



Separate Financial Statements 2021

SEPARATE FINANCIAL STATEMENTS 2021

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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	<p>Paolo Zannoni <i>(Chairman & Executive Director)</i></p> <p>Miuccia Prada Bianchi <i>(Chief Executive Officer & Executive Director)</i></p> <p>Patrizio Bertelli <i>(Chief Executive Officer & Executive Director)</i></p> <p>Alessandra Cozzani <i>(Chief Financial Officer & Executive Director)</i></p> <p>Lorenzo Bertelli <i>(Executive Director)</i></p> <p>Stefano Simontacchi <i>(Non-Executive Director)</i></p> <p>Marina Sylvia Caprotti <i>(Independent Non-Executive Director)</i></p> <p>Maurizio Cereda <i>(Independent Non-Executive Director)</i></p> <p>Yoël Zaoui <i>(Independent Non-Executive Director)</i></p> <p>Pamela Yvonne Culpepper <i>(Independent Non-Executive Director)</i></p> <p>Anna Maria Rugarli <i>(Independent Non-Executive Director)</i></p>
Audit Committee	<p>Yoël Zaoui <i>(Chairman)</i></p> <p>Marina Sylvia Caprotti</p> <p>Maurizio Cereda</p>

Remuneration Committee	Marina Sylvia Caprotti (<i>Chairwoman</i>) Paolo Zannoni Yoël Zaoui
Nomination Committee	Maurizio Cereda (<i>Chairman</i>) Lorenzo Bertelli Marina Sylvia Caprotti
Board of Statutory Auditors	Antonino Parisi (<i>Chairman</i>) Roberto Spada David Terracina
<i>Organismo di Vigilanza</i> (Supervisory Body) (Italian Leg. Decr. 231/2001)	Stefania Chiaruttini (<i>Chairwoman</i>) Yoël Zaoui Gianluca Andriani
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Stefania Cane Via A. Fogazzaro, 28 20135 Milan, Italy Ying Kwai Yuen 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.	Patrizio Bertelli Via A. Fogazzaro, 28 20135 Milan, Italy Ying Kwai Yuen 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Alternate Authorized Representative to Patrizio Bertelli in Hong Kong S.A.R.	Wendy Pui-Ting Tong 8th Floor, One Taikoo Place 979 King's Road Quarry 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, 2021, 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.

2021 HIGHLIGHTS

The transformation of the luxury goods market brought about by the Covid-19 pandemic continued in 2021, revolutionizing the industry. The share of consumers in young generations expanded considerably, as did the contribution of digital sales channels and local consumers' purchases. Ethical products, the social responsibility of the brands and the value of human beings in the buying experience, even in the new physical-digital ecosystem, have become even more fundamental to the value proposition of the industry.

Focusing on being relevant, sustainable and impactful, the Prada Group has succeeded in evolving with the market in this scenario of mutations. The combination of its unique creative prowess and a transformational omnichannel strategy has enhanced the perceived value of the brands and products, paving the way for revenue growth and putting the Group back on the path of long-term value creation.

The commercial strategy was behind this growth with a more profitable sales mix, the elimination of markdowns, and a fully streamlined wholesale distribution channel. The increase in the Company's own e-commerce sites also contributed to the growth, mainly with new customers.

Investments in retail space and processes raised store productivity rates and were critical to strengthening the brand identities. In 2021, store renovations were completed and pop-up installations were set up, leading to increased footfall in stores and a continuously evolving retail image. The Prada Outdoor, Prada Holiday, Miu Miu Upcycled and Miu Miu Nuit pop-up shops resonated the most, traveling around to some of the most prestigious department stores and malls.

Investments in content and in traditional and digital communication channels led to excellent results even in the online brand visibility metrics. Effective communication campaigns made it possible to expand the involvement of the digital community during successful events, such as the Prada 2022 Spring/Summer fashion show, the first to be presented simultaneously in two cities (Milan and Shanghai), and the 36th America's Cup presented by Prada, the most viewed edition ever.

