intranet the Policy on Inside Information

- in order to ensure immediate access to it by all the Group's staff;
- has included in the procedures governing Directors and relevant employees a prohibition on dealing in the Company's shares whilst in possession of inside information; and
- has authorized only the Executive Directors and few selected members of management to act as spokespersons and respond to external enquiries.

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

JOINT COMPANY SECRETARIES

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries.

Given that the headquarter of the Company is located outside Hong Kong and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries.

During the Reviewed Period each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

B. PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' GENERAL MEETING

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share

capital may request in writing for additions to be made to the list of items on the agenda, within ten days from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com.

C. MAKING AN ENQUIRY TO THE BOARD

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary Ms. Patrizia Albano by email at corporateaffairs@pradagroup.com. The Company will not normally deal with verbal or anonymous enquiries.

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

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

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

A. DIVIDEND POLICY

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

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

Policy.

During the Reviewed Period, the Company did not distributed dividend for the financial year 2019 as a conservative measure in the context of uncertainty created by the spread of the Covid-19 pandemic. Therefore, the whole net income of the Company for the financial year 2019 amounting to Euro 249,027,388.00 was allocated to the reserves of the Company.

B. INVESTOR RELATIONS AND COMMUNICATIONS

The Company endeavors to maintain a high level of transparency when communicating with the shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, investor conferences, and results briefings are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Company strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will regularly review the arrangements to ensure its effectiveness.

The Company's corporate website (www.pradagroup.com) facilitates effective communications with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, social responsibility report, press releases, presentations, announcements, circulars to shareholders and notices of general meetings, etc.

C. SHAREHOLDERS' MEETINGS

The Company strives to maintain an on-going dialogue with its shareholders. Shareholders are encouraged to participate in general meetings either in person or through appointed proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis.

The Company uses the shareholders' general meeting as one of the main channels

for communicating with the shareholders and to ensure that shareholders' views are communicated to the Board. At the shareholders' general meeting, each substantially separate issue is proposed and considered by a separate resolution (including the election of individual directors).

In order to mitigate the risks connected with the COVID-19 pandemic, a shareholders' general meeting of the Company was held on May 26, 2020 exclusively by way of electronic means and attended by an exclusive proxyholder of all shareholders (Slaughter and May) (the "2020 AGM"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees, the Joint Company Secretaries, the auditor of the Company, Deloitte & Touche S.p.A., the statutory auditors and the scrutineer, attended the 2020 AGM.

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

Brief summary of the Ordinary Resolutions passed at the 2020 AGM	Number of Votes cast in favour (%)
To approve the Audited Separate Financial Statements which show a net income of Euro 249,027,388 and the Audited Consolidated Financial Statements of the Company for year ended December 31, 2019 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,462,582,602 (99.986%)
To approve the allocation of the net income of the Company, for the year ended December 31, 2019, as follows: (i) Euro 51,176,480 to the extraordinary reserves of the Company, and (ii) Euro 197,850,908 to the retained earnings of the Company.	2,462,935,296 (100%)

All resolutions put to the shareholders at the 2020 AGM were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2020 AGM.

D. CORPORATE COMMUNICATIONS

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

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	Note	December 31 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents	1	103,294,670	70,695,601
Trade receivables, net	2	526,652,299	776,685,379
Inventories	3	295,693,913	319,433,394
Derivative financial instruments - current	4	12,445,419	4,750,477
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties - current	5	265,626,783	250,527,495
Other current assets	6	143,153,507	143,948,556
Total current assets		1,346,866,590	1,566,040,902
Non-current assets			
Property, plant and equipment	7	791,076,443	805,676,261
Intangible assets	8	200,496,905	194,608,279
Right of use assets	9	294,419,531	274,317,989
Investments	10	903,271,935	978,436,166
Deferred tax assets	27	43,922,790	30,833,620
Other non-current assets	11	74,457,073	80,801,574
Derivative financial instruments - not current	4	6,768,227	6,103,283
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties	5	201,298,365	201,510,026
Total non-current assets		2,515,711,268	2,572,287,199
Total Assets		3,862,577,859	4,138,328,100
Liabilities and Shareholders' equity			
Current liabilities			
Short-term financial payables and bank overdrafts	13	177,787,027	122,677,897
Financial and other payables due to parent company, subsidiaries, associates and to related parties - current	14	63,800,921	74,652,660
Trade payables	15	635,001,957	865,379,896
Tax payables	16	24,123,529	19,461,981
Derivative financial instruments - current	4	7,788,853	11,305,987
Other current liabilities	17	145,772,616	128,232,431
Short-term lease liability	12	42,146,074	39,466,571
Total current liabilities		1,096,420,979	1,261,177,422
Non-current liabilities			
Long-term financial payables	18	385,868,249	488,108,349
Long-term employee benefits	19	35,704,448	25,048,799
Provision for risk and charges	20	1,581,265	4,674,948
Deferred tax liabilities	27	1,710,553	1,534,622
Other non-current liabilities	21	104,000,000	47,293,614
Derivative financial instruments- not current	4	9,249,071	8,788,752
Financial and other payables to parent company, subsidiaries, associates and related parties	14	13,877,911	20,660,000
Long-term lease liability	12	275,612,364	264,616,390
Total non-current liabilities		827,603,860	860,725,474
Total liabilities		1,924,024,839	2,121,902,896
Shareholders' equity			
Share capital		255,882,400	255,882,400
Total other reserves		1,698,846,500	1,511,515,416
Net income/(loss) of the year		(16,175,880)	249,027,388
Shareholders' equity	22	1,938,553,020	2,016,425,204
Total liabilities and shareholders' equity		3,862,577,859	4,138,328,100

STATEMENT OF PROFIT OR LOSS

(amounts in Euro)	Note	December 31 2020	December 31 2019
Net Revenues	23	1,188,628,418	1,822,823,191
Cost of goods sold	24	(598,423,944)	(841,844,065)
Gross Margin		590,204,475	980,979,127
Operating expenses	25	(595,638,175)	(774,133,905)
EBIT		(5,433,701)	206,845,221
Interest and other financial expenses, net	26	(52,856,799)	(52,214,242)
Interest income/(expenses) on lease liabilities	26	(2,952,044)	(2,910,324)
Dividends from investments	26	37,014,250	48,741,382
Total financial income/(expenses)		(18,794,594)	(6,383,183)
Income before taxation		(24,228,295)	200,462,038
Taxation	27	8,052,414	48,565,350
Net income/(loss) of the year		(16,175,880)	249,027,388

STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Net income/(loss) of the year	(16,176)	249,027
Items recycled to P&L		
Change in Cash Flow Hedge reserve	5,809	3,783
Tax impact	(1,394)	(908)
Change in Cash Flow Hedge reserve less Tax Impact	4,415	2,875
Items not recyclable to P&L:		
Change in Fair Value reserve	(15,206)	58
Tax impact	-	-
Change in Fair Value reserve less Tax Impact	(15,206)	58
Change in Actuarial reserve	(346)	(1,531)
Tax impact	405	-
Change in Actuarial reserve less Tax Impact	59	(1,531)
Total comprehensive income/(loss)	(26,908)	250,429

STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Income/(loss) before taxation	(24,228)	200,462
<u>Profit or loss adjustments</u>		
Depreciation of Right of Use assets	43,561	39,346
Depreciation and amortization of property, plant and equipment and intangible assets	65,242	61,706
Impairment of fixed assets	515	1
Losses/(gains) on disposal of fixed assets	(36,748)	(559)
Impairment of investments	40,353	32,661
Interest expenses on Lease liabilities, net	2,952	2,910
Non-monetary financial income (expenses)	(34,537)	(48,741)
Provisions and other non-monetary charges	24,087	8,384
<u>Balance sheet changes</u>		
Trade receivables, net	224,162	(95,815)
Inventories, net	31,769	(15,173)
Trade payables	(230,123)	57,556
Other current assets and liabilities	19,222	(49,304)
Other non-current assets and liabilities	7,591	7,916
Cash flows generated by operating activities	133,818	201,350
Interest paid, (net), including interest paid of Lease liabilities	(2,814)	(143)
Taxes paid	(4,159)	0
Net cash flows from operating activities	126,845	201,207
Purchase of tangible and intangible assets	(49,054)	(112,231)
Disposal of property, plant and equipment	2,320	720
Investments in subsidiaries	(6,614)	(23,101)
Financial investments	-	23,131
Dividends received	37,014	48,741
Net cash flows (used)/generated by investing activities	(16,334)	(62,740)
Dividends paid	-	(153,529)
Change in short-term bank loans	(45,000)	(42,000)
Change in short-term intercompany loans	27,563	(8,851)
Repayment of loans from subsidiaries	14,052	41,885
Repayment of Lease liabilities, net	(53,728)	(43,003)
(Disbursement) of loans to subsidiaries	(23,486)	(111,160)
Repayment of short-term portion of long-term bank loans	(177,889)	(250,000)
New long term borrowings arranged	175,000	200,000
Cash flow generated/(used) by financing activities	(83,488)	(366,658)
Change in cash and cash equivalents net of bank overdraft	27,023	(228,191)
Fratelli Prada spa -Opening cash and cash equivalents, net of bank overdraft	5,574	
Opening cash and cash equivalents, net of bank overdraft	70,696	298,887
Closing cash and cash equivalents, net of bank overdraft	103,293	70,696

STATEMENT OF CHANGES IN EQUITY

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve	Net profit (loss) for the year	Total shareholder's equity
Balance at December 31 2018	2,558,824,000	255,882	410,047	51,176	182,899	325,300	(6,585)	(12,275)	708,548	1,914,992
Net result Allocation	-	-	-	-	-	708,548	-	-	(708,548)	-
Gain/(losses) from the disposal of equity instruments	-	-	-	-	-	2,298	-	2,235	-	4,533
Dividends paid	-	-	-	-	-	(153,529)	-	-	-	(153,529)
Comprehensive income for the year (recyclable to P&L)	-	-	-	-	-	-	2,875	-	249,027	251,902
Comprehensive income for the year (not recyclable to P&L)	-	-	-	-	-	(1,531)	-	58	-	(1,473)
Balance at December 31, 2019	2,558,824,000	255,882	410,047	51,176	182,899	881,086	(3,710)	(9,982)	249,027	2,016,425
Allocation of 2019 net income - retained earnings	-	-	-	-	-	197,851	-	-	(197,851)	-
Allocation of 2019 net income -extraordinary reserves	-	-	-	-	51,176	-	-	-	(51,176)	-
Other movements	-	-	-	-	-	(50,965)	-	-	-	(50,965)
Comprehensive income/(loss) for the year (recyclable to P&L)	-	-	-	-	-	-	4,415	-	(16,176)	(11,761)
Comprehensive income/(loss) of the year (not recyclable to P&L)	-	-	-	-	-	60	-	(15,206)	-	(15,146)
Balance at December 31, 2020	2,558,824,000	255,882	410,047	51,176	234,075	1,028,032	704	(25,187)	(16,176)	1,938,553

EFFECTS OF THE MERGER OF FRATELLI PRADA ON THE COMPANY STATEMENT OF FINANCIAL POSITION AS AT JANUARY 01, 2020

(amounts in Euro)	Prada Spa December 31, 2019	Effects of Fratelli Prada Spa merger	Prada Spa January 01, 2020
Cash and cash equivalents	70,696	5,575	76,271
Trade receivables, net	776,685	1,043	777,729
Inventories, net	319,433	10,150	329,583
Derivative financial instruments	4,750	-	4,750
Receivables from parent company and other related parties	250,527	1,337	251,864
Other current assets	143,949	5,231	149,180
Total current assets	1,566,041	23,336	1,589,377
Property, plant and equipment, net	805,676	5,330	811,006
Intangible assets, net	194,608	-	194,608
Right of use	274,318	33,124	307,442
Associated undertakings	978,436	(66,000)	912,436
Deferred tax assets	30,834	2,706	33,540
Other non-current assets	80,802	18	80,820
Derivative financial instruments - not current	6,103	-	6,103
Receivables from controlling, other group company and related	201,510	-	201,510
Total non-current assets	2,572,287	(24,822)	2,547,465
Total Assets	4,138,328	(1,486)	4,136,842
Bank overdrafts and short terms loans	(122,678)	-	(122,678)
Payables to parent company and other related parties	(74,653)	-	(74,653)
Trade payables	(865,380)	(10,359)	(875,739)
Current tax liabilities	(19,462)	(961)	(20,423)
Derivative financial liabilities	(11,306)	-	(11,306)
Other current liabilities	(128,232)	(738)	(128,971)
Short-term lease liability	(39,467)	(4,748)	(44,215)
Total current liabilities	(1,261,177)	(16,806)	(1,277,984)
Long term debt, net of current portion	(488,108)	-	(488,108)
Pensions liabilities and leaving indemnities	(25,049)	(4,205)	(29,253)
Provisions	(4,675)	-	(4,675)
Deferred tax liabilities	(1,535)	-	(1,535)
Other LT liabilities	(47,294)	-	(47,294)
Derivative financial liabilities - not current	(8,789)	-	(8,789)
Payables to controlling, other group company and related	(20,660)	-	(20,660)
Long-term lease liability	(264,616)	(28,469)	(293,085)
Total non-current liabilities	(860,725)	(32,674)	(893,399)
Total liabilities	(2,121,903)	(49,480)	(2,171,383)
Share capital	(255,882)	-	(255,882)
Other Reserves	(1,511,515)	50,965	(1,460,550)
Net result for the period	(249,027)	-	(249,027)
Total shareholder's equity	(2,016,425)	50,965	(1,965,460)
Total liabilities and shareholder's equity	(4,138,328)	1,485	(4,136,843)

NOTES TO THE FINANCIAL STATEMENTS

COMPANY INFORMATION

PRADA spa is a joint-stock company with limited liability, registered and domiciled in Italy. Its headquarters are in via A. Fogazzaro 28, Milan, Italy. As of December 31, 2020, approximately 79.98% of PRADA spa's share capital was owned by PRADA Holding spa, an Italian company, and the remainder was listed on the Main Board of the Hong Kong Stock Exchange.

The ultimate indirect shareholders of PRADA Holding spa are Patrizio Bertelli and the Prada family.

The Company is not subject to the management and control of any other companies or entities, noted in accordance with the disclosure requirements of Italian Civil Code Article Art. 2497 et seq.

The Financial Statements were approved by the Board of Directors on March 10, 2021.

BASIS OF PRESENTATION

The Financial Statements, comprising the Statement of financial position, Statement of profit or loss, Statement of comprehensive income, Statement of cash flows, Statement of changes in equity and Notes to the financial statements, are prepared in compliance with International Financial Reporting Standards (IAS/IFRS) and related interpretations (SIC/IFRIC) as approved by the European Commission and enforced at the reporting date.

The Financial Statements have been prepared on a going concern basis.

NEW IFRS AND AMENDMENTS TO IFRS

New Standards and Amendments issued by the IASB, endorsed by the European Union and applicable to Prada spa from January 1, 2020.

New IFRS and Amendments to existing Standards	Effective date for Prada spa	EU endorsement status
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	January 1, 2020	Endorsed in January 2020
Amendments to IFRS 3 Business Combinations	January 1, 2020	Endorsed in April 2020
Covid-Related Rent Concessions: Amendment to IFRS 16	January 1, 2020	Endorsed in October 2020
IAS 1 and IAS 8: definition of material	January 1, 2020	Endorsed in November 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Endorsed in November 2019

Among the New IFRSs and Amendments above, only the "Covid-Related Rent Concession: Amendment to IFRS 16" had a significant impact on the Company Financial Statements, the details of which are explained below.

New Standards and Amendments issued by the IASB, endorsed by the European Union, but not yet applicable to Prada spa as effective for financial years beginning on January 1, 2021.

New IFRS and Amendments to existing Standards	Effective date for Prada spa	EU endorsement status
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9	January 1, 2021	Endorsed in December 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	January 1, 2021	Endorsed in January 2021

New Standards, Amendments to existing Standards and operational guidelines issued by the IASB, but not yet endorsed by the European Union at the date of approval of these Separate Financial Statements.