The omnichannel growth strategy included new investments that will soon lead to additional optimization of backend retail operations and greater use of data, making the customer relationship management (CRM) activities even more effective. Last but not least, having joined the Aura consortium as a founding member enables to further enrich the customer journey: through blockchain technology, the Group's

brands will guarantee to customers enhanced transparency and traceability. Moreover, a digital evolution roadmap was approved during the year that will lead to a cutting-edge information system for the Company in terms of engineering and technology, giving another competitive advantage in the performance of all distribution and communication channels and indeed the entire business operation. The industrial area benefited from important reduction of complexity as well as investments in the verticalization of the production process to enhance artisanal know-how and further boost the high quality standards of the products. Use of operating capacity was optimized at the Levanella logistic hub, a forerunner of technology and sustainability in the industry and a crucial site for integrating manufacturing processes with store procurement ones. Manufacturing activities were also strengthened through the acquisition of the remaining stakes in two companies previously controlled by Prada Spa, one in Italy and the other in Romania, and the acquisition of a stake in Filati Biagioli spa, renowned for Italian excellence in the production of cashmere and other noble yarns.

For Capital Markets Day in November, the strategic guidelines for the Company's sustainable growth were communicated as formalized on the basis of the principles and priorities that have always motivated the Prada Group, organized into three pillars: people, environment and culture.

The Company's operating results improved considerably from those of the pre-pandemic levels, showing increases in both amounts and as a percentage of net revenues. The consequential cash generation, net of investments and resumed dividend payments, enabled the Company to accumulate enough cash assets to face confidently the important short and medium investments.

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 2021	%	twelve months ended December 31 2020	%
Net sales	1,805,459	97.3%	1,156,692	97.3%
Royalties	49,233	2.7%	31,936	2.7%
Net Revenues	1,854,692	100.0%	1,188,628	100.0%
Cost of goods sold	(719,202)	-38.8%	(598,424)	-50.3%
Gross Margin	1,135,490	61.2%	590,204	49.7%
Operating expenses	(675,067)	-36.4%	(595,638)	-50.3%
EBIT	460,423	24.8%	(5,434)	-0.5%
Interest and other financial expenses, net	(49,099)	-2.6%	(55,808)	-4.6%
Dividends from investments	23,785	1.3%	37,014	3.1%
Income before taxation	435,109	23.5%	(24,228)	-2.0%
Taxation	(124,459)	-6.7%	8,052	0.6%
Net income for the period	310,650	16.7%	(16,176)	-1.4%
Depreciation, amortization and impairment	120,864	6.5%	109,319	9.2%
EBITDA	581,287	31.3%	103,885	8.7%
ROE	14.37%		0.80%	
ROI	12.53%		0.17%	
ROS	24.82%		0.46%	

Net revenues for the year ended December 31, 2021 amounted to Euro 1,855 million, up by 56% with respect to the previous period's revenues of Euro 1,189 million.

The gross margin of the twelve months ended December 31, 2021 corresponded to 61% of the net revenues, up from the 50% of 2020. It should be considered that the 2020 margin had been affected by less absorption of production overheads due to the sales contraction.

The total operating expenses were Euro 675 million, up by Euro 79 million from those of 2020. The increase is attributable to the normalization of expenditure levels, which in 2020 had benefited more from rent discounts and government incentives.

The increase in 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 24 million in dividends received;
- Euro 1.7 million in net exchange losses;
- Euro 2.3 million in net interest expense;
- Euro 43 million in impairment adjustments and loss coverage of investments in subsidiaries;
- Euro 2 million in other financial expenses.

The tax burden for the reporting period, stated as a percentage of pre-tax income, was 28.6%, while the taxation of the previous year consisted mainly of deferred tax assets recognized on the tax loss of the period.

During the reporting period, the Company did not carry out any unusual and/or atypical transactions that had a material effect on the financial statements.

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 2021	December 31 2020
Right of use assets	343,835	294,420
Non-current assets (excluding deferred tax assets)	1,921,410	1,935,644
Trade receivables, net	683,087	526,652
Inventories, net	269,947	295,694
Trade payables	(635,781)	(635,002)
Net operating working capital	317,253	187,344
Other current assets (excluding items of financial position)	126,503	206,165
Other current liabilities (excluding items of financial position)	(269,142)	(179,389)
Other current assets/(liabilities), net	(142,639)	26,776
Provision for risks	(16,051)	(1,581)
Long-term employee benefits	(39,811)	(35,704)
Other long-term liabilities	(67,193)	(54,822)
Deferred taxation, net	41,364	42,212
Other non-current assets/(liabilities)	(81,691)	(49,896)
Net invested capital	2,358,168	2,394,288
Shareholder's equity	(2,161,802)	(1,938,553)
Total shareholders' equity	(2,161,802)	(1,938,553)
Long-term financial, net surplus/(deficit)	(390,203)	(240,872)
Short-term financial, net surplus/(deficit)	532,228	75,340
Dividend payable	(2)	(2)
Net financial position surplus/(deficit)	142,023	(165,534)
Long-term lease liability	(312,767)	(275,612)
Short-term lease liability	(50,507)	(42,146)
Financial Receivables IFRS 16 - leases	24,885	27,557
Total lease liability	(338,389)	(290,201)
Shareholders' equity and net financial position	(2,358,168)	(2,394,288)
Debt to Equity ratio	-6.0%	6.9%

The right of use assets increased by Euro 49 million, explained by new contracts and lease renewals, 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 14 million including depreciation, amortization and impairment, net of the increase for capital expenditure of the period. Investments decreased also for the disposal of financial investments.

As of December 31, 2021, the Company had net invested capital of Euro 2,358 million, net financial surplus of Euro 142 million and equity of Euro 2,162 million.

Net operating working capital was Euro 317 million at December 31, 2021, up by Euro 130 million from that of December 31, 2020.

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Net operating working capital	317,253	187,344
Derivative Financial instruments	(26,620)	4,657
Other receivables from parent, subsidiaries, associated companies and related parties	36,909	59,566
Other current assets	52,543	41,031
Current tax receivables (payables)	(41,816)	78,000
Other liabilities to parent, subsidiaries, associated companies and related parties	(18,357)	(10,706)
Other current liabilities	(145,298)	(145,773)
Other current assets (liabilities), net	(142,639)	26,775
Net working capital	174,614	214,119

Net working capital decreased by Euro 39 million, resulting from an increase in the net operating working capital balanced by the increase in Current tax payables and a negative fair value of Derivative Financial instruments. The Current tax payables (net) were Euro 42 million at December 31, 2021, turning around from an asset balance of December 31, 2020 as a result of the current taxes due for the year.

NET FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Long-term debt, net of current portion	(441,013)	(385,868)
Payables to parent company, subsidiaries, associates and related parties	-	(13,878)
Total financial payables - non-current	(441,013)	(399,746)
Financial payables and bank overdrafts - current	(171,973)	(177,787)
Payables to parent company, subsidiaries, associates and related parties	(67,643)	(53,095)
Total financial payables - current	(239,616)	(230,882)
Total financial payables	(680,629)	(630,629)
Financial receivables from parent company, subsidiaries, associates and related parties - non-current	50,810	158,874
Financial receivables from parent company, subsidiaries, associates and related parties - current	375,066	202,928
Cash and cash equivalents	396,777	103,295
Total financial receivables and cash and cash equivalents	822,654	465,097
Net financial surplus/(deficit), total	142,025	(165,532)
Dividend payable	(2)	(2)
Net financial surplus/(deficit)	142,023	(165,534)
Net financial surplus/(deficit) third parties	(216,211)	(460,362)
Lease liability	(363,274)	(317,758)
Financial Receivables IFRS 16 (Leases)	24,885	27,557
Net financial surplus/(deficit) including Financial Receivables IFRS 16 and Lease liability	(554,600)	(750,563)
Net financial position surplus/(deficit) including lease liability third parties	(579,485)	(778,120)

As at December 31, 2021, the net financial position shows a surplus of Euro 142 million, increased by Euro 307 million compared with the previous reporting date. Long-term financial payables increased by Euro 41 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 620 million (Euro 869 million as at December 31, 2020), of which Euro 400 million committed and Euro 220 million uncommitted.