New IFRS and Amendments to existing Standards	Effective date for Prada spa	EU endorsement status
IFRS 17 Insurance Contracts	January 1, 2023	Not endorsed yet
Amendment to IAS 1 Presentation of Financial Statements in IFRS Standards	January 1, 2023	Not endorsed yet
Amendments to: -IFRS 3 Business Combinations; -IAS 16 Property, Plant and Equipment; -IAS 37 Provisions, Contingent Liabilities and Contingent Assets; -Annual Improvements 2018-2020	January 1, 2022	Not endorsed yet

AMENDEMENT TO IFRS 16 FOR COVID-RELATED RENT CONCESSIONS

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

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

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

- any rent reduction affects only payments originally due on or before June 30, 2021;

- there is no substantive change to the other terms and conditions of the lease;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

On October 12, 2020, the European Commission completed the endorsement process of the amendment to IFRS 16 for Covid-Related Rent Concessions. The application of such amendment is valid for financial statements starting from June 1, 2020, but early adoption is allowed for financial years starting from January 1, 2020. Prada SpA opted for the early adoption thus recognizing the Covid-related rent discounts from January 2020.

As a result of the above, the Statement of Profit or Loss for the twelve months ended December 31, 2020 includes a total of Euro 7 million of Covid-related rent discounts within the "Operating expenses" line-item.

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

FINANCIAL STATEMENTS

The Company has prepared the Statement of financial position classifying separately current and non-current assets and liabilities. The Notes contain more detailed information with further breakdowns of the items reported in the Statement of Financial Position.

The Profit or Loss is classified by function.

Cash flow information is reported in the Statement of cash flows which forms an integral part of the Financial Statements.

The accounting policies and the notes are an integral part of the Financial Statements.

Every item in the Statement of financial position, Statement of profit or loss, Statement of cash flows and Statement of changes in equity is detailed in the Notes to the financial statements.

MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash equivalents include all highly liquid investments with an original maturity of three months or less.

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

TRADE RECEIVABLES AND PAYABLES

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

Trade payables are recorded at nominal amount.

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

The transfer of a financial asset to third parties implies its derecognition from the statement of financial position only if all risks and rewards connected with the financial asset are substantially transferred. Risks and rewards are considered transferred when exposure to variability in the present value of future net cash flows associated with the asset changes significantly as a result of the transfer.

INVENTORIES

Raw materials, work in progress and finished products are recorded at the lower of acquisition cost or production cost and net realizable value. Cost comprises direct production costs and those overheads that have been incurred in bringing

the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis.

Provisions, adjusting the value of the inventory, are made for slow moving and obsolete inventories and if estimated selling prices are lower than cost.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recognized based on hedge accounting rules.

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is allowed if derivative financial instruments are designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognized in shareholders' equity. Accumulated gains or losses are reversed from shareholders' equity and recognized in the profit or loss for the period in which the profit or loss effect of the hedged operation is recognized.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recognized in the profit or loss. If the hedged transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the profit or loss.

ASSETS HELD FOR SALE

A non-current asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through its continued usage.

Assets classified as held for sale are valued at the lower of net book value and fair value less any costs to sell.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses.

Ordinary maintenance expenses are charged in full to profit or loss for the year they are incurred. Extraordinary maintenance expenses are capitalized if they

increase the value or useful life of the related asset.

The costs included under leasehold improvements relate to refurbishment work carried out on premises, mainly commercial, not owned by the Company.

All costs incurred during the period between the start of refurbishment work and the opening of the store are capitalized as leasehold improvements, as they are deemed necessary to bring the related assets to their working condition in accordance with company guidelines. The relevant construction or refurbishment period ranges from six to eighteen months depending on the type of store/work.

Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Machinery	Depreciation rate or period
Buildings	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	shorter of useful life and lease term (*)
Improvements to leased industrial and corporate premises	shorter of useful life and lease term (*)
Furniture and fixture retail	shorter of useful life and lease term (*)
Furniture and fixture corporate	7% - 25%
Other tangible fixed assets	4% - 50%
(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain	

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

If the term of a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of property, plant and equipment allocated on it is adjusted consistently.

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

Every year, a test is performed for indications that the value of property, plant and equipment has been impaired. If any such indications are found, an impairment test is performed to estimate the recoverable amount of the asset. The impairment loss is determined by comparing the carrying value of the asset with its recoverable value, which means the higher of the fair value of the asset less costs to sell and

its value in use.

Fair value is determined based on the best information available to reflect the amount that could be obtained from the disposal of the asset at the reporting date.

Value in use is an estimate of the present value of future cash flows expected to derive from the asset tested for impairment. Impairment losses are recorded immediately in the profit or loss.

INTANGIBLE ASSETS

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets.

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

Software refers to Information Technology development projects and includes all internal and external costs incurred to bring the asset into use. IT projects include costs incurred to acquire licenses as well as the cost of development and installation. Software is capitalized on condition that it is identifiable, reliably measurable and if it is probable that the asset will generate future economic benefits.

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

Category of intangible assets	Amortization rate or period
Store lease acquisition costs	shorter of useful life and lease term (*)
Software	10% - 33%
Development costs and other intangible assets	10% - 33%

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

All business combinations included within the scope of IFRS 3 are recorded using the acquisition method whereby identifiable assets, liabilities and potential liabilities of the acquired business, which satisfy recognition requirements, are measured at their acquisition-date fair value.

The difference between the cost of the business combination and the interest acquired in the net fair value of identifiable assets, liabilities and potential

liabilities is recorded as goodwill.

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

Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently.

An impairment loss recorded for goodwill is never reversed in subsequent years.

RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of Use of leased assets and Lease Liabilities are regulated by IFRS 16 Leases which apply to all lease contracts that provide for the payment of fixed rents, including those indexed and those that set a guaranteed minimum.

The Company recognizes the Right of use assets and the lease liability at the commencement date of the lease and based on the lease term.

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

The lease term begins on the 'commencement date' of the lease. This is defined as the date on which the lessor makes an underlying asset available for use by a lessee. It is the date on which the lessee initially recognises and measures Right of Use assets and lease liabilities.

The commencement date is not necessarily the date on which start the depreciation of the Right of Use. For retail premises, the asset leased is ready for use when

works on premises are completed and, therefore the depreciation of Right of Use shall begin after the completion of works necessary to bring a store to its working condition according to the management instructions.

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

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

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

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

Low value contracts (the price of the asset, when new and recognized on a singlecomponent basis approach, is less than Euro 5,000) and leases whose lease term is shorter than 12 months are not in the scope of "IFRS 16 Leases", so they are recognized through profit or loss on a straight-line basis over the lease term.

Purely variable rent, typically linked to sales without a guaranteed minimum, are excluded too from the scope of application of such standard.

Based on the practical expedient set by the "Amendment to IFRS16: Covid-Related Rent Concession", a lessee is not required to assess whether the Covid-related rent reductions obtained by the lessors are lease modifications. Therefore, the lessee can book such rent reduction as if they were not lease modifications, thus recognizing the entire economic benefit of such discounts immediately through profit or loss. Rent discounts are eligible for the practical expedient if they occur as a direct consequence of the Covid-19 pandemic and if all of the following criteria are met:

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

A lessee is expected to make judgement about whether other changes are substantive based on its understanding of those changes and based on how they were historically managed by the Company. As a result, in the Company's view a modification of the contract such as a renewal or the extension of the lease term is to be considered substantive only when it is not consistent with the usual practices applied by the Company and in the industry as a whole. For example, a contract renewal might be signed up a few years ahead of the formal expiration of the contract under negotiation, as it also occurred in 2020 when certain contract renewals or lease-term extension overlapped, only in terms of timing, with the negotiations for the Covid-related rental discounts.

IMPAIRMENT OF ASSETS

IAS 36 requires an impairment test to be performed on property, plant and equipment, intangible assets and investments whenever there is an indication of impairment.

Goodwill and other intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least once a year.

When the carrying amount of these assets exceeds their recoverable amount, it is

reduced accordingly and the impairment is recognized in the profit or loss. The recoverable amount of the asset is calculated as the higher of its fair value less costs of disposal (where there is an active market) and its value in use. Value in use is determined by discounting cash flows expected to arise from the use of the asset or Cash Generating Unit, as well as from the cash flow expected to arise from its disposal at the end of its useful life. Cash flow projections are based on budgets and forecasts and on long-term plans (generally 5 years) approved by the management and by the relevant business units. Cash Generating Units are determined based on the organizational structure and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets.

INVESTMENTS

Investments in subsidiaries, associated undertakings and joint ventures are accounted for under the cost method and tested for impairment whenever there is an indication of impairment.

The valuation method used is the Discounted Cash Flow model, adopting the process described in the Note Impairment of assets. If an impairment loss has to be recognized, it is charged to the profit or loss in the period in which it is identified. If the reason for the impairment loss no longer applies, the carrying amount of the investment is restored but not to more than its original cost. Such reversals are recorded in the profit or loss.

INVESTMENTS IN EQUITY INSTRUMENTS

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

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

DEFERRED TAX ASSETS

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

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

Deferred tax assets are recognized for all deductible timing differences, tax losses carry-forwards and unused tax credits only to the extent that is probable that taxable profit will be available in future years against which the deductible timing differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) in force at the reporting date.

Deferred tax assets are not discounted.

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

Deferred tax assets relating to items credited or debited directly to shareholders' equity are also credited or debited directly to shareholders' equity.

NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities include payables to banks for medium and long term loans.

Bank borrowing includes principal amounts, interest and additional arrangement costs accruing and due at the balance sheet date even when they are charged at a later date.

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

The effective rate of interest is the rate used to discount payments based on the contractual term of the loan or on a shorter period, if appropriate.

EMPLOYEE BENEFITS

Post-employment benefits mainly consist of Italian Staff Leaving Indemnities (hereinafter TFR) which are classified as defined-benefit plans.

Defined benefit plans are recognized, using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Company's obligations.

The actuarial valuation is carried out by an independent actuary using the Projected Unit Credit Method.

This method considers each period of service provided by the employee as an additional unit right and measures the actuarial liability on the basis of the matured years of service only at the date of measurement. This actuarial liability is then re-measured taking into account the relationship between the service years provided by the employee at the date of measurement and the total years of service expected at the forecast date of settlement of the benefit. Moreover, this method takes account of future salary increases, for whatever reason (inflation, career progression and new employment agreements) until the estimated termination date of the employment relationship.

Actuarial gains and losses are recognized directly in equity, net of the tax effect.

Other long-term employee benefits are recorded among non-current liabilities and their value corresponds to the present value of the defined benefit obligation at the reporting date, adjusted according to the period of the underlying agreement. Like defined benefit plans, other long term benefits are also valued using the

Projected Unit Credit Method.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges cover costs of a determinate nature that were certain or probable but whose amount or due date was uncertain at year end. Provisions are only recorded when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made based on available information.

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

DEFERRED TAX LIABILITIES

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

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

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

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

Deferred tax liabilities are not discounted.

Deferred tax liabilities are recognized in the profit or loss unless the tax amount is generated by a transaction or an event directly recognized in equity or by a

business combination.

Taxation for deferred tax liabilities relating to items credited or debited directly to shareholders' equity is also credited or debited directly to shareholders' equity. The deferred tax liabilities is only offset against deferred tax assets, when the two items refer to the same tax and the same period.

REVENUE RECOGNITION

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

- identify the contract (in writing, orally or in accordance with other customary business practices) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price for each performance obligations;
- the amount of revenue (transaction selling price) can be measured reliably;
- the significant risks and rewards of ownership are transferred to the buyer;
- all control over the goods sold has ceased;
- the economic benefits generated by the transaction will probably be enjoyed by the Company;
- the costs pertaining to the transaction can be reliably measured;
- each performance obligations has been satisfied.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Royalties under franchise agreements are recorded based on the sales made by the Company to the franchisees.

Dividends are booked in the profit or loss when the shareholders' become entitled to receive payment and are classified in the caption "Dividend from investments".

ACCOUNTING FOR COSTS

Costs are recorded on an accrual basis. In particular, a cost is immediately recognized in the profit or loss when:

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

PRE-OPENING RENTS

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

FINANCIAL EXPENSES

Financial expenses include interest on bank overdrafts, on short and long term loans, amortization of initial costs of loan operations, changes in the fair value of derivatives - insofar as chargeable to the profit or loss - and annual interest maturing on the present value of post-employment benefits.

INCOME TAXES

The provision for income taxes is determined based on a realistic estimate of the tax charge of each entity included in the tax consolidation, in accordance with the tax rates and tax laws in force or substantially approved at the reporting date.

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

CHANGES OF ACCOUNTING POLICY, ERRORS AND CHANGES IN ACCOUNTING ESTIMATES

The accounting policies adopted are only modified from one year to another if the change is required by an accounting standard or if it provides more reliable and more relevant information on the effects of operations on the Company's Statement of financial position, Profit or loss or Cash flows.

Changes of accounting policy are applied retrospectively, adjusting the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts, disclosed for each prior period presented, are also adjusted as if the new accounting policy had always been applied. A prospective approach is applied only when it is not possible to restate the comparative information.

The adoption of a new or amended accounting standard is implemented in accordance with the requirements of the standard itself. If the new standard

does not include specific transition provisions, the change of accounting policy is applied retrospectively or, if this is not feasible, prospectively.

In the case of material errors, the same approach adopted for changes in accounting standards described in the previous paragraph shall be followed. Non material errors are recognized in the profit or loss in the period in which the error is identified.

The effect of changes in accounting estimates is prospectively recorded in the profit or loss for the year the change takes place if it is the only year affected. It is also reflected in later years if they too are affected by the change.

FINANCIAL RISK MANAGEMENT

The Company's international activities expose it to a variety of financial risks including the risk of exchange rate and interest rate fluctuation. The Company's overall risk management policy takes account of the volatility of financial markets and seeks to minimize uncertainty regarding cash flow and the resulting potential adverse effects on its results.

The Company enters into hedging contracts to manage risks arising from exposure to the exchange rate and interest rate risks.

Financial instruments are accounted for based on hedge accounting rules. At the inception of the hedge contract, the Company formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

EXCHANGE RATE RISK

The Company's export sales activities expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro primarily against the US Dollar, Hong Kong Dollar, Chinese Renminbi, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign exchange risk hedging by entering into derivative contracts (forward sale and purchase, options) with third parties.

In accordance with IFRS 9, these hedging contracts are classified as cash flow hedges. The fair value of the hedging contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

INTEREST RATE RISK

The debt taken on by the Company exposes it to an interest rate risk. The Corporate Finance Department hedges this risk by arranging Interest Rate Swap and Collar agreements.

The fair value of derivative contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Meanwhile, for non-hedging derivatives qualified as fair value through profit or loss, fair value is recorded in full in the profit or loss.

USE OF ESTIMATES

In accordance with IAS/IFRS, the preparation of these financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses and when valuing contingent assets and liabilities.

Such assumptions relate primarily to transactions and events not settled as of the year-end. Accordingly, upon settlement, the actual results may differ from the estimated amounts. Estimates and assumptions are periodically reviewed and the effects of any differences are immediately charged to the profit or loss.

Estimates have been used when performing impairment tests, in determining provisions for risks and charges, the allowance for doubtful accounts, the allowance for obsolete and slow moving inventories, post-employment benefits, returns, when calculating taxes, measuring derivative instruments and evaluating the useful lives of tangible and intangible assets, lease term assessment for the lease contracts in scope for IFRS 16. The fair value of derivatives and securities is based on market listed prices at the reporting date. The fair value of derivative instruments used to hedge the interest rate risk (IRS) and derivative instruments used to hedge the exchange rate risk (forward contracts and options) has been determined using one of the valuation platforms in most widespread use on the market and based on interest rate curves and spot and forward exchange rates at the reporting date.

SIGNIFICANT ACQUISITIONS AND DISINVESTMENTS

On April 22, 2020, with the aim of rationalize and simplify the Prada Group structure, the Board of Directors of Prada spa approved the plan of merger by incorporation of Fratelli Prada spa, a wholly owned subsidiary acquired by Prada spa on October 29, 2019. On October 7, 2020 the merger agreement was signed, with legal effect on the same date and tax and accounting effect on January 1, 2020

STATEMENT OF FINANCIAL POSITION

1. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of December 31, 2020 and December 31, 2019 is presented hereunder:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Cash on hand	207	784
Bank deposit accounts	1	1
Bank current accounts	103,087	69,911
Total cash and cash equivalents	103,295	70,696

The Statement of Cash Flows and Financial Review provide additional information on the cash flows of the period.