As shown in the Statement of Cash Flows, cash flows from operating activities amount to Euro 460 million and cash used by the investing activities amount to Euro 48 million including dividends received for Euro 24 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, 2021, the Company did not own any treasury stock.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

The "company information" and "significant acquisitions and disinvestments" 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

At the date of approval of these Financial Statements, the Company has suspended its retail operations in Russia.

At December 31, 2021 the Company had trade receivables of approximately RUB 2.9 billion (Euro 35 million at the year-end exchange rate) with Prada Rus llc; the value of the investment in Prada Rus llc amounts to Euro 83 million. The revenues realized in Russia in 2021 accounted for approximately 2% of the net revenues. The ongoing conflict in Ukraine has resulted in a high volatility of the financial

markets, a significant devaluation of the Ruble and a context of high uncertainty whose future potential effects on these financial statements cannot be determined so far. The Management will continue to closely monitor the evolution of the business and legal scenario in order to ensure the correct valuation of the assets recognized in these financial statements.

Chora S.r.l. initiated a lawsuit in January 2022 against Prada spa; more details are provided in Note 20.

OUTLOOK

The Prada Group's start to 2022 has been strong. The long-term strategy is on track, focused on distinctive brand identity, product quality and industrial know-how, direct distribution and sustainability at the core of corporate values. Decisive actions to evolve the business and navigate the changing luxury market drove outstanding growth and increased profitability in 2021.

These results give the Company confidence to achieve its medium-term targets, even though it is difficult to predict the impact of the Ukraine conflict on the global economy. The concern is for all the colleagues and their families affected by the war, as well as the local communities and all people suffering, to whom the Company will continue to provide support.

PROPOSED ALLOCATION OF NET INCOME FOR THE YEAR

On March 14, 2022 the Board recommended the approval at the Shareholders' General Meeting of the allocation of the net income of the Company, for the year ended December 31, 2021, as follows:

- (i) Euro 179,117,680.00 to Shareholders as final dividend, in particular to declare and distribute a final dividend of Euro 0.07 per share, and
- (ii) Euro 131,532,065.66 to retained earnings of the Company.

Chief Executive Officer

Patrizio Bertelli



Milan, March 14, 2022

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining the highest standards of corporate governance to create long-term sustainable value for all its stakeholders, including its shareholders. The corporate governance model adopted by the Company consists of a set of rules and standards aimed at 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 complies with the applicable laws and regulations in Italy, where the company is incorporated, as well as the principles set out in the Corporate Governance Code (the "Code") 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 year ended December 31, 2021 ("2021 Year"). This Corporate Governance report summarizes how the Company has applied the principles and implemented the code provisions contained in the Code for the 2021 Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written procedure governing Directors' securities transactions on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. In response to specific enquiry by the Company, all Directors confirmed that they complied with the required standard set out in the Model Code and the Company's procedure at all applicable times during the 2021 Year. There were no incidents of non-compliance during the 2021 Year.

The Company has also adopted a written procedure governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. This procedure is on terms no less exacting than those set out in the Model Code.

BOARD OF DIRECTORS

A. BOARD COMPOSITION

The Board is currently made up of eleven Directors, of which five are Executive Directors, one is Non-Executive Director and five are Independent Non-Executive Directors. The Board has an appropriate mix of skills and experience that is relevant to the Company's strategy, governance and business, and underpins its management effectiveness and efficiency. Its approach to achieving diversity is set out in the Board Diversity Policy, which is discussed in more detail in the paragraph headed Nomination Committee. 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.

B. BOARD MEETINGS

During the 2021 Year, the Board held eight meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget and 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 eight meetings (all held through electronic means) was 88.9%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Stefania Cane. Minutes of the Board meetings and all the Board Committee meetings are sent to the relevant Directors and are available for inspection by any Director by giving reasonable notice to the Company.

C. BOARD ATTENDANCE

The details of attendance at Board meetings, Board Committees meetings and shareholders' general meeting held during the 2021 Year are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Paolo ZANNONI (Chairman) ¹	5/5		2/2		
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	3/8				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	8/8				1/1
Ms. Alessandra COZZANI (Chief Financial Officer)	8/8				1/1
Mr. Lorenzo BERTELLI ²	4/5			1/2	
Non-Executive Director					
Mr. Stefano SIMONTACCHI	6/8				1/1
Independent Non-Executive Directors					
Ms. Marina Sylvia CAPROTTI ³	5/5	4/4	2/2	2/2	
Mr. Maurizio CEREDA ⁴	8/8	9/9	1/1	2/2	1/1
Mr. Yoël ZAOUÏ ⁵	5/5	4/4	2/2		
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	8/8				1/1
Mr. Roberto SPADA	7/8				1/1
Mr. David TERRACINA	8/8				1/1
Date(s) of Meeting	Jan 5, 2021	Jan 29, 2021	Mar 31, 2021	Feb 26, 2021	May 27, 2021
		Feb 25, 2021	Jun 28, 2021	Apr 1, 2021	
	Mar 10, 2021	Mar 8, 2021	Dec 17, 2021	July 29, 2021	
	Apr 16, 2021	Apr 8, 2021		Dec 17, 2021	
	Jun 4, 2021	May 18, 2021			
	Jun 28, 2021	July 16, 2021			
	July 29, 2021	July 28, 2021			
	Nov 11, 2021	Nov 11, 2021			
	Dec 17, 2021	Dec 2, 2021			
Average Attendance Rate of Directors	88.9%	100%	100%	91.7%	77.8%

Notes:

1. Member of Remuneration Committee
2. Member of Nomination Committee
3. Chairwoman of Remuneration Committee and Member of Audit Committee and Nomination Committee
4. Chairman of Nomination Committee and Member of Audit Committee and Former Chairman of Remuneration Committee
5. Chairman of Audit Committee and Member of Remuneration Committee

* Mr. Carlo MAZZI, former Chairman of the Board (3/3 attendance); former Member of Remuneration Committee (1/1 attendance) and former Member of Nomination Committee (2/2 attendance); Shareholders' Meeting (1/1 attendance)

* Mr. Gian Franco Oliviero MATTEI, former member of the Board (3/3 attendance); former Chairman of Audit Committee (5/5 attendance) and Nomination Committee (2/2 attendance), former member of Remuneration Committee (1/1 attendance), Shareholder's Meeting (1/1 attendance).

* Mr. Giancarlo FORESTIERI, former member of the Board (3/3 attendance); former member of Audit Committee (5/5 attendance); Shareholders' Meeting (0/1 attendance)

* Mr. Sing Cheong LIU, former member of the Board (3/3 attendance); former member of Nomination Committee (2/2 attendance); Shareholders' Meeting (1/1 attendance)

D. ROLES AND RESPONSIBILITIES

The Board is the highest decision making body of the Company vested with the power to manage all ordinary and extraordinary matters of the Company. The Board has the power to perform all acts it deems necessary or useful to the pursuit of the Company's corporate purposes, except for those acts specifically reserved for approval by the shareholders by relevant laws or the By-laws. In particular, the Board is responsible for setting the overall strategy, as well as reviewing the operational and financial performance of the Company and the Group. Therefore, the Board considers and decides on all matters concerning the overall Group strategy, including the sustainability strategy, the Group's strategic objectives, annual budgets, annual and interim results, approval of major transactions, connected transactions and any other significant operational and financial matters. The Board is also responsible for evaluating on an ongoing basis the effectiveness of the risk management and internal control system.

During the 2021 Year, all Board members were provided with monthly updates, prepared by the Executive Directors with the support of the management. The purpose of such updates were to provide a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group in sufficient detail, in order to enable each Director to discharge his/her duties. In addition, due to the continued uncertainty at a worldwide level caused by the Covid-19 pandemic, the Board devoted additional time in meetings held during the 2021 Year to discuss the actual impact of such uncertainty on the Group's 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 Board's approval;
- the execution of business strategies and other initiatives adopted by the Board;
- the monitoring of operating budgets adopted by the Board;
- the design, implementation and monitoring of the internal control and risk management system; and
- the 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 provide 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 conflicts of interests may 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

Independent Non-Executive Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge. Their independence is assessed upon appointment, annually, and whenever the circumstances warrant reconsideration.