2. TRADE RECEIVABLES, NET

Trade receivables are detailed below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade receivables due from third parties	146,224	162,903
Trade receivables due from Parent company	5	191
Trade receivables due from subsidiaries and associates	376,810	609,724
Trade receivables due from related companies	3,613	3,867
Total trade receivables	526,652	776,685

The breakdown by counterparty (except for receivables due from third parties) is provided in Note 28, "Transactions with parent companies, subsidiaries, associates and related parties".

The allowance for doubtful debts was estimated on an itemized basis, using all information available when the financial statements were prepared to align the receivables to their estimated realizable value. In addition, an allowance for expected credit losses, calculated based on specific credit rating assigned to each customer, was set up to represent the creditworthiness of wholesale clients.

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade receivables, third, parent and related parties, gross	155,837	171,205
Allowance for bad and doubtful debts	(5,995)	(4,244)
Trade receivables third parties, parent and related parties -net	149,842	166,961

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade receivables due from subsidiaries and associates, gross	378,538	613,534
Allowance for bad and doubtful debts	(1,728)	(3,810)
Trade receivables due from subsidiaries and associates, net	376,810	609,724
Total	526,652	776,685

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Opening balance	8,053	8,803
Increases	1,922	430
Utilized	(171)	(289)
Reversals	(2,082)	(891)
Closing amount	7,722	8,053

An aging analysis of the total trade receivables at the reporting date before deducting the allowance for doubtful debts is as follows:

(amounts in thousands of Euro)	December 31, 2020	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third, parent and related parties	155,837	148,842	32	8	2	73	6,881
Trade receivables, subsidiaries and associates	378,538	335,681	1,662	2,039	3,187	3,000	32,970
Total at December 31, 2020	534,375	484,523	1,694	2,047	3,189	3,073	39,851

(amounts in thousands of Euro)	December 31, 2019	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third, parent and related parties	171,205	166,245	33	36	3	136	4,752
Trade receivables, subsidiaries and associates	613,534	544,457	5,564	4,760	5,451	7,444	45,859
Total at December 31, 2019	784,739	710,702	5,597	4,796	5,454	7,580	50,611

3. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Raw materials	94,808	102,844
Work in progress	14,440	22,249
Finished products	199,863	200,592
Returns asset	32,695	32,690
Allowance for obsolete and slow-moving inventories	(46,112)	(38,942)
Inventories, net	295,694	319,433

Inventories are measured at their average weighted cost.

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

(amounts in thousands of Euro)	Raw materials	Finished Products	Total
Balance at December 31 2019	20,200	18,743	38,943
Increases	4,000	7,323	11,323
Utilized	-	(4,153)	(4,153)
Balance at December 31 2020	24,200	21,912	46,112

4. DERIVATIVE FINANCIAL INSTRUMENTS: ASSETS AND LIABILITIES

The current and non-current portions of the assets are presented below by derivative instrument:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial assets regarding derivative instruments, current	12,446	4,751
Financial assets regarding derivative instruments, non-current	6,768	6,103
Total Financial Assets - Derivative financial instruments	19,214	10,854

The current and non-current portions of the liabilities are presented below by derivative instrument:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial liabilities regarding derivative instruments, current	(7,789)	(11,306)
Financial liabilities regarding derivative instruments, non-current	(9,249)	(8,789)
Total Financial Liabilities - Derivative financial instruments	(17,038)	(20,095)
Net carrying amount - current and non-current portion	2,176	(9,241)

The net balance of derivative assets and liabilities (current and non-current portions combined) is detailed hereunder:

(amounts in thousands of Euro)	December 31 2020	December 31 2019	IFRS7 Category
Forward contracts	7,770	1,956	Level II
Options	2,921	1,359	Level II
Interest rate swap - fair value through profit and loss	8,523	7,539	Level II
Positive fair value	19,214	10,854	
Forward contracts	(3,006)	(7,112)	Level II
Options	(2,030)	(1,334)	Level II
Interest rate swap - cash flow hedge	(3,638)	(4,303)	Level II
Interest rate swap - fair value through profit and loss	(8,364)	(7,346)	Level II
Negative fair value	(17,038)	(20,095)	
Net carrying amount	2,176	(9,241)	

All of the above derivative instruments are classified as Level II in the fair value

hierarchy introduced by IFRS 7. The Company has not entered into any derivative contracts classifiable as Level I or Level III.

The fair values of derivatives arranged to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives arranged to hedge exchange rate risks (forward contracts and options) have been determined according to one of the most widely used valuation platforms on the financial market and are based on the interest rate curves and on the spot and forward exchange rates at the reporting date.

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

FOREIGN EXCHANGE TRANSACTIONS

The cash flows resulting from the Company's international activities, especially sales-related activities, are exposed to exchange rate volatility. The Company mitigates this risk by stipulating options and forward sale and purchase agreements, so as to guarantee the Euro value of identified cash flows.

The estimated future cash flows are identified mainly as the inflows from trade receivables and outflows for trade payables. In terms of the hedged amounts, the most important currencies are: U.S. Dollar, Chinese Renminbi, Japanese Yen, Hong Kong Dollar, GB Pound, Swiss Franc and Korean Won.

The notional amounts at the reporting date of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate of December 31, 2020) are listed below.

Contracts in effect as of December 31, 2020 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	December 31 2020
Currency			
Chinese Renminbi	64,319	181,739	246,058
US Dollar	53,133	61,527	114,660
Japanese Yen	39,608	58,661	98,269
GB Pound	24,660	45,571	70,231
Korean Won	37,912	48,353	86,265
Canadian Dollar	-	20,585	20,585
Hong Kong Dollar	3,857	15,006	18,863
Swiss Franc	-	14,229	14,229
Russian Ruble	-	12,174	12,174
Taiwan Dollar	4,294	10,981	15,275
Malaysia Ringgit	-	10,022	10,022
Other currencies	16,347	30,016	46,363
Total	244,130	508,864	752,994

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

Contracts in effect as at December 31, 2020 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts (*)	December 31 2020
Currency		
Swiss Franc	49,528	49,528
GB Pound	24,193	24,193
Malaysia Ringgit	5,067	5,067
US Dollar	2,445	2,445
Other currencies	5,217	5,217
Total	86,450	86,450

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

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

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	December 31 2019
Currency			
Chinese Renminbi	117,128	118,535	235,663
Japanese Yen	52,895	77,497	130,392
US Dollar	75,841	67,118	142,959
Korean Won	7,406	61,175	68,581
Other currencies	4,631	43,819	48,450
Hong Kong Dollar	22,864	41,841	64,706
GB Pound	29,149	37,612	66,761
Canadian Dollar	-	22,880	22,880
Singapore Dollar	-	21,706	21,706
Swiss Franc	-	16,003	16,003
Russian Ruble	-	15,710	15,710
Australian Dollar	-	10,535	10,535
			-
Total	309,914	534,431	844,344

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

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

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

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

All contracts in place at December 31, 2020 will mature within 12 months.

A liquidity analysis of the derivative contracts' maturities is provided in the financial risks section of these Notes.

All contracts in place at the reporting date were entered into with major financial institutions, therefore the related credit default risk is not considered to be significant.

INTEREST RATE TRANSACTIONS

The Company enters into interest rate swaps ("IRS") in order to hedge the risk associated with interest rate fluctuations on loans. The key features of the IRS agreements in place at December 31, 2020 and December 31, 2019 are summarized below:

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2020	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	34,833	1.457%	May-2030	(3,197)	Euro/000	Term loan	34,833	May-2030
IRS	Euro/000	58,500	-0.094%	Feb-2022	(313)	Euro/000	Term loan	58,500	Feb-2022
IRS	Euro/000	90,000	0.013%	Feb-2021	(3)	Euro/000	Term loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(125)	Euro/000	Term loan	100,000	Jun-2024
Total					(3,638)				

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31 2019	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	38,500	1.457%	May-2030	(2,991)	Euro/000	Term loan	38,500	May-2030
IRS	Euro/000	75,500	-0.094%	Feb-2022	(267)	Euro/000	Term loan	75,500	Feb-2022
IRS	Euro/000	90,000	0.013%	Feb-2021	(362)	Euro/000	Term loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(683)	Euro/000	Term loan	100,000	Jun-2021
Total					(4,303)				

The IRS convert the variable interest rates on bank loans into fixed interest rates. They have been arranged with major financial institutions, therefore the related credit default risk is not considered to be significant.

According to the applicable regulations, the derivatives presented above meet the requirements for designation as cash flow hedges.

The Company entered into an IRS for loans taken out by a UK subsidiary, and stipulated an IRS having the same characteristics with the same subsidiary. Therefore, those contracts are accounted for as non-hedging instruments (fair value through profit or loss):

Contract	Currency	Notional	Interest rate paid	Interest rate received	Maturity date	December 31 2020 <i>Fair value Euro/000</i>	December 31 2019 <i>Fair value Euro/000</i>	Counterparty
IRS	GBP/000	48,975	2.778%	Libor GBP/365	31/01/2029	(8,364)	(7,346)	Unicredit
IRS	GBP /000	48,975	Libor GBP/365	2.83%	31/01/2029	8,523	7,539	Kenon Ltd
Total IRS - <i>Fair value through profit or loss</i>						159	193	

INFORMATION ON FINANCIAL RISKS

CAPITAL MANAGEMENT

The Company's capital management strategy is intended to safeguard the Group's ability to guarantee a return to shareholders, protect the interests of other stakeholders, comply with loan covenants and maintain a viable, balanced capital structure.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IFRS 7

FINANCIAL ASSETS

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	103,295	-	103,295	1
Trade receivables, net	526,652	-	526,652	2
Derivative financial instruments	-	19,214	19,214	4
Financial receivables from parent, subsidiary and associated companies and related parties	361,802	-	361,802	5
Financial receivables IFRS 16 - lease	27,557	-	27,557	5
Investments in equity instruments	64,203	-	64,203	10
Total at December 31, 2020	1,083,509	19,214	1,102,723	

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	70,696	-	70,696	1
Trade receivables, net	776,685	-	776,685	2
Derivative financial instruments	-	10,854	10,854	4
Financial receivables from parent, subsidiary and associated companies and related parties	394,983	-	394,983	5
Financial receivables IFRS 16 - lease	30,699	-	30,699	5
Investments in equity instruments	79,408	-	79,408	10
Total at December 31, 2019	1,352,471	10,854	1,363,325	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	563,655	-	563,655	11, 16
Financial payables - parent, subsidiary and associated companies and related parties	66,973	-	66,973	12
Trade payables	635,002	-	635,002	13
Derivative financial instruments	-	17,038	17,038	4
Lease liabilities (IFRS16)	317,758	-	317,758	12
Total at December 31, 2020	1,583,388	17,038	1,600,426	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	610,786	-	610,786	13, 18
Financial payables - parent, subsidiary and associated companies and related parties	44,007	-	44,007	14
Trade payables	865,380	-	865,380	15
Derivative financial instruments	-	20,095	20,095	4
Lease liabilities (IFRS16)	304,083	-	304,083	12
Total at December 31, 2019	1,824,256	20,095	1,844,351	

FAIR VALUE

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

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

The reported amount of Investments in equity instruments corresponds to its fair value (Level I) as explained in Note 10.

Lease liability is reported at the present value, while all of the other financial liabilities are carried at approximately their fair value.

CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk is represented by all the financial assets recognized in the financial statements.

The Directors consider the Company's credit risk to regard essentially the trade

receivables generated from sales to independent clients in the wholesale channel. The Company manages credit risk and mitigates the related effects through its business and financial strategies. Credit risk is managed by monitoring and checking the reliability and solvency of customers, and is carried out by the Group's Sales Management.

The lack of concentration of the total trade receivables with any one customer and the evenly spread out geographical composition of the receivables worldwide mitigate the risk of incurring financial losses.

The expected loss on past-due receivables and doubtful accounts at the reporting date is fully covered by the allowance for doubtful debts.

The changes in the allowance for doubtful debts are shown in Note 2 on trade receivables.

LIQUIDITY RISK

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

According to the Directors, the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Company to meet its financial requirement arising from investing activities, working capital management, punctual loan repayment and dividend payments without using all the available funding, so that surplus resources may be used to pay dividends.

As at December 31, 2020, the Company had undrawn cash credit lines of Euro 869 million, of which Euro 600 million committed and Euro 269 million uncommitted. As required by IFRS 7, with respect to forward contracts and options, only the anticipated cash flows that are negative at the reporting date are reported. Both positive and negative cash flows are presented for interest rate swaps. The anticipated cash flows from interest rate swaps as at December 31, 2020 were all negative.

The cash flows shown below have not been discounted and therefore differ from

the amounts included in the table of derivative financial instruments (current and non-current) presented at the beginning of this section.

Financial liabilities under derivative financial instruments.

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2020	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Net cash flows (outflows/inflows) of forward contracts	(2,931)	(2,351)	(580)	-	-	-
Net cash flows (outflows/inflows) of options	(831)	(520)	(312)	-	-	-
Interest rate swaps	(3,426)	(341)	(314)	(910)	(501)	(1,361)
Net value	(7,188)	(3,212)	(1,206)	(910)	(501)	(1,361)

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2019	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Net cash flows (outflows/inflows) of forward contracts	(7,112)	(5,196)	(1,916)	-	-	-
Net cash flows (outflows/inflows) of options	(183)	(129)	(54)	-	-	-
Interest rate swaps	(4,110)	(449)	(867)	(989)	(606)	(1,199)
Net value	(11,405)	(5,774)	(2,837)	(989)	(606)	(1,199)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Reported amount at December 31, 2020	Future contractual cash flows at December 31, 2020	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	Beyond 4 years
Lease liabilities (IFRS16)	317,758	317,758	-	21,322	20,899	39,347	37,369	35,963	162,858
Financial payables to banks	563,655	563,655	-	137,988	39,444	166,389	53,889	42,778	123,167
Financial payables to subsidiaries, parent company and related parties	66,973	66,973	53,095	-	-	13,878	-	-	-
Total	948,386	948,386	53,095	159,310	60,343	219,614	91,258	78,741	286,025

(amounts in thousands of Euro)	Reported amount at December 31, 2019	Future contractual cash flows at December 31, 2019	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Lease liabilities (IFRS16)	304,083	304,083	-	19,803	19,679	36,324	33,042	31,160	164,075
Financial payables to banks	610,786	611,500	-	83,945	38,944	259,389	148,389	35,889	44,944
Financial payables to subsidiaries, parent company and related parties	44,007	44,007	30,129	13,878	-	-	-	-	-
Total	958,876	959,590	30,129	117,626	58,623	295,713	181,431	67,049	209,019

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk deriving from fluctuations of foreign currencies against the Euro.

Foreign exchange risk consists of the risk that cash flows from distributors could fluctuate as a result of changes in exchange rates. The most important currencies for the Company are the U.S. Dollar, Hong Kong Dollar, Japanese Yen, Chinese Renminbi and British Pound Sterling.

Foreign exchange risk management is one of the risk management activities carried out by the centralized Treasury Department.

The following table shows the sensitivity of net income and equity to a fluctuation range for the main foreign currencies against the Euro, based on the Company's financial position and performance at December 31, 2020:

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
GB Pound	356	2,923	(436)	(3,399)
Hong Kong Dollar	1,997	2,747	(2,190)	(2,970)
Japanese Yen	1,947	6,049	(2,149)	(6,058)
Chinese Remnimbi	192	4,292	(63)	(4,395)
US Dollar	(1,720)	5,759	1,466	(7,632)
Other currencies	1,203	9,033	(1,509)	(10,294)
Total	3,976	30,803	(4,882)	(34,749)

The total impact on equity (increase of Euro 30.8 million and decrease of Euro 34.7 million) is the sum of the effect on profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies. The effects on net income and equity are shown before taxes.