All of the Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and have, as required by the Listing Rules, provided the Company with the written confirmations as to their independence. The independence of the Independent Non-Executive Directors was further confirmed following the review by the Nomination Committee conducted on March 14, 2022. 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 corporate activities. The insurance coverage is reviewed on an annual basis.

H. DIRECTORS' TRAINING

Upon appointment to the Board, Directors are provided with a comprehensive induction program to ensure that they have a thorough understanding of the key areas of business operations and practices of the Company, as well as their role and responsibilities under the relevant laws, rules and regulations.

During the 2021 Year, Mr. Paolo Zannoni, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Lorenzo Bertelli, Mr. Stefano Simontacchi, Ms. Marina Sylvia Caprotti, Mr. Maurizio Cereda and Mr. Yoël Zaoui participated in continuous professional training to develop and refresh their knowledge and skills and received regular updates on development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. Ongoing training helps Directors keep abreast of current trends and issues facing the Group, while enabling them to update and refresh their skills and knowledge necessary to perform their duties.

Directors were required to provide the Company with their training records during the 2021 Year. The records are maintained by the Joint Company Secretaries, Ms. Stefania Cane and Ms. Yuen Ying Kwai.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Chairman is Mr. Paolo Zannoni 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 provides leadership to the Board. He is responsible for ensuring that the Board is functioning effectively 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.

RELATIONSHIPS BETWEEN DIRECTORS

The Chief Executive Officers are husband and wife. Mr. Lorenzo Bertelli (an Executive Director of the Company) is the son of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli.

APPOINTMENT OF THE BOARD MEMBERS

At the shareholders' general meeting of the Company held on May 27, 2021 ("2021 AGM"), the Board consisting of nine Directors) was appointed for a term of three financial years. The mandate of the Board will lapse on the date of the shareholders' general meeting to approve the financial statements of the Company for the year ending December 31, 2023. Two additional Independent Non-Executive Directors were appointed at the shareholders' general meeting of the Company held on

January 28, 2022 for the remaining term of the current Board's mandate.

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 implementation of the Company's 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 directors and employees;
- (v) to review relevant Environmental, Social and Governance ("ESG") matters;
- (vi) to review the Company's compliance with the Code and the 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 2021 Year, the Board completed the following with respect to 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 system of the Company through the Internal Audit Department and the Audit Committee; and
- (iv) reviewed and approved the corporate 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 chaired by an Independent Non-Executive Director, in compliance with the Code. The Regulation and membership of all Board Committees are disclosed on the websites of the Company and the Stock Exchange. The Regulation of the Committees are no less exacting than those set out in the Code.

The Board has established a Sustainability Committee on February 4, 2022.

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 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. Yoël Zaoui (Chairman), Ms. Marina Sylvia Caprotti and Mr. Maurizio Cereda. The primary duties of the Audit Committee are to assist the Board in providing an independent view on the effectiveness of the Company's financial reporting process and its internal control and risk management system, 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 assigned to it by the Board.

During the 2021 Year, the Audit Committee held nine 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 Regulation and to make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the 2021 Year, 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 2020, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2020 and the interim financial results as at June 30, 2021) before recommending them to the Board for approval.

The Audit Committee also held two meetings on February 23, 2022 and March 9,

2022, to review the Group results for the 2021 Year, before recommending them 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 financial statements for the 2021 Year and for the year ended December 31, 2020, together with non-audit services rendered to Prada spa. are illustrated below (amounts in thousands of Euro).