Management considers this sensitivity analysis to be purely indicative, as it is based on the end-of-period exposure, which might not reflect the effects actually generated during the year.

INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations with respect mainly to the interest expense on its financial debt. Interest rate risk management is one of the risk management activities carried out by the centralized Treasury Department.

The following table shows the sensitivity of net income and equity to a shift in the interest rate curve based on the Company's financial position as at December 31, 2020.

(amounts in thousands of Euro)	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity	Shift in interest rate curve	Positive/ (negative) effect on net income for the year	Positive/ (negative) effect on shareholders' equity
Euro	+ 0.50%	(784)	311	-0.50%	63	(1,070)
GB Pound	+ 0.50%	140	140	-0.50%	(140)	(140)
Hong Kong Dollar	+ 0.50%	11	11	-0.50%	(11)	(11)
US Dollar	+ 0.50%	91	91	-0.50%	(91)	(91)
Other currencies	+ 0.50%	409	409	-0.50%	(409)	(409)
Total		(133)	962		(588)	(1,721)

The total impact on equity is the sum of the effect on profit or loss and on equity of a hypothetical shift in the interest rate curve. The effects on net income and equity are shown before taxes.

Sensitivity analysis was based on the end-of-period net financial position, which may not reflect the actual exposure to interest rate risk during the year. For this reason it is considered purely indicative.

5. FINANCIAL AND OTHER RECEIVABLES DUE FROM PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The short-term receivables due from subsidiaries and other companies are detailed below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial receivables	202,928	221,061
Other receivables	59,566	26,355
Short term loan receivable IFRS16	3,133	3,112
Financial and other receivables – due within a year	265,627	250,528

The financial receivables include Euro 179 milion of the principal on the loans to subsidiaries due within 12 months, shown net of the allowance for expected credit losses of Euro 2.3 million.

In the Other receivables Euro 20 million refer to the short-term part of the receivable for the sale of the property in Via della Spiga 18 in Milan.

The amount is broken down by counterparty in Note 28.

Long-term receivables due from parent companies and other Group companies are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial receivables	183,298	201,510
Other receivables	18,000	-
Financial and other receivables – due after or more than a year	201,298	201,510

The financial receivables include the principal on the loans to subsidiaries due after more than 12 months, shown net of the allowance for expected credit losses of Euro 1.8 million.

Other receivables refer to the long-term part of the receivable for the sale of the property in Via della Spiga 18 in Milan.

6. OTHER CURRENT ASSETS

The other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
VAT	12,786	29,429
Income tax and other tax receivables	89,338	78,523
Other assets	1,995	5,333
Prepayments	38,928	30,520
Deposits	107	144
Total other current assets	143,154	143,949

The Income tax and other tax receivables consist of the total advances paid net of the current tax liability. VAT receivables decreased due to a refund obtained.

OTHER ASSETS

The other current assets are detailed hereunder:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Advances to suppliers	159	2,002
Advances to employees	310	439
Other receivables	1,527	2,892
Total other current assets	1,995	5,333

PREPAYMENTS

The prepayments and accrued income are broken down below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Rental costs	208	199
Insurance	571	432
Design costs	21,198	11,631
Fashion shows and advances on advertising campaigns	6,902	11,826
Others	10,049	6,432
Total prepayments and accrued income	38,928	30,520

The prepaid design costs consist primarily of costs incurred to design collections that will generate revenue in the following period.

7. PROPERTY, PLANT AND EQUIPMENT

The historical cost and accumulated depreciation of the past three periods are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
Historical cost	606,356	188,701	137,764	105,592	104,674	43,710	1,186,797
Accumulated depreciation	(85,787)	(132,727)	(77,739)	(62,387)	(61,458)	-	(420,098)
Net carrying amount at December 31, 2018	520,569	55,974	60,025	43,205	43,216	43,710	766,699
Historical cost	618,150	199,599	137,879	180,547	108,554	22,452	1,267,181
Accumulated depreciation	(99,775)	(142,366)	(86,628)	(66,143)	(66,592)	-	(461,504)
Net carrying amount at December 31, 2019	518,375	57,233	51,251	114,404	41,962	22,452	805,677
Historical cost	621,130	210,890	141,630	198,315	109,180	27,121	1,308,266
Accumulated depreciation	(113,873)	(157,295)	(96,008)	(79,130)	(70,884)	-	(517,190)
Net carrying amount at December 31, 2020	507,257	53,595	45,622	119,185	38,296	27,121	791,076

The changes in the carrying amount of “property, plant and equipment” for the year ended December 31, 2020 are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
Balance at December 31, 2019	518,375	57,233	51,251	114,404	41,962	22,452	805,677
Incorporation of Fratelli Prada	2,502	1,034	258	1,432	105	-	5,331
Additions	1,340	5,673	2,194	5,592	3,140	12,175	30,114
Depreciation	(14,194)	(10,643)	(8,576)	(5,626)	(5,576)	-	(44,615)
Disposals	(2,521)	(410)	(254)	(154)	(31)	-	(3,370)
Other movements	1,755	708	749	4,052	(1,304)	(7,506)	(1,546)
Impairment	-	-	-	(515)	-	-	(515)
Balance at December 31, 2020	507,257	53,595	45,622	119,185	38,296	27,121	791,076

The disposals under Land and buildings referred to the sale of the real estate used to operate the Prada store in via della Spiga 18 in Milan, which closed in March 2020 following the pandemic and never reopened. On December 29, 2020, with a view to profitably realize no longer strategic assets, Prada spa sold the aforementioned property to the related party Orexis srl for a consideration of Euro 40 million, generating a gain on disposal of Euro 37 million (gross of tax effects). The selling price was supported by an independent appraisal, as reported in the

Announcement published the same day of the transaction following the application of the HK Stock exchange Listing Rules. The consideration, apart from the amount of Euro 2 million received immediately, will be collected for Euro 20 million in 2021 and for Euro 18 million in 2022.

The increases for “land and buildings” and “production plant and machinery” are attributable mainly to the capital expenditure invested to bolster and improve the manufacturing and logistics activities, within a broader plan to expand the production capacity.

The increases in furniture and fittings and in leasehold improvements regarded largely restyling projects.

“Other tangibles” includes the product archive, which expresses the identity and history of the Group’s brands and serves as a constant source of inspiration.

8. INTANGIBLE ASSETS

The historical cost and accumulated amortization of the past three periods are set forth below:

(amounts in thousands of Euro)	Trade-marks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
Historical cost	13,756	111,875	55,521	127,019	26,530	14,668	349,369
Accumulated depreciation	(5,692)	(3,463)	(43,767)	(82,501)	(17,562)	-	(152,985)
Net carrying amount at December 31, 2018	8,064	108,412	11,754	44,518	8,968	14,668	196,384
Historical cost	13,756	111,875	33,665	153,503	26,530	15,161	354,490
Accumulated depreciation	(8,624)	(3,463)	(32,512)	(95,767)	(19,516)	-	(159,882)
Net carrying amount at December 31, 2019	5,132	108,412	1,153	57,736	7,014	15,161	194,608
Historical cost	13,756	111,875	33,665	191,740	26,502	3,407	380,945
Accumulated depreciation	(11,557)	(3,463)	(32,834)	(111,214)	(21,381)	-	(180,449)
Net carrying amount at December 31, 2020	2,199	108,412	831	80,526	5,121	3,407	200,496

The changes in the carrying amount of intangible assets for the year ended December 31, 2020 are set forth below:

(amounts in thousands of Euro)	Trade- marks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Develop- ment costs and other intangibles	Assets in progress	Total
Balance at December 31, 2019	5,132	108,412	1,153	57,736	7,014	15,161	194,608
Additions	-	-	-	23,761	70	2,757	26,588
Amortization	(2,933)	-	(322)	(15,429)	(1,944)	-	(20,628)
Disposals	-	-	-	-	-	(3)	(3)
Other movements	-	-	-	14,458	(19)	(14,508)	(69)
Balance at December 31, 2020	2,199	108,412	831	80,526	5,121	3,407	200,496

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

GOODWILL

"Goodwill" as at December 31, 2020 amount to Euro 108.4 million, including Euro 78.3 million referring to wholesale distribution activities in Italy and Euro 25.9 million to Italian retail activities. As required by IAS 36, the values of intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least annually. No other indefinite life intangible assets, apart from goodwill, has been identified by the Company.

The method used to identify the recoverable amount (value in use) consists of discounting the projected cash flows generated by the activities directly attributable to the business to which the goodwill has been allocated (Cash Generating Unit or "CGU").

Value in use is the sum of the present value of future cash flows. Cash flows are estimated considering the operating conditions of the tested CGU at the reporting date and, in response to planning difficulties arising from the public health emergency, were projected on the basis of particularly conservative scenarios. The discount rate used to discount cash flows is calculated using the weighted average cost of capital (WACC) approach. The weighted average cost of capital used for discounting purposes was 7% determined taking into consideration specific parameters: market risk premium and sovereign bond yield. The "g" rate of growth

used to calculate the terminal value has been set at 1.6%, and can be considered prudent given the average growth expected for the luxury goods market at the reporting date.

As a result of the impairment test performed, no impairment losses have been identified on goodwill. In order to ensure that the changes to the main assumptions did not significantly affect the results of the impairment tests, sensitivity analysis were conducted. With these stress tests, the growth rate "g" was reduced by up to 50 basis points, while the WACC rate was increased up to 50 basis points, continuing to show significant coverage.

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

9. RIGHT OF USE ASSETS

The changes in the net book value of the Right of Use assets for the period ended December 31, 2020 are shown below:

(amounts in thousands of Euro)	Right of Use Buildings	Right of Use Cars transport vehicles	Right of Use Plant & Machinery	Total Net Book Value
Opening Balance	271,218	1,339	1,762	274,319
Incorporation of Fratelli Prada spa	33,098	26	-	33,124
Additions	30,740	474	1,029	32,243
Depreciation	(41,947)	(890)	(725)	(43,561)
Disposals	(1,697)	(7)	-	(1,704)
Total	291,412	941	2,066	294,420

The additions for the period mainly relate to new contracts, while the disposals relate substantially to early termination of contracts.

10. INVESTMENTS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Investments in subsidiaries and associated undertakings	839,026	898,984
Investments at FVTOCI	64,203	79,408
Other investments	43	43
Total	903,272	978,435

The Company, after appropriate evaluation by the Boards, invested surplus liquidity in highly rated equity securities listed on the most important electronic stock markets in the world. The reduction for the year in "investments at FVTOCI", equal to Euro 15.2 million, refers to the change in the value of such securities and was recognized in the specific equity reserve.

The investments as at December 31, 2020 and December 31, 2019 are presented hereunder:

(amounts in thousands of Euro)	Note	December 31 2019	Increases	Decreases	December 31 2020
Investments in subsidiaries:					
Artisans Shoes S.r.l.		2,706			2,706
Church & Co Ltd	(1)	117,730		(31,217)	86,513
FRATELLI Prada S.P.A	(2)	66,000		(66,000)	
Figline Srl		10	325		335
Hipic Prod Impex Srl		3,836			3,836
IPI Logistica S.r.l.		1,798			1,798
Kenon Limited		99,478			99,478
Les Femmes Srl		1,960			1,960
Marchesi 1824 srl	(1)	5,092	5,229	(5,626)	4,694
PRM Services S. De R.L. de CV		407			407
Pelletteria Ennepi S.r.l.		4,695			4,695
Post Development Corp.		54,807			54,807
Prada (Thailand) Co.,Ltd.		4,845			4,845
Prada Asia Pacific Ltd.		1,120			1,120
Prada Australia Pty. Ltd		7,267			7,267
Prada Austria GmbH		2,185			2,185
Prada Belgium sprl		4,004			4,004
Prada Bosphorus Deri Mamuller Limited Sirketi		22,897			22,897
Prada Brazil	(1)	-	20,382	(6,289)	14,093
Prada Canada Corp.		5,086			5,086
Prada Czech Republic s.r.o.		1,894			1,894
Prada Denmark		3,491			3,491
Prada Germany GmbH		14,122			14,122
Prada Hellas Single Partner Limited Liability Company		1,764			1,764
Prada Japan Co., Ltd.		28,770			28,770
Prada Kazakhstan LLP		4,938			4,938
Prada Korea Ltd.		10,631			10,631
Prada Middle East FZCO		2,093	13		2,106

(amounts in thousands of Euro)	Note	December 31 2018	Increases	Decreases	December 31 2019
Prada Montecarlo Sam	(1)	17,529	6,800	(500)	23,829
Prada Netherlands B.V.		3,623			3,623
Prada New Zealand Pty. Ltd		2,192			2,192
Prada Panama SA		1,760			1,760
Prada Portugal, Unipessoal LDA		955			955
Prada Retail Aruba		1,623			1,623
Prada Retail France SaS		48,195			48,195
Prada Retail Malaysia Sdn		292			292
Prada Retail SPC		3,041			3,041
Prada Retail UK Ltd		21,170			21,170
Prada Rus LLC		39,388			39,388
Prada SA		23,315			23,315
Prada ST. Barthelemy		1,600			1,600
Prada Saudi Arabia		10,671			10,671
Prada Singapore Pte, Ltd.		2,478			2,478
Prada South Africa (Pty) Ltd		3,709			3,709
Prada Spain S.A.		29,375			29,375
Prada Sweden AB		8,121			8,121
Prada Switzerland sa		56,357	16,924		73,281
Prada USA Corp.		145,759			145,759
Prada Ukraine		6			6
Prada Vietnam		2,637			2,637
TRS Hong Kong Ltd		31			31
TRS Saipan		4			4
TRS Singapore Pte Limited		156			156
Tannerie Limoges S.A.S.		1,374			1,374
Investments in other entities		79,452	-	(15,206)	64,246
Total		978,436	49,673	(124,837)	903,272

Investments for which indications of impairment had been identified, also considering the persisting uncertainties due to Covid-19 pandemic's effects on the entire luxury goods industry, were tested for impairment. In order to perform the impairment test, management assessed the recoverable amount based on the investment value in use, calculated as the sum of the present value of future cash flows expected from the business plan projections and the present value of the subsidiary net assets at the end of the business plan period (terminal value). In response to planning difficulties arising from the public health emergency, future retail and wholesale revenues were projected on the basis of particularly conservative scenarios, predicting a gradual return to pre-Covid sales volumes with growth in line with the most recent industry forecasts published by third-party experts. Furthermore, the rent concessions and government subsidies obtained in 2020 were not projected in the plans. Finally, no significant improvement in the performance of the assets existing at December 31, 2020 was projected. The rate used to discount cash flows was calculated using the weighted average

cost of capital (WACC). For the year ended December 31, 2020, the WACC used for discounting purposes ranged between 3.8% and 14.5% (between 4.2% and 12.6% at December 31, 2019). The WACC was calculated ad hoc for each investment subject to impairment, considering the parameters specific to the related geographical area: market risk premium and sovereign bond yield. For the latter data, the observation period for determining the risk-free rate was extended in some cases to five years in order to minimize the dilutive effect on rates of the expansionary monetary policies adopted by central banks to cope with the public health emergency.

The “g” rate of growth used to calculate the terminal value ranged between 1.5% and 13%, according to the diverging inflation and GDP outlooks in the various countries. However, the prevalent growth rate was 2%, which can be considered prudent given the average growth expected for the luxury goods market in general and the specific growth rate projected for the PRADA Group at the reporting date. The recoverable amount of the investment in Church & Co Ltd has been determined as its fair value less costs to sell, deemed the best approach for expressing the value of the centenarian Group in the current uncertain situation.

As a result of the impairment test, the following impairment losses have been identified:

(amounts in thousands of Euro)		December 31 2020
Church & Co Ltd		(31,217)
Marchesi 1824 srl		(5,626)
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.		(3,010)
Prada Montecarlo Sam		(500)
Total		(40,353)

However, since the recoverable amounts of the investments are measured on the basis of estimates and assumptions, management cannot guarantee that the value of the investments will not be subject to further impairment losses in the future.

Notes:

- (1) The decrease reflects the writedown ensuing from the impairment test conducted to determine the recoverable amount.
- (2) On April 22, 2020, with the aim of rationalize and simplify the Prada Group structure, the Board of Directors of PRADA spa approved the plan of merger

by incorporation of Fratelli Prada spa, a wholly owned subsidiary acquired by PRADA spa from related parties on October 29, 2019. On October 7, 2020 the merger agreement was signed, with legal effect on the same date and tax and accounting effect on January 1, 2020.

Additional information on subsidiaries and associates:

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Artisans Shoes S.r.l.	2,706	1,000	1	7,751	66.70%
IPI Logistica S.r.l.	1,798	600	36	2,908	100.00%
Les Femmes srl	1,960	n/a	n/a	n/a	40.00%
Marchesi 1824 srl	4,694	414	(5,402)	(3,281)	100.00%
Pelletteria Ennepi S.r.l.	4,695	93	(615)	1,898	90.00%
Post Development Corp.	54,807	36,784	1,982	75,545	100.00%
Prada Austria GmbH	2,185	40	(877)	8,278	100.00%
Prada Belgium sprl	4,004	4,000	169	4,219	100.00%
Prada Bosphorus Deri Mamuller Limited Sirketi	22,897	8,010	(7,464)	(1,241)	100.00%
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	14,093	52,561	(2,999)	14,170	100.00%
Prada Canada Corp.	5,086	192	1,968	31,890	100.00%
Prada Czech Republic s.r.o.	1,894	95	(321)	1,012	100.00%
Prada Denmark	3,491	3,494	50	3,926	100.00%
Prada Netherlands B.V.	3,623	20	(1,053)	12,041	100.00%
Prada Germany GmbH	14,122	215	(2,888)	15,966	100.00%
Prada Hellas Single Partner Limited Liability Company	1,764	2,850	(452)	547	100.00%
Prada Kazakhstan LLP	4,938	968	245	1,441	100.00%
Prada Maroc Sarlau	-	8,730	(2)	(2)	100.00%
Prada Middle East FZCO	2,106	3,994	(40)	40,035	60.00%
Prada Montecarlo Sam	23,829	2,000	1,549	3,536	100.00%
Prada Panamá S.A.	1,760	24	(161)	1,548	100.00%
Prada Portugal, Unipessoal LDA	955	5	(283)	2,328	100.00%
Prada Retail Aruba N.V.	1,623	1,639	(58)	1,700	100.00%
Prada Retail France SaS	48,195	4,000	(2,804)	22,633	100.00%
Prada South Africa (Pty) Ltd	3,709	2,774	(1,354)	919	100.00%
Prada Retail SPC	3,041	3,308	381	6,829	100.00%
Prada Retail UK Ltd	21,170	5,562	(5,828)	31,192	100.00%
Prada Rus LLC	39,388	3	(999)	32,284	100.00%
Prada SA	23,315	31	(463)	(13,489)	100.00%
Prada Saudi Arabia	10,671	5,793	(420)	4,380	75.00%
Prada Spain S.A.	29,375	240	(2,245)	15,881	100.00%
Prada Saint Barthelemy SARL	1,600	1,600	(129)	1,345	100.00%
Prada Switzerland sa	73,281	22,218	(597)	33,837	100.00%
Prada Ukraine	6	6,909	(316)	1,118	100.00%
Prada USA Corp.	145,759	124,041	(3,378)	232,034	100.00%
PRM Services S.A. de R.L. de C.V.	407	295	91	816	100.00%
Prada Asia Pacific Ltd.	1,120	315	(10,361)	304,755	100.00%
Church & Co Ltd	86,513	3,126	(17,579)	31,107	100.00%
Prada Singapore Pte, Ltd.	2,478	617	401	20,066	100.00%
Prada Korea Ltd.	10,631	6,082	7,353	76,194	100.00%
Prada (Thailand) Co.,Ltd.	4,845	10,129	165	14,292	100.00%
Prada Australia Pty. Ltd	7,267	8,493	726	12,693	100.00%
TRS Saipan	4	1,145	(473)	2,427	55.00%
TRS Hong Kong Ltd	31	53	(6)	44	55.00%
Prada Retail Malaysia Sdn	292	203	(1,046)	6,796	100.00%
TRS Singapore Pte Limited	156	308	(297)	716	55.00%

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
TRS MACAU	-	-	(3,628)	7,864	55.00%
Prada New Zealand Pty. Ltd	2,192	2,061	67	2,049	100.00%
Prada Vietnam	2,637	2,340	(88)	1,311	100.00%
Prada Sweden AB	8,121	50	(52)	4,052	100.00%
Kenon Limited	99,478	93,434	925	84,544	100.00%
Prada Japan Co., Ltd.	28,770	9,487	18,298	41,916	100.00%
Tannerie Limoges S.A.S.	1,374	600	(331)	146	60.00%
Hipic Prod Impex Srl	3,836	41	(1,402)	(1,333)	80.00%
Figline Srl	335	10	(1,109)	(874)	100.00%
	839,026				

The amounts shown are those reported for consolidation purposes before the resolutions of the respective Boards of Directors which approve the financial statements were passed, so they could differ from the final version.

11. OTHER NON-CURRENT ASSETS

The composition of the other non-current assets is set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Prepaid for commercial agreements	58,427	62,600
Sundry other long-term receivables	12,325	15,656
Long-term guarantee deposits	3,705	2,545
Total	74,457	80,802

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

The security deposits are set forth below by type:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Nature:		
Stores	1,835	1,835
Offices	44	44
Warehouses	24	24
Other	1,802	642
Total	3,705	2,545

The security deposits are set forth below by maturity

(amounts in thousands of Euro)	December 31 2020
Maturity:	
within 1-2 years	-
within 2-3 years	298
within 3-4 years	553
within 4-5 years	1,180
After 5 years	1,674
Total	3,705

12. LEASE LIABILITY

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Short-term Lease Liability	42,146	39,467
Long-term Lease Liability	275,612	264,616
Total	317,758	304,083

The Lease Liabilities increased from Euro 304 million at January 1, 2020 to Euro 318 million mainly as a result of the incorporation of Fratelli Prada spa, net of payments of the period.

13. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Bank overdrafts	2	-
Short-term loans	619	45,212
Current portion of long term loans	177,389	77,889
Deferred costs on loans	(223)	(423)
Short-term financial payables and bank overdrafts	177,787	122,678

The short-term loans as at December 31, 2020 refer mainly to accrual of interests on the loans principal.

The remaining current portion of long-term loans is detailed in Note 18.

14. FINANCIAL AND OTHER PAYABLES DUE TO PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The composition of current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial payables	53,095	44,007
Other payables	10,706	30,645
Total payables due within a year	63,801	74,652

The increase in financial payables due to subsidiaries is attributable primarily to changes in intercompany account balances.

The other payables decrease refer to the payment of short-term portion of the debt to purchase all the Fratelli Prada spa shares.

The amount is broken down by counterparty in Note 28.

The composition of the non-current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Financial payables due to subsidiaries	13,878	-
Other payables due to related parties	-	20,660
Total payables due after more than a year	13,878	20,660

15. TRADE PAYABLES

The trade payables are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Trade payables - Third parties	185,267	211,304
Trade payables - Subsidiaries and associated undertakings	447,750	651,801
Trade payables - Related companies	1,985	2,275
Total	635,002	865,380

The breakdown by counterparty of payables due to subsidiaries and associates and to related companies is provided in Note 28, "transactions with parent companies, subsidiaries, associates and related parties".

An aging analysis of the total trade payables is set forth below:

(amounts in thousands of Euro)	December 31, 2020	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables – third, parent and related parties	187,252	183,523	47	25	69	17	3,570
Trade payables – subsidiaries and associates	447,750	435,470	1,059	251	121	411	10,438
Total	635,002	618,993	1,106	276	190	428	14,008

(amounts in thousands of Euro)	December 31, 2019	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables – third parties and parent	213,579	208,915	212	173	211	82	4,439
Trade payables – subsidiaries, associates and related parties	651,801	627,750	3,101	2,600	2,641	2,348	13,353
Total	865,380	836,665	3,313	2,773	2,852	2,430	17,792

16. TAX PAYABLES

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
VAT and other taxes	9,169	7,006
Social security and pension contribution liabilities	14,954	12,456
Total	24,123	19,462

“VAT and other taxes” refers to personnel income tax (IRPEF) withholdings on employee pay and professional fees, and VAT liabilities arising on e-commerce sales in EU countries.

17. OTHER CURRENT LIABILITIES

The “other current liabilities” are as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Payables for capital expenditure	26,911	19,263
Payables to employees	23,292	22,075
Provision for returns	75,553	75,887
Accrued expenses and deferred income	7,201	8,830
Other payables	12,816	2,177
Total	145,773	128,232

The payables due to employees refer to wages and salaries, the 13th and 14th salary accruals, unused vacation time and performance bonuses.

The provision for returns is allocated to cover sales returns whose existence is certain but whose timing and amount are uncertain at the reporting date. The amount of the provision was estimated on the basis of historical/statistical data and forecasts of the number of items sold that could be returned in future.

"Payables for capex" includes the amounts due for capital expenditure as at December 31, 2020, described in Notes 7 and 8 on property, plant and equipment and intangible assets.

"Other payables" increased due to the short-term reclassification of trade agreements, the effects of which will begin to impact from January 1, 2021.

"Other payables" includes Euro 2.7 million in advances received from customers and Euro 1.1 million in payables due to others.

18. LONG-TERM FINANCIAL PAYABLES

The non-current financial payables are as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Long-term bank borrowings	386,222	488,611
Deferred costs on loans	(354)	(503)
Total	385,868	488,108

In January 2020 Prada spa took out a new sustainability-linked bank loan of Euro 75 million. Like the previous such loan stipulated in 2019, it provides for an adjustment of the annual interest based on the achievement of sustainability goals regarding the number of Leadership in Energy and Environmental Design (LEED) certifications, the use of regenerated nylon and the number of training hours for employees.

In April 2020 PRADA spa took out a 5-year bullet loan of Euro 100 million.

In the same period, the company repaid the current portions of long-term loans for an amount of Euro 178 million.

The long-term bank borrowings as at December 31, 2020, excluding finance lease obligations and amortized costs, are set forth below:

Recipient	Principal (Euro/ thousands)	Type of loan	Loan currency	Maturity	Interest rate (1)	Short-term balance due (Euro/ thousands)	Long-term balance due (Euro/ thousands)	Guarantee
PRADA spa	58,500	Term-loan	EUR	02/2022	1.056%	8,500	50,000	-
PRADA spa	50,000	Term-loan	EUR	06/2022	0.750%	-	50,000	-
PRADA spa	34,834	Term-loan	EUR	05/2030	2.737%	3,667	31,167	Mortgage loan
PRADA spa	40,000	Term-loan	EUR	10/2024	1.030%	10,000	30,000	-
PRADA spa	100,000	Term-loan	EUR	04/2025	0.387%	-	100,000	-
PRADA spa	37,500	Term-loan	EUR	06/2022	0.480%	25,000	12,500	-
PRADA spa	90,000	Term-loan	EUR	02/2021	1.613%	90,000	-	-
PRADA spa	77,778	Term-loan	EUR	06/2024	0.367%	22,222	55,556	-
PRADA spa	75,000	Term-loan	EUR	01/2025	0.708%	18,000	57,000	-
Total	563,312					177,889	386,223	

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

The mortgage loan is secured by the building in Milan used as the Company's headquarters.

A maturity analysis is provided in Note 4.

19. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Post-employment benefits	22,334	19,008
Other long term employee benefits	13,370	6,041
Total	35,704	25,049

POST-EMPLOYMENT BENEFITS

The post-employment benefits recognized as at December 31, 2020 amount to Euro 22 million; they all refer to the provision for leaving indemnities and all the benefits are classified as defined benefit plans.

The provision for leaving indemnities was measured using the Projected Unit Credit Method with the support of Federica Zappari, an independent Italian actuary, member (n. 1134) of the Ordine Nazionale degli Attuari (Italian Society of Actuaries).

The main actuarial assumptions for the years of valuation were as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Average duration of plan (years)	10,9	10,6
Discount rate	0.20%	0.60%
Inflation rate	1.5%	1.5%

The discount rate used to measure the defined benefit plans was determined on the basis of yields on bonds with an AA rating and a maturity date similar to that of the plans.

The actuarial gains and losses are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans (TFR)
Actuarial adjustments due to:	
(a) Changes in financial assumptions	1,292
(c) Other	(946)
Actuarial (gains)/losses	346

Sensitivity analysis conducted on the main actuarial assumptions used as at December 31, 2020 showed that a 50 basis point increase or decrease in the parameters (discount rates, salary raises, inflation rate, probability of termination of service and percentage of leaving indemnity advances) would have an impact of 5% or less on the obligations. Accordingly, the result of the analysis was considered immaterial with respect to possible effects on the financial statements.

Concerning the provision for leaving indemnities reported above, the following plan payments are expected in subsequent years:

(amounts in thousands of Euro)	2021	2022	2023	2024	After 2024
Defined Benefit Plans (TFR)	1,495	1,013	1,116	1,203	18,046

The changes in the liabilities for post-employment benefits as at December 31, 2020 are shown hereunder:

(amounts in thousands of Euro)	
Balance at December 31, 2019	19,008
Current service costs	319
Increase / (decrease) due to merger	4,205
Actuarial (Gains)/Losses	346
Indemnities paid	(1,543)
Balance at December 31, 2020	22,334

OTHER LONG-TERM EMPLOYEE BENEFITS

The other long-term employee benefits meet the IAS 19 definition of other long-term employee benefits and refer to the Company's long-term incentive plans and performance-based programs for employees. Their actuarial value as at December 31, 2020, under the Projected Unit Cost Method, is Euro 13 million (Euro 6 million as at December 31, 2019). The valuation was carried out with the support of the independent actuary Federica Zappari.

The following table presents the changes in other long-term employee benefits for the year ended December 31, 2020:

(amounts in thousands of Euro)	Other long-term benefits
Balance at December 31, 2019	6,041
Current service costs	7,412
Transfers	108
Utilization for payments	(190)
Balance at December 31, 2020	13,370

20. PROVISIONS FOR RISKS AND CHARGES

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Provision for coverage of losses of subsidiaries / associates	Other provision	Total
Balance at December 31 2019	30	37	3,279	1,329	4,675
Increases	-	733	-	-	733
Utilization for payments	(30)	-	-	(311)	(341)
Reversals	-	-	-	(207)	(207)
Reclassification	-	-	(3,279)	-	(3,279)
Balance at December 31 2020	-	770	-	811	1,581

The provisions for risks and charges represent the Directors' best estimate of the maximum amount of potential liabilities. According to the Directors and based on the information available, supported also by the opinions of independent tax advisors, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

TAX DISPUTES

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

The dispute filed by PRADA spa following an audit initiated in 2012 by the Italian Customs Agency for the tax years from 2007 to 2011 to determine the customs value of the products consists of three legal actions regarding the 2010 tax year, all of which are currently pending at the Supreme Court. On April 18, 2019 the Company lodged an appeal regarding the first legal action at the Supreme Court against the adverse second-instance ruling issued on July 23, 2018; on May 26 and June 26, 2020, the Company lodged appeals regarding the other two legal actions at the Supreme Court against the adverse second-instance rulings issued on July 12, 2019. The Company is awaiting notification of the hearing for all three cases.

In addition to the aforementioned disputes, and consistently with the transparent and collaborative approach adopted toward tax authorities, PRADA spa initiated the process of obtaining the Authorized Economic Operator status, which was granted by the Italian Customs Agency at the highest level (AEO Full) in June 2020.

The status certifies Prada spa's reliability for controls over its logistical, manufacturing and administrative processes in compliance with the customs rules and regulations regarding the physical security and safety of the goods and their information. At the end of the process, the Company established, in agreement with the Italian Customs Agency, an appropriate method for measuring the value of imported products starting from May 2020 with retroactive effectiveness for the assessable years in order to quantify and pay any amounts due for additional duties, VAT and interest.