Type of service	Audit firm	Twelve months ended December 31, 2021	Twelve months ended December 31, 2020
Audit services	Deloitte & Touche S.p.A.	508	450
Other advisory services	Deloitte & Touche S.p.A.	24	31
Total fees of audit firm		532	481

B. REMUNERATION COMMITTEE

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, Ms. Marina Sylvia Caprotti (Chairwoman), Mr. Yoël Zaoui and the Chairman of the Board, Mr. Paolo Zannoni.

During the 2021 Year, the Remuneration Committee held three meetings (with an attendance rate of 100%) to recommend the aggregate basic remuneration of the Board for each year of its three-year term, to appoint its Chairwoman, to review and recommend the remuneration package for directors vested with special authorities, to review and recommend certain updates to the long-term incentive plan and to the management through objective plan for executives and Directors.

REMUNERATION POLICY

The Company's remuneration policy is aimed at attracting, rewarding and retaining its personnel, who is considered as the key to the success of the Company's business. This 'Human Capital' is preserved through constant monitoring in order to maintain engagement with the Company and a remuneration policy that is in

line with the market. To ensure the Company's ability to attract and retain talent, the Company's remuneration policy is built upon the principles of providing an equitable and market-competitive remuneration package that supports the performance culture and enable the achievement of strategic business goals.

The Group's remuneration policy is designed to reward and retain highly professional staff and skilled managers, new 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 comprises fixed and variable, direct and deferred, components tailored for the relevant position and professional qualifications, and is 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 executive directors, senior managers and key managers for retention purposes. Entitlement to benefits under such plans would vest in the eligible executive director, senior manager or key manager 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 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 the Executive Directors and members of the Board Committees) is determined by the Board after having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current remuneration package, the Executive Directors receive remuneration 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 contributions to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive remuneration 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 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. Maurizio Cereda (Chairman) and Ms. Marina Sylvia Caprotti and one Executive Director, Mr. Lorenzo Bertelli.

During the 2021 Year, the Nomination Committee held four meetings on March 18, 2020 (with an average attendance rate of 91.7%) to perform the annual review of the independence of the Independent Non-Executive Directors for the 2020 year, to recommend to the shareholders the structure and composition of the Board which was to be elected at the 2021 AGM for a term of three financial years, to appoint its new Chairman of the Board Committees, to recommend the proposal of the change of number of Directors from nine to eleven and to recommend the appointment of Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli, both being experts in the ESG fields, as Independent Non-Executive Directors of the Company.

The Nomination Committee held one meeting on March 14, 2022, to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the 2021 Year.

In the discharge of its duties, the Nomination Committee has recommended 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 to attain its strategic objectives and its development. The Board diversity policy was adopted by the

Board in September 2013 (the "Board Diversity Policy"). According to the principles set out in the Board Diversity Policy, all Board appointments are based on merit and candidates are proposed and selected based on objective criteria, with due regard for 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 implementation 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 approval.

On March 15, 2019, the Board adopted the nomination policy for directors ("Director Nomination Policy"), which provides guidance on 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 regulate the nomination process of directors so as to ensure that all nominations of Board members are made in a fair and transparent manner in order to maintain an appropriate balance of skills, experience and diversity within the Board that are relevant to the Company's strategy, governance and business, and which can contribute to the effectiveness and efficiency of the Board's management.

The Director Nomination Policy contains a number of factors for assessing the suitability of a proposed candidate, including the high ethical character and reputation for integrity, professional qualifications, skills, knowledge and experience, available time commitment, merit and potential contributions to the Board, as well as the independence criteria under the Listing Rules (where applicable).

The Nomination Committee will consider the candidates proposed by shareholders for new directorship or for re-election and make recommendations for the Board's consideration. The Board will then decide whether the proposed 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. SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises two Independent Non-Executive Directors, Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli, and one Executive Director, Mr. Lorenzo Bertelli.

The Sustainability Committee assists and supports the Board with proposing and advisory functions in its assessments and decisions on sustainability, meaning the processes, initiatives and activities aimed at overseeing the Company's commitment to sustainable development along the value chain. Moreover, the Committee supports the preparation and review of non-financial reports, including the annual Sustainability Report, and communications concerning sustainability to be submitted to the Board for approval.