With respect to the audit of Prada Korea Ltd, initiated in 2019 by the Korean National Tax Service for the tax periods of 2014 and 2015 (later extended to 2016 and 2017), a finding about the direct tax treatment of intercompany transactions between PRADA spa and PRADA Korea Ltd under the related licensing agreement is pending. After the pre-litigation phase concluded unfavorably, in March 2020 the dispute began when PRADA Korea Ltd filed an initial appeal, after which the Korean tax authorities filed their defense, in June 2020. In August and November 2020, PRADA Korea Ltd filed two briefs to further object to the local tax authorities' positions, while retaining the possibility of initiating a Mutual Agreement Procedure (MAP) between the competent Italian and Korean authorities.

During 2020 the Prada Group and the tax authorities of the countries where it operates continued to exchange views to preventively manage tax risk. Accordingly, Prada spa and the Italian Revenue Agency continued to discuss specific topics within the scope of the Cooperative Compliance tax regime (to which the Company was admitted in 2017). Moreover, PRADA Spa and other affiliates of the Group continued their discussions with Italian and foreign tax authorities within the context of the International Compliance Assurance Programme ("ICAP"), to which the Prada Group was invited to participate at the end of the pilot phase, which concluded successfully in 2019.

OTHER PROVISIONS

The other provisions amount to Euro 0.8 million at December 31, 2020 and refer to contractual obligations to restore leased property to its original condition.

21. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities are as follows:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Deferred income for commercial agreements	104,000	40,000
Other LT liabilities	-	7,294
Total	104,000	47,294

Deferred income for commercial agreements increased by Euro 64 million compared to December 31, 2019 due to amounts received in the period, but whose economic effects are expected beyond 12 months.

22. EQUITY

Equity composition is set forth hereunder:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Share capital	255,882	255,882
Legal reserve	51,176	51,176
Share premium reserve	410,047	410,047
Extraordinary reserve	51,176	-
Other capital reserves	182,899	182,899
Retained Earnings	1,028,032	881,086
Fair value reserve	(25,187)	(9,982)
Cash flow hedge reserve	704	(3,711)
Net profit (loss) for the year	(16,176)	249,027
Total	1,938,553	2,016,425

SHARE CAPITAL

As at December 31, 2020, approximately 80% of PRADA spa's share capital was owned by PRADA Holding spa and the remainder consisted of floating shares on the Main Board of the Hong Kong Stock Exchange.

Share capital consists of 2,558,824,000 shares with a par value of Euro 10 cents per share.

SHARE PREMIUM RESERVE

The share premium reserve has not changed from that of December 31, 2019.

OTHER CAPITAL RESERVES

The other capital reserves were created from cash contributions and debt waivers from shareholders.

EXTRAORDINARY RESERVE

The increase in "Extraordinary Reserve" is attributable to the allocation net results of the previous year.

RETAINED EARNINGS

The increase in "retained earnings" is attributable to the allocation net results of previous year.

The change in "Retained earnings " includes a decrease of Euro 51 million deriving from the incorporation of Fratelli Prada spa, whose book value of equity was lower than the value of the investment held by Prada spa. As described in Assirevi's OPI 2 document, parent-subsiary mergers do not fall within the scope of IFRS 3 ("Business Combinations") applicability because they are restructuring operations that do not involve trade transactions or acquisitions.

AVAILABILITY OF EQUITY

(amounts in thousands of Euro)	December 31 2020	Possible utilization	Amount distributable	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		-	-
Extraordinary reserve	51,176	A, B, C	51,176	-	-
Other Reserves	182,899	A, B, C	182,899	-	-
Retained earnings	1,028,032	A, B, C	981,161	-	652,500
Fair value reserve	(25,187)			-	-
Time value reserve	(1,168)			-	-
Intrinsic value reserve	1,871			-	-
Distributable amount			1,625,283		652,500
A share capital increase B coverage of losses C distributable to shareholders					

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable because the amount of the legal reserve is at least 20% of share capital.

A non-distributable portion of retained earnings amounting to Euro 20.516 million refers to restricted reserves under Legislative Decree 38/2005, Article 7. Subject to Annual General Meeting approval, the loss of the year shall be included in the retained earnings.

STATEMENT OF PROFIT OR LOSS

23. NET REVENUES

The net revenues are generated primarily by sales of finished products, and are stated net of returns and discounts. The net sales for the year amount to Euro 1.189 billion, down by 35% from those of the prior reporting period (Euro 1.823 billion in 2019).

Royalty income is Euro 32 million and derives from cosmetic sales by Fragrance and Skincare sl and Coty Geneve S.a. and eyewear sales by the Luxottica Group.

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Net sales	1,156,692	1,780,423
Royalties	31,936	42,400
Net revenues	1,188,628	1,822,823

24. COST OF GOODS SOLD

The cost of goods sold is summarized below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Purchases of raw materials and production costs	509,273	786,682
Logistics costs, duties and insurance	59,362	74,046
Change in inventories	29,789	(18,884)
Total	598,424	841,844

The cost of goods decreased by Euro 243 million in line with the reduction of net sales.

The following table sets forth depreciation, amortization, impairment, cost of labor and rent expenses included within the cost of goods sold:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Depreciation of Right of Use	774	823
Depreciation, amortization and impairment	12,912	12,636
Labour cost	72,503	77,896
Short term and low value lease (IFRS 16)	-	22
Fixed Rent	3	2
Total	86,192	91,379

25. OPERATING EXPENSES

The operating expenses are summarized below:

(amounts in thousands of Euro)	December 31 2020	% of net revenues	December 31 2019	% of net revenues
Advertising and promotion expenses	129,935	10.9%	139,782	7.7%
Product design and development costs	91,749	7.7%	112,227	6.2%
Selling expenses	327,570	27.6%	445,888	24.5%
General and administrative costs	46,384	3.9%	76,237	4.2%
Total	595,638	50.1%	774,134	42.5%

The total operating expenses were Euro 595.6 million, down by Euro 178.5 million from the comparative period. The reduction was attributable to rent discounts obtained and governments subsidies supplementing earned income, of which the Company benefited. The decrease was also due to reduced discretionary expenses, greater real estate capital gains in 2020 and lower variable costs associated with sales.

Advertising and communication costs consist of expenses incurred to carry out advertising campaigns, fashion shows and other events plus the overheads attributable to this business area. Advertising and communications costs, Euro 129.9 million in the twelve months ended December 31, 2020, fell by Euro 10 million from the same period of 2019.

Product design and development costs include both the design phase - i.e. research and testing of patterns, fabrics, leather and production techniques and determination of the design concept - and the product development phase, involving planning, creation of prototypes and product manufacturing.

The product design and development costs of Euro 91.7 million in the twelve months ended December 31, 2020 were Euro 20.5 million lower than in the same period of 2019, largely as a result of curbing the resources spent on product development activities.

General and administrative costs, Euro 46 million in the twelve months ended December 31, 2020, showed a decrease of Euro 29.9 million resulting essentially from the capital gain accounted for on the sale of the building in via Spiga 18, Milan and cost containment in general.

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

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Depreciation of Right of Use	42,432	38,155
Depreciation, amortization and impairment	50,385	46,216
Labour cost	175,218	178,909
Pure Variable Lease (IFRS 16)	889	767
Short term and low value lease (IFRS 16)	665	734
Fixed Rent	376	468
Total	269,965	265,249

26. INTEREST AND OTHER FINANCIAL INCOME/(EXPENSE), NET

Interest and exchange differences are presented below in comparison with the prior reporting period:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Interest expenses on borrowings	(9,401)	(8,733)
Interest income	5,772	7,454
Interest income/(expenses) IAS 19	74	42
Exchange gains/(losses) - realized	(7,953)	(15,816)
Exchange gains/(losses) - unrealized	(1,875)	545
Other financial income/(expenses)	(39,474)	(35,706)
Interest and other financial income/(expenses), net	(52,857)	(52,214)
Interest income/(expenses) on lease liabilities	(2,952)	(2,910)
Dividends from investments	37,014	48,741
Total	(18,795)	(6,383)

The exchange gains and losses refer exclusively to financial assets, including the

effects of derivatives.

The interest on leases represents the present value adjustment of lease liabilities. The other financial expense mainly regards impairment losses of investments in subsidiaries pursuant to the impairment testing results.

The dividends received are presented below by counterparty, in comparison with those of the prior period:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Prada Asia Pacific Ltd.	21,101	23,111
Prada Japan Co., Ltd.	5,637	4,874
Prada SA	10,000	18,000
Artisans Shoes S.r.l.	-	620
Other equity investments	277	2,135
Total	37,014	48,741

27. TAXATION

The income taxes for the year ended December 31, 2020 and the prior reporting period are set forth below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Current taxation	4,699	32,772
Prior year taxes	(1,437)	(79,678)
Deferred taxes	(11,314)	(1,659)
Total	(8,052)	(48,565)

The deferred tax assets and liabilities recognized at the current and previous reporting dates are shown below by the item to which they refer:

(amounts in thousands of Euro)	Deferred taxes, net		Income statement effect	Equity effect	Fratelli Prada spa Incorporation
	December 31, 2020	December 31, 2019			
Employee benefits – defined benefit plans	1,075	338		405	332
Inventories	14,195	10,210	3,097		889
Property, plant and equipment	640	(39)	680		
Intangible assets	1,106	1,142	(36)		
Provisions for risks and charges	12,767	12,665	102		
Allowance for doubtful debts	(1,369)	(1,369)	-		
Derivative instruments	(222)	1,172		(1,394)	
NOL carryforward	2,215	-	2,215		
Other temporary differences	11,805	5,181	5,206		1,418
Total	42,212	29,299	11,263	(989)	2,639

The following table shows the reconciliation between the effective tax rate and the theoretical tax rate:

(amounts in thousands of Euro)	IRES	Eff, IRES rate	IRAP	Eff, IRAP rate	Total taxation	Eff, Total rate
Theoretical tax on income before taxation	(5.8)	24.0%	(1.0)	3.9%	(6.8)	27.9%
Dividends exempted	(8.4)	34.8%		0.0%	(8.4)	34.8%
ACE	0.4	(1.9%)		0.0%	0.4	(1.9%)
Impairment adjustment to investments	10.5	(43.2%)		0.0%	10.5	(43.2%)
Other permanent differences	(7.0)	28.9%	(0.5)	2.1%	(7.5)	31.0%
Patent Box and Adjustments in annual tax return "UNICO"	0.2	(1.0%)		0.0%	0.2	(1.0%)
Difference between income before taxation and net value of production		0.0%	3.4	(14.2%)	3.4	(14.2%)
Taxes for period	(10.1)	41.6%	2.0	(8.2%)	(8.1)	33.5%
Temporary differences	10.8	(44.5%)	0.6	(2.5%)	11.4	(47.0%)
Current taxation	0.7	(2.9%)	2.6	(10.7%)	3.3	(13.6%)

28. TRANSACTIONS WITH PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The Company carries out trade and financial transactions with companies owned by entities that directly or indirectly control PRADA spa (related parties). The balances listed in the following tables result from transactions with related parties. The transactions regard mainly sales of goods, supplies of business services, loans, leases and franchise agreements. The transactions take place on an arm's length basis.

The transactions with related party Luna Rossa Challenge srl for the twelve months ended December 31, 2020 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcements dated December 1, 2017 ("Sponsorship Agreement") and November 20, 2020 ("Amendment to Sponsorship Agreement"). In fact, during the reporting period Prada spa stipulated with Luna Rossa Challenge srl an amendment to the sponsorship agreement, regarding an additional contribution to the one originally agreed upon.

The sponsorship agreement with related party Challenger of Record 36 srl, effective from March 1, 2020, is regulated by Chapter 14A of the Listing Rules because it is considered a continuing connected transaction subject to disclosure, but it is exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of the continuing connected transaction is contained in PRADA spa's Announcement dated March 1, 2020.

On December 29, 2020 Prada spa stipulated with related party Orexis srl a real estate agreement under which the Company sold and Orexis srl purchased the building at Via della Spiga 18 in Milan. This transaction is regulated by Chapter 14A of the Listing Rules because it is considered a connected transaction subject to disclosure, but it is exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of the connected transaction is contained in PRADA spa's Announcement dated December 29, 2020.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported above, no other transaction reported in the 2020 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.

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

STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Trade receivables	Trade payables	Trade receivables	Trade payables
	December 31 2020	December 31 2020	December 31 2019	December 31 2019
Subsidiaries and associates	378,538	447,749	613,534	651,801
Artisans Shoes S.r.l.	308	16,110	171	19,976
Church & Co Ltd	44,739	2,392	35,824	1,708
Church & Co. (USA) Ltd.	130	1	121	1
Church Austria GmbH	31	-	11	-
Church English shoes SA	29	-	18	-
Church Footwear (Shanghai) Co., Ltd	138	-	107	-
Church Footwear Ab	152	1	137	-
Church France SA	159	8	73	1
Church Hong Kong Retail C	88	-	69	-
Church Ireland Retail Ltd	24	-	9	-
Church Italia S.r.l.	2,440	574	1,916	360
Church Japan Co., Ltd.	21	1	28	-
Church UK Retail Ltd	802	10	573	-
Church's Denmark	102	7	92	7
Church's Eng. Shoes Sw.SA	131	4	106	4
Church's Germany	42	-	26	-
Church's Korea	77	-	67	-
Church's Netherlands	173	-	153	-
Church's Singapore	163	-	155	-
Church's Spain	23	-	11	-
FRATELLI Prada S.P.A	-	-	7,844	611
Figline Srl	476	861	256	999
Hipic Prod Impex Srl	60	551	342	1,904
IPI Logistica S.r.l.	510	2,068	585	1,958
Kenon Limited	6	-	9	-
Marchesi 1824 srl	2,178	1,875	4,474	1,006
Marchesi UK	51	-	33	-
PRM Services S.A. de R.L. de C.V.	103	1	91	1
Pelletteria Ennepi S.r.l.	225	1,356	71	778
Pelletteria Figline Srl - 3rd	35	-	-	-
Post Development Corp.	14	-	21	-
Prada (Thailand) Co.,Ltd.	843	3,616	3,349	4,592
Prada Asia Pacific Ltd.	4,072	53,870	5,497	82,422
Prada Australia Pty. Ltd	2,246	9,367	2,670	5,651
Prada Austria GmbH	3,849	4,228	4,313	4,658
Prada Belgium sprl	3,485	713	1,530	1,471
Prada Bosphorus Deri Mamuller Limited Sirketi	4,347	317	7,100	2,396
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	2,981	278	11,722	372
Prada Canada Corp.	6,247	9,812	12,300	12,363
Prada Company SA	(4)	-	(4)	-
Prada Czech Republic s.r.o.	509	154	923	308
Prada Denmark	612	1,420	1,266	1,563
Prada Dongguan Trading co. LTD	44	368	51	452

(amounts in thousands of Euro)	Trade receivables	Trade payables	Trade receivables	Trade payables
	December 31 2020	December 31 2020	December 31 2019	December 31 2019
Prada Fashion (Shanghai)	91,906	7,244	156,359	58,335
Prada Germany GmbH	7,940	14,851	6,830	14,990
Prada Hellas Single Partner Limited Liability Company	583	1,071	617	1,384
Prada Japan Co., Ltd.	12,203	51,040	14,970	58,019
Prada Kazakhstan LLP	4,701	375	2,596	652
Prada Korea Ltd.	32,761	5,708	26,214	6,942
Prada Kuwait (1)	271	24	1,010	1
Prada Macau Co., Ltd.	2,289	10,151	15,263	3,457
Prada Mexico	5,378	3,592	5,629	3,752
Prada Middle East FZCO	6,557	6,574	16,329	13,679
Prada Montecarlo Sam	1,456	2,515	1,855	3
Prada Netherlands B.V.	3,255	2,807	5,304	2,703
Prada New Zealand Pty. Ltd	625	974	605	1,282
Prada Panamá S.A.	585	553	404	393
Prada Portugal, Unipessoal LDA	707	1,056	608	526
Prada Retail Aruba N.V.	978	707	1,468	1,562
Prada Retail France SaS	12,694	40,058	27,406	45,603
Prada Retail Malaysia Sdn	854	526	5,822	1,916
Prada Retail SPC	4,906	20	2,673	1,159
Prada Retail UK Ltd	20,710	17,930	61,552	44,193
Prada Retail UK Ltd. - Irish Branch	2,237	1,044	3,405	1,648
Prada Rus LLC	15,329	654	14,776	8,839
Prada SA	31	6,217	25	6,217
Prada SA,Lux,Swiss Branch	1,421	4,924	1,248	17,364
Prada Saint Barthelemy SARL	5,053	2,380	4,061	1,919
Prada Saudi Arabia	343	74	1,846	1
Prada Singapore Pte, Ltd.	1,588	9,288	3,486	9,651
Prada South Africa (Pty) Ltd	510	1,500	969	1,337
Prada Spain S.A.	7,667	9,539	12,544	7,780
Prada Sweden AB	567	1,091	1,085	1,154
Prada Switzerland sa	6,126	12,742	6,656	13,561
Prada Taiwan Ltd Branch Taipei	2,823	514	7,590	3,710
Prada USA Corp.	36,323	115,458	88,675	167,393
Prada Ukraine	723	309	984	861
Prada United Arab Emirates	673	323	3,749	315
Prada Vietnam	595	1,001	435	2,005
TRS Guam	326	562	880	5
TRS Hawaii LLC	372	380	643	8
TRS MACAU	1,307	1,106	1,984	925
TRS Okinawa	447	-	471	-
TRS Saipan	33	232	268	184
TRS Singapore Pte Limited	-	-	88	28
Tannerie Limoges S.A.S.	24	672	37	780
Related parties	3,618	1,985	4,058	2,275
Chora Srl	-	403	-	355
Conceria Superior S.p.A.	-	621	-	472
COR 36 S.r.l.	46	-	1,765	-
COR 36 S.r.l. New Zeland Branch	856	-	290	-
Les Femmes Srl	331	960	391	1,448
Luna Rossa Challenge 2013 NZ LTD	228	-	-	-
Luna Rossa Challenge 2013 Srl	2,152	-	1,420	-
PRADA HOLDING S.P.A.	5	-	191	-
Total	382,156	449,734	617,592	654,076
Note: (1) Company consolidated according to IFRS 10 definition of control				

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	December 31 2020	December 31 2020	December 31 2019	December 31 2019
Subsidiaries and associates	392,279	8,686	427,210	6,985
Artisans Shoes S.r.l.	3,617	268	6,208	438
Church & Co Ltd	6,413	119	3,255	86
Church Italia S.r.l.	(28)	5,956	29	5,177
FRATELLI Prada S.P.A	-	-	122	-
Figline Srl	5,982	4	1,381	6
Hipic Prod Impex Srl	1,981	-	-	-
IPI Logistica S.r.l.	-	16	-	20
Marchesi 1824 srl	45,211	22	40,709	134
Pelletteria Ennepi S.r.l.	469	70	-	251
Pelletteria Figline Srl - 3rd	-	1,237	-	-
Prada (Thailand) Co.,Ltd.	4,656	-	6,028	-
Prada Asia Pacific Ltd.	-	323	-	182
Prada Australia Pty. Ltd	10,067	-	10,011	-
Prada Austria GmbH	5,009	-	5,005	-
Prada Brazil	-	5	12,262	5
Prada Denmark	2,705	-	2,694	-
Prada Dongguan Trading co. LTD	-	17	-	11
Prada Fashion (Shanghai)	-	97	-	98
Prada Germany GmbH	27,300	-	27,408	-
Prada Hellas Single Partner Limited Liability Company	1,804	-	1,816	-
Prada Middle East FZCO	11,425	-	12,480	-
Prada Montecarlo Sam	43,067	-	51,926	-
Prada New Zealand Pty. Ltd	2,063	-	2,109	-
Prada Portugal, Unipessoal LDA	1,262	-	1,261	-
Prada Retail France SaS	67,033	64	74,214	63
Prada Retail Malaysia Sdn	5,101	-	-	-
Prada Retail UK Ltd	20,073	36	21,251	30
Prada Retail UK Ltd. - Irish Branch	1,903	-	1,902	-
Prada Saudi Arabia	2,750	-	3,004	-
Prada Singapore Pte, Ltd.	11,101	-	15,240	-
Prada Spain S.A.	69,198	-	64,595	-
Prada Switzerland sa	32,587	110	52,515	110
Prada USA Corp.	-	342	-	372
Prada Ukraine	-	-	-	1
Prada Vietnam	2,486	-	2,740	-
Tannerie Limoges S.A.S.	7,044	-	7,044	-
Related parties	1,125	68,880	2,379	19,370
Chora Srl	-	5,848	-	5,848
COR 36 S.r.l.	-	6,500	2,004	-
Les Femmes Srl	1,125	-	375	-
Luna Rossa Challenge 2013 Srl	-	18,532	-	13,522
Orexis S.r.l.	-	38,000	-	-
Total	393,404	77,566	429,588	26,355

(amounts in thousands of Euro)	Fair value IRS "fair value through profit or loss"	
	December 31 2020	December 31 2019
Kenon Ltd	8,523	7,539

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	December 31 2020	December 31 2020	December 31 2019	December 31 2019
Subsidiaries and associates	66,973	10,325	44,007	7,973
Artisans Shoes S.r.l.	-	117	-	-
Church Italia S.r.l.	-	61	-	46
FRATELLI Prada S.P.A	-	-	-	3
Figline Srl	-	425	-	-
IPI Logistica S.r.l.	1,423	7	1,776	11
Marchesi 1824 srl	-	6,911	-	4,212
Pelletteria Ennepi S.r.l.	-	147	-	1,020
Post Development Corp.	119	-	130	-
Prada Australia Pty. Ltd	-	-	-	7
Prada Austria GmbH	-	2	-	-
Prada Brazil	-	-	-	5
Prada Canada Corp.	-	4	-	4
Prada Denmark	-	1	-	5
Prada Dongguan Trading co. LTD	-	61	-	61
Prada Fashion (Shanghai)	-	1	-	143
Prada Germany GmbH	7,289	534	3,970	529
Prada Japan Co., Ltd.	-	21	-	2
Prada Middle East FZCO	-	8	-	8
Prada Netherlands B.V.	4,637	2	7,083	-
Prada Retail France SaS	-	17	-	9
Prada Retail UK Ltd	-	15	-	9
Prada Retail UK Ltd. - Irish Branch	1,186	-	1,345	-
Prada SA,Lux,Swiss Branch	52,122	1,572	29,488	1,572
Prada South Africa (Pty) Ltd	-	5	-	-
Prada Spain S.A.	-	(3)	-	(5)
Prada Sweden AB	-	-	-	12
Prada Switzerland sa	15	135	16	134
Prada USA Corp.	182	282	199	186
Related parties	-	380	-	22,671
BELLATRIX S.P.A.	-	-	-	22,253
MPB	-	380	-	418
Total	66,973	10,705	44,007	30,644

(amounts in thousands of Euro)	Other liabilities	
	December 31 2020	December 31 2019
Remuneration of Board of Directors	2,206	2,125
Others ⁽¹⁾	471	296
Note:		
1) Relatives of a Director		

STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
Subsidiaries and associates	778,863	1,178,500	78,916	114,508
Artisans Shoes S.r.l.	6	6	48,517	68,685
Church & Co Ltd	7,248	10,967	380	879
Church Footwear (Shanghai) Co., Ltd	1	1	-	(1)
Church Footwear Ab	-	-	-	-
Church France SA	1	1	-	-
Church Italia S.r.l.	2	1	4	3
Church Japan Co., Ltd.	1	-	-	-
Church UK Retail Ltd	2	2	-	-
FRATELLI Prada S.P.A	-	21,930	-	173
Figline Srl	2	2	4,459	5,361
Hipic Prod Impex Srl	9	9	5,802	9,204
IPI Logistica S.r.l.	-	-	694	964
Marchesi 1824 srl	9	-	7	23
Pelletteria Ennepi S.r.l.	2	2	4,962	7,251
Prada (Thailand) Co.,Ltd.	2,883	7,664	-	-
Prada Asia Pacific Ltd.	(5,555)	39,248	2,355	1,846
Prada Australia Pty. Ltd	1,636	4,025	-	-
Prada Austria GmbH	5,371	19,036	71	103
Prada Belgium sprl	4,381	895	-	-
Prada Bosphorus Deri Mamuller Limited Sirketi	4,661	8,262	-	15
Prada Brazil	5,780	6,251	-	(1)
Prada Canada Corp.	21,588	32,537	3	27
Prada Czech Republic s.r.o.	648	2,056	-	34
Prada Denmark	570	527	3	-
Prada Dongguan Trading co. LTD	-	-	763	808
Prada Fashion (Shanghai)	277,134	249,979	-	67
Prada Germany GmbH	22,237	26,983	-	69
Prada Hellas Single Partner Limited Liability Company	(110)	684	-	-
Prada Japan Co., Ltd.	54,710	98,251	757	738
Prada Kazakhstan Llp	2,444	1,798	-	58
Prada Korea Ltd.	134,707	125,020	74	91
Prada Kuwait ⁽¹⁾	-	-	(1)	(1)
Prada Macau Co., Ltd.	(9,115)	23,485	35	15
Prada Mexico	4,383	7,824	-	(1)
Prada Middle East FZCO	5,347	8,743	(146)	(1,147)
Prada Montecarlo Sam	(172)	4,919	-	47
Prada Netherlands B.V.	13,430	21,958	1	-
Prada New Zealand Pty. Ltd	988	180	-	-
Prada Panama SA	136	391	88	-
Prada Portugal, Unipessoal LDA	736	3,363	1	-
Prada Retail Aruba	(48)	(7)	-	-
Prada Retail France SaS	(1,360)	22,662	2,283	2,897
Prada Retail Malaysia Sdn	8,867	15,618	5	5
Prada Retail SPC	2,618	5,101	-	-
Prada Retail UK Ltd	26,381	56,529	1,874	2,206
Prada Retail UK Ltd. - Irish Branch	2,085	5,298	-	-
Prada Rus LLC	22,550	18,258	11	11
Prada ST. Barthelemy	536	562	-	-
Prada Saudi Arabia	95	218	70	(2)
Prada Singapore Pte, Ltd.	(4,981)	10,228	22	16
Prada South Africa (Pty) Ltd	(730)	375	-	19

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
Prada Spain S.A.	5,581	32,164	12	2
Prada Sweden AB	544	841	1	-
Prada Switzerland sa	3,632	4,112	(1)	-
Prada Taiwan Ltd Branch Taipei	19,042	12,075	-	3
Prada USA Corp.	132,992	239,540	830	3,195
Prada Ukraine	1,154	645	-	-
Prada United Arab Emirates	2	1	-	24
Prada Vietnam	259	1,044	330	596
TRS Guam	319	4,869	-	-
TRS Hawaii LLC	498	3,981	-	-
TRS MACAU	1,413	11,982	-	-
TRS Okinawa	1,898	3,956	-	-
TRS Saipan	(180)	821	-	-
TRS Singapore Pte Limited	(406)	626	-	-
Tannerie Limoges S.A.S.	1	1	4,650	10,226
Related parties	676	486	9,525	23,999
COR 36 S.r.l.	24	44	-	-
COR 36 S.r.l. New Zeland Branch	197	290	-	-
Conceria Superior S.p.A.	-	1	6,571	19,587
Les Femmes Srl	-	-	2,960	4,418
Luna Rossa Challenge 2013 Srl	455	151	(1)	(1)
Peschiera Immobiliare srl	-	-	(5)	(5)
Total	779,539	1,178,986	88,441	138,507

Note:

1) Company consolidated according to IFRS 10 definition of control

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
Subsidiaries and associates	(142,060)	(223,481)	6,741	8,320
Artisans Shoes S.r.l.	(1,900)	(2,868)	3	-
Church & Co Ltd	874	916	67	40
Church & Co. (USA) Ltd.	10	65	-	-
Church Austria Gmbh	16	21	-	-
Church English shoes SA	11	8	-	-
Church Footwear (Shanghai) Co., Ltd	32	29	-	-
Church Footwear Ab	14	39	-	-
Church France SA	78	90	-	-
Church Hong Kong Retail C	21	36	-	-
Church Ireland Retail Ltd	15	10	-	-
Church Italia S.r.l.	341	601	-	1
Church Japan Co., Ltd.	39	63	-	-
Church UK Retail Ltd	218	222	-	-
Church's Denmark	10	4	-	-
Church's Eng. Shoes Sw.SA	25	38	-	-
Church's Germany	16	7	-	-
Church's Korea	10	13	-	-
Church's Netherlands	20	44	-	-
Church's Singapore	8	8	-	-
Church's Spain	11	8	-	-
FRATELLI Prada S.P.A	-	(1,454)	-	1
Figline Srl	121	30	6	-
Hipic Prod Impex Srl	105	(244)	9	-
IPI Logistica S.r.l.	29	(49)	-	-
Kenon Limited	6	9	1,289	1,214
Marchesi 1824 srl	400	34,039	590	503
Marchesi UK	18	33	-	-
PRM Services S. De R.L. de CV	12	11	-	-
Pelletteria Ennepi S.r.l.	221	(74)	-	-
Pelletteria Figline Srl - 3rd	29	-	-	-
Post Development Corp.	1	12	-	-
Prada (Thailand) Co.,Ltd.	533	534	173	222
Prada Asia Pacific Ltd.	(39,384)	(51,468)	(2)	(1)
Prada Australia Pty. Ltd	1,156	806	61	181
Prada Austria GmbH	673	836	20	15
Prada Belgium sprl	333	275	-	-
Prada Bosphorus Deri Mamuller Limited Sirketi	21	(1,156)	-	-
Prada Brazil	451	178	381	1,012
Prada Canada Corp.	(8,373)	(11,188)	-	-
Prada Czech Republic s.r.o.	147	103	-	-
Prada Denmark	218	374	34	30
Prada Dongguan Trading co. LTD	44	56	-	-
Prada Fashion (Shanghai)	3,363	(23,566)	-	-
Prada Finnish Oy	-	(102)	-	8
Prada Germany GmbH	2,464	2,489	11	247
Prada Hellas Single Partner Limited Liability Company	168	206	34	59
Prada Japan Co., Ltd.	7,254	5,350	-	13
Prada Kazakhstan Llp	869	(94)	-	-
Prada Korea Ltd.	3,374	2,500	-	-
Prada Kuwait ⁽¹⁾	177	220	-	-
Prada Macau Co., Ltd.	259	192	-	-
Prada Mexico	(1,763)	(2,157)	-	-
Prada Middle East FZCO	(116)	(613)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
Prada Montecarlo Sam	268	1,054	1,743	1,961
Prada Netherlands B.V.	500	536	(7)	(5)
Prada New Zealand Pty. Ltd	108	69	13	73
Prada Panama SA	(390)	(351)	-	-
Prada Portugal, Unipessoal LDA	274	461	5	6
Prada Retail Aruba	24	30	-	-
Prada Retail France SaS	375	707	1,521	1,621
Prada Retail Malaysia Sdn	225	307	34	-
Prada Retail SPC	955	630	-	-
Prada Retail UK Ltd	4,747	3,673	185	240
Prada Retail UK Ltd. - Irish Branch	145	156	7	5
Prada Rus LLC	1,084	(3,836)	-	-
Prada SA	7	7	-	-
Prada SA,Lux,Swiss Branch	(23,582)	(35,046)	(40)	(106)
Prada ST. Barthelemy	(457)	(408)	-	-
Prada Saudi Arabia	302	320	-	-
Prada Singapore Pte, Ltd.	682	534	175	297
Prada South Africa (Pty) Ltd	(43)	(618)	-	-
Prada Spain S.A.	1,303	1,543	134	92
Prada Sweden AB	172	268	-	-
Prada Switzerland sa	990	940	-	273
Prada Taiwan Ltd Branch Taipei	643	931	-	-
Prada USA Corp.	(104,053)	(150,051)	-	-
Prada Ukraine	(15)	(744)	-	-
Prada United Arab Emirates	539	609	-	-
Prada Vietnam	115	(1,155)	120	159
TRS Guam	65	63	-	-
TRS Hawaii LLC	53	95	-	-
TRS MACAU	125	151	-	-
TRS Okinawa	53	65	-	-
TRS Saipan	16	81	-	-
TRS Singapore Pte Limited	11	19	-	-
Tannerie Limoges S.A.S.	20	37	175	159
Related parties	525	(20,464)	56	(42)
BELLATRIX S.P.A.	3	-	122	-
Chora Srl	(1,711)	(2,032)	1	-
Conceria Superior S.p.A.	(82)	(109)	-	-
COR 36 S.r.l.	(11,414)	11	9	4
COR 36 S.r.l. New Zeland Branch	383	-	-	-
Les Femmes Srl	-	(3)	9	-
LUDO DUE S.R.L.	(1,123)	(1,459)	(49)	(46)
LUDO S.R.L.	(1)	-	-	-
Ludo Tre S.r.l.	-	3	-	-
Luna Rossa Challenge 2013 NZ LTD	228	-	-	-
Luna Rossa Challenge 2013 Srl	(21,143)	(15,920)	-	-
Orexis S.r.l.	36,942	-	-	-
Peschiera Immobiliare srl	(530)	(21)	(36)	-
PRADA HOLDING S.P.A.	14	30	-	-
Others (1)	(1,041)	(964)	-	-
Total	(141,535)	(243,945)	6,797	8,278
Note: 1) Relatives of a Director				

COMMITMENTS

GUARANTEES GIVEN

The guarantees concern:

- sureties of Euro 366 million given to third parties and related parties on behalf of Group companies;
- letters of comfort for Euro 215 million issued to banks on behalf of subsidiaries.

OTHER COMMITMENTS

The Company had no significant binding purchase commitments as at December 31, 2020.

In 2011, PRADA spa and Al Tayer Insignia llc ("Al Tayer ") stipulated a shareholder agreement to develop the Prada and Miu Miu brands in the Middle East retail business (the "joint venture"). That agreement, which is going to expire on December 31, 2021, gave PRADA spa a call option exercisable on the PRADA Middle East Fzco's share capital owned by Al Tayer. At the reporting date, PRADA spa and Al Tayer are negotiating the terms to extend the life of the joint venture up to 2026, confirming the current shareholding structure.

ADDITIONAL INFORMATION

BOARD OF DIRECTOR REMUNERATION

(amounts in thousands of Euro)		December 31 2020
Directors' fees		19,281
Remuneration and other benefits		371
Bonuses and other incentives		212
Benefits in kind		85
Pension, healthcare and TFR contributions		290
Total		20,239

DELOITTE & TOUCHE SPA FEES

The total fees of the independent audit firm, Deloitte & Touche spa for the audit of PRADA spa's accounts (audit of the separate financial statements and Group consolidated financial statements, controls over accountancy and correct disclosure of events in the accounting records) amount to Euro 450 thousands.

The total fees paid to Deloitte & Touche S.p.A. for auditing the financial statements of the year ended December 31, 2020, and for other services provided by Deloitte to PRADA spa amounting to Euro 481 thousands, are as follows:

Type of service	Audit firm	Fees in thousands of euro
Audit services	Deloitte & Touche S.p.A.	450
Other advisory services	Deloitte & Touche S.p.A.	31
Total fees of audit firm for period ended December 31, 2020		481

NUMBER OF EMPLOYEES

The average number of employees by business division as at December 31, 2020 and December 31, 2019 is presented below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Production	1,806	1,883
Product design and development	991	1,012
Communications	74	73
Selling	1,076	997
General and administrative services	540	552
Total	4,487	4,517

COST OF LABOR

The remuneration of employees by business division as at December 31, 2020 and December 31, 2019 is presented below:

(amounts in thousands of Euro)	December 31 2020	December 31 2019
Production	78,189	89,485
Product design and development	54,551	66,569
Advertising and Communications	6,224	6,408
Selling	59,277	62,741
General and administrative services	44,282	41,715
Total	242,523	266,918

INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORTS

The Independent Auditor's Reports included in this Separate Financial Statements are in two different formats taking into account the differences between the auditing standards adopted in the Italian jurisdiction (ISA Italia) and the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB). Specifically, in Italy, where the Company is domiciled, the Independent Auditor's report is issued for statutory purposes in accordance with ISA Italia pursuant to art. 14 of Italian Legislative Decree no 39 of January 27, 2010, while in accordance to the regulations applicable in Hong Kong, where the Company's shares are listed on the Main Board of the Hong Kong Stock Exchange, the Independent Auditors' report is issued in accordance with ISAs.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PRADA S.p.A.

Opinion

We have audited the financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test

Description of the key audit matter

As described in Notes 8 and 10 to the financial statements, the Company accounts for goodwill of Euro 108.4 million, which is unchanged compared to the previous year, and investments in subsidiaries and associates of Euro 839 million. In accordance with IAS 36 "Impairment of assets", goodwill has to be tested for recoverability at least annually. Furthermore, Management identified Covid-19 pandemic, considering its effects on the luxury goods industry, as a trigger event, and therefore carried out impairment tests for some of the investments in subsidiaries recorded at December 31, 2020 by comparing their recoverable amount to their carrying amount.

In order to measure the recoverable amount of the tested assets, Management determined the "value in use" using present value techniques whilst, for the sole investment in Church & Co Ltd, the recoverable amount has been determined based on its "fair value less costs of disposal", deemed by Management as the best approach for expressing the value of the investment in the current uncertain situation due to Covid-19 pandemic. As a result of the impairment tests, impairment losses of Euro 40.4 million have been recognized on investments in subsidiaries.

The determination of the recoverable amount is based on estimates and assumptions made by Management using, among other, projected cash flows, appropriate discount rates and long-term growth rates (g-rate). In the light of the persisting uncertainties associated to the pandemic, Management developed cash flows projections on the basis of conservative assumptions, predicting a gradual return to "pre-Covid" sales and considering growths in line with industry data foreseen by recent sector reports developed by external parties.

Management also performed a sensitivity analysis in order to verify and disclose the effects of changes to the main assumptions (WACC and g-rate) used to determine the recoverable amount of goodwill on the impairment tests result.

Given the materiality of the value of the tested assets, the complexity of the estimates of the cash flows projections and of the other estimates and assumptions used in the impairment model, we considered the impairment test as a key audit matter.

Audit procedures performed

For our audit, we evaluated the methods used by Management to determine the recoverable amount of the tested assets and analyzed the methods and assumptions used by Management in the impairment tests.

Our audit procedures included, among others, the following, which were performed along with the support of our internal valuation specialists:

- Evaluation of the appropriateness of the methodologies used by Management to test goodwill and investments;
- Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts, with particular focus on how the effects of uncertainties due to Covid-19 pandemic have been considered in the projections, through sector data analysis (reports on the fashion and luxury industry related to the main geographical areas in which the Company operates) as well as of supporting data and information obtained from Management;
- Evaluation of the reasonableness of the discount rates (WACC) and long-term growths (g-rate) used by Management;
- Verification of the mathematical accuracy of the model used to determine the recoverable amount of the tested assets;
- Analysis of the reasonableness of the main assumptions for the determination of the investment in Church & Co Ltd's fair value less costs of disposal and of the mathematical accuracy of the model used;
- Evaluation of the sensitivity analysis performed by Management and development of an independent sensitivity analysis;
- Analysis of the information disclosed in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the sections company information, financial review and corporate governance report of the Separate Financial Statements 2020 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DELOITTE & TOUCHE S.p.A.



Patrizia Arienti
Partner

Milan, Italy
March 10, 2021

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Prada S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2020, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Prada S.p.A. are responsible for the preparation of the financial review of Prada S.p.A. as at December 31, 2020, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the financial review with the financial statements of Prada S.p.A. as at December 31, 2020 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the financial review is consistent with the financial statements of Prada S.p.A. as at December 31, 2020 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 10, 2021

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

BOARD OF STATUTORY AUDITORS' REPORT

PRADA S.p.A.

Registered Office at Via Antonio Fogazzaro, 28 – 20135 Milan

Registered with the Business Registry of Milan under no. 1343952

Taxpayer's code no. and VAT no. 10115350158

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the Financial Statements closed as at December 31st, 2020 pursuant to art. 2429, second paragraph of the Italian Civil Code

Dear Shareholders,

during the financial year closed as at December 31st, 2020, the Board of Statutory Auditors carried out the supervisory activity set forth by the law, also pursuant to the "Rules of conduct of the Board of Statutory Auditors" recommended by the Italian Board of Chartered Accountants and Accounting Consultants.

In particular, the following is reported:

The Board of Statutory Auditors supervised observance of the law and By-laws, as well as of fair management principles and we have no particular observations to make in this connection.

During the financial year closed as at December 31st, 2020 the Board of Statutory Auditors met eleven times and took part in the Shareholders' Meetings, Board of Directors' Meetings and Audit Committee's Meetings, held in compliance with the law and the by-laws regulating them and for which it can be reasonably assured that the actions resolved are compliant with the law and the Company's by-laws and are not manifestly imprudent, hazardous, could not potentially determine a conflict of interest or compromise the integrity of the company's assets.

Pursuant to the Company's By-laws, the Board of Statutory Auditors received information from Directors on the company performance and its expected evolution, as well as on the most significant transactions in terms of size and characteristics implemented by the Company, verifying that such transactions have occurred according to the law and the Company's By-laws and they are not manifestly imprudent, hazardous, in potential conflict of interest, in contrast with the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets.



The Board of Statutory Auditors continuously acquired information by constantly liaising with all the company structures and periodically reviewed the Company's organization structure which showed no inadequacy.

During the year, the Board of Statutory Auditors attended periodical meetings with the Company's Supervisory Body, during which the relevant information was exchanged, acknowledging the content of reports prepared by the Supervisory Body on implemented activities.

The Board of Statutory Auditors also took part in all the Audit Committee's Meetings, during which the two bodies exchanged the necessary information, sharing and coordinating control planning activities with the Committee members, and sharing views with structures, in particular with the Internal Auditing structure on the activities carried out by the latter, ascertaining the appropriateness of the internal control system. In this connection, the Board of Statutory Auditors examined the Annual Report of the Audit Committee for 2020, sharing its content, in particular with respect to the analysis of certain topics.

The presence of some Statutory Auditors of the Parent Company in the Boards of Statutory Auditors of subsidiaries favored a regular and constant exchange of information between the Board of Statutory Auditors and the corresponding control bodies of the above-mentioned subsidiaries. No facts or anomalies have emerged during the performance of this activity which need to be mentioned in this report.

The Board of Statutory Auditors evaluated and monitored the adequacy of the book-keeping and accounting system as well as its reliability for the representation of operating activities, by gathering information from the managers of functions and analysing corporate documents; no particular observation is made in this connection.

No complaints pursuant to art. 2408 of the Italian Civil Code was filed against the Company during the fiscal year closed as at December 31st, 2019.

No further significant fact to be mentioned in this report emerged during the supervising activity described herein above.

The Board of Statutory Auditors examined the financial statements as of December 31st, 2020 prepared in accordance with IAS/IFRS international accounting standards and relevant interpretation principles (SIC/IFRIC) adopted by the European Union and in force on the financial statements preparation date.

As the Board of Statutory Auditors is not required to make an analytical check of the content of the financial statements, the control body supervised over the general layout adopted and

general compliance with the law of its preparation and structure, and we have no particular observations to make in this connection.

The Board of Statutory Auditors verified compliance with laws on the preparation of the Directors' Report as well as the correspondence of financial statements with the facts and information collected and no particular observations is to be made in this connection.

To the extent of our knowledge, Directors did not depart from the provisions of art. 2423, paragraph four of the Italian Civil Code in the preparation of financial statements.

The Board of Statutory Auditors examined the impairment test procedure adopted by directors and approved by the Audit Committee and the Board of Directors.

The Board of Statutory Auditors reminds that 2020 was negatively affected by the Covid-19 pandemic that caused dramatic health, social and economic consequences at global level (still ongoing). In this regard, the Board of Statutory Auditors takes note of the information contained in the Director's Report on operations. In this connection, the Board of Statutory Auditors has constantly verified the actions implemented by the Group to regulate the measures to fight and contain contagion from Covid-19 and, in particular, that the Group's reaction to the emergency situation was immediate, firm and cross-cutting; each Company Function has re-designed its activities and adopted the work organization, privileging the safety of employees and the central role of customers. On this subject, restrictions on people's free movements imposed by governments and the scenario of general suffering caused by the spread of the pandemic had a significant impact on consumptions, in particular of luxury goods. The zeroing of tourist flows caused a significant contraction of purchases in physical spaces. Simultaneously, this circumstance determined an acceleration in the development of digital sales and communication channels. The pandemic mainly affected the Group's business during the first part of the year, albeit not homogeneously in all countries, while a progressive recovery was recorded starting from the end of the first half-year, as specified in the Directors' Report. In light of the above, the Board of Statutory Auditors underlines that the Company has put in place all the initiatives aimed at managing the emergency, which have grown its resilience and have favored a swift recovery of sales. Having said that, despite the pandemic and the consequent uncertainties are still continuing, the Group is well structured and positioned to capture growth in the long term.

The Board of Statutory Auditors verified compliance of the financial statements with the facts and information acquired during the performance of its office and we have nothing to report in this connection.

During the year, the Board of Statutory Auditors held periodical meetings with the management of the Audit Company Deloitte & Touche S.p.A., appointed to audit the separate and



consolidated financial statements of the Prada Group for the three-year period 2019-2021 pursuant to Law Decree n.39 of 27 January 2010 in order to exchange relevant data and information for the performance of their respective duties. These meetings did not give rise to any important matters requiring disclosure in this report.

In light of the above, as well as of what emerged during the meetings with the Independent Auditors, the Board of Statutory Auditors, also in light of the Independent Auditors' declarations in this connection, believes that no critical issue has emerged concerning the independence of the Audit Company.

In compliance with applicable laws, on today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report pursuant to art. 14, paragraph 2 letter e) of Legislative Decree 39/2010 and international auditing standards (ISA Italia), certifying that the financial statements as at December 31st, 2020 are compliant with the rules regulating their preparation criteria. They therefore give a true and fair view of the financial position of the Company as of December 31st, 2020 of its operations and cash flows of the period, in compliance with the International Financial Reporting Standards adopted by the European Union. The above-mentioned opinion, issued pursuant to art.14 paragraph 2 letter e) of Legislative Decree no.39/2010, also certifies that the Directors' Report is consistent with the financial statements closed as at December 31st, 2020, is compliant with the laws and does not contain any exceptions or requests for disclosures.

The Company also prepared the consolidated financial statements and consolidated directors' report.

Also with reference to these documents, the Board of Statutory Auditors monitored their general layout, their compliance with the law in terms of preparation and structure and we have no particular observations to make in this respect.

On today's date, in compliance with applicable laws Deloitte & Touche S.p.A. issued an Independent Auditors' Report pursuant to art. 14, paragraph 2 letter e) of Legislative Decree 39/2010 and international auditing standards (ISA Italia), certifying that the consolidated financial statements as at December 31st, 2020 are compliant with the rules regulating their preparation criteria. They therefore give a true and fair view of the financial position of the Group as of December 31st, 2020, of its operations and cash flows of the period, in compliance with the International Financial Reporting Standards adopted by the European Union. The above-mentioned opinion, issued pursuant to art.14 paragraph 2 letter e) of Legislative Decree no.39/2010, also certifies that the Directors' Report is consistent with the consolidated financial statements closed as at December 31st, 2020, is compliant with the laws and does not contain any exceptions or requests for disclosures.

Finally, the Board of Statutory Auditors examined the 2020 Corporate Social Responsibility Report, and its content with respect to the sustainability initiatives taken by the Company through a narrative based on three key pillars and contained in a dedicated Policy, such as People, Environment and Culture. Special focus is placed on the environment and the respect of human rights along the whole value chain. The Board of Statutory Auditors expresses satisfaction for the attention constantly shown by the Company towards sustainability, appreciating the actions taken to strengthen the structure dedicated to it and the results achieved and explained in the Report.

Lastly, after taking into account the foregoing and within the limits of our responsibility, we have not found any reasons hindering the approval of the financial statements as at December 31st, 2020, showing a loss of Euro 16,175,880.17, agreeing with the Director's proposal to cover the loss for the year.

Milan, 10 March 2021

The Board of Statutory Auditors

The Chairman
Antonino Parisi