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, its By-laws, the principles of proper management and, in particular, on the adequacy and functioning of the organizational, administrative and accounting structure adopted by the Company.

At the shareholders' general meeting of the Company held on May 27, 2021, the board of statutory auditors was appointed for a term of three financial years. The mandate of the current Board of Statutory Auditors will expire at the shareholders' general meeting to approve the financial statements of the Company for the year ending December 31, 2023.

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 Ms. Fioranna Negri.

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements of the Company for the 2021 Year with a view to ensure such financial statements give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors have selected suitable accounting policies and made prudent and reasonable judgments and estimates. The 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 2021 Year.

With respect to the auditor of the Company, its responsibilities are stated in the auditor's reports on the financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group's internal control system has mainly been designed to safeguard the assets of the Group, 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 achieving 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 Group's operations and the regulatory framework to which it is subject.

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

The Board has acknowledged its responsibility for the internal control and risk management system - including financial, operational and compliance controls functions - and for the ongoing monitoring and review of its effectiveness. Such system is designed to manage rather than eliminate risks and is aimed at providing

reasonable and not absolute assurance against material misstatement or loss.

The management, with the support of the Internal Audit Department, has the responsibility, as delegated by the Board, to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve any material internal control defects that arise.

In particular, the measures, which were adopted by the Group to contain the effects of the spread of the Covid-19 pandemic on the Company's activities, and mitigating the health and safety risk at work, have been continuously assessed during the 2021 Year.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control and risk management system. The audit plan is discussed and agreed every year by the Audit Committee before being 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 personnel of the Company on the effectiveness of the Company's risk management and internal control system throughout the 2021 Year.

During the 2021 Year, no significant control failings or weaknesses were identified.

The Board, with the support from the Audit Committee, has been reviewing the internal control and risk management system of the Group on an ongoing basis (with the same frequency as regular Board meetings were held) and is generally satisfied that the internal control and risk management system has functioned effectively and has been adequate for the Group as a whole, throughout the 2021 Year.

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 2021 Year.

"ORGANISMO DI VIGILANZA" ("SUPERVISORY BODY")

In compliance with Italian Legislative Decree no. 231 of June 8, 2001 ("Decree"), the Company established an "Organismo di Vigilanza" ("Supervisory Body") whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Organization, Management and Control Model, adopted by the Company pursuant to the Decree. The Supervisory Body has three members appointed by the Board and selected among qualified and experienced individuals. The Supervisory Body consists of Ms. Stefania Chiaruttini (Chairwoman), Mr. Yoël Zaoui, Independent Non-Executive Director, and Mr. Gianluca Andriani, Head of Internal Audit Department.

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 identified 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 the entire 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 a few selected members of the management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman (Mr. Paolo Zannoni), the Chief Executive Officer (Mr. Patrizio Bertelli) and an Executive Director (Mr. Lorenzo Bertelli). 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. Stefania Cane and Ms. Yuen Ying Kwai as joint company secretaries.

Given that the headquarter of the Company is located outside Hong Kong S.A.R., P.R.C. ("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 have Ms. Stefania Cane and Ms. Yuen Ying Kwai as the joint company secretaries.

During the 2021 Year, each of Ms. Stefania Cane 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 SHAREHOLDERS' GENERAL MEETINGS AT 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 Article 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. The proposals should be directed to the Company by email at corporatesecretary@prada.com.

C. MAKING AN ENQUIRY TO THE BOARD

Enquiries about matters to be put forward to the Board should be directed to the Company by e-mail at corporatesecretary@prada.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

On May 27, 2021, the Company has adopted a new set of By-Laws ("Amended By-Laws") mainly to provide for the possibility of holding general meetings, Board of Directors and Board of Statutory Auditors' meetings by electronic means only, to insert the office of an honorary chairperson of the Company to be appointed by the Board of Directors, to delete references to provisions under the Italian laws that are not applicable to the Company and to make consequential as well as other house-keeping amendments to the then By-laws. The Amended By-Laws are available for viewing on the websites of the Company and the Hong Kong Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

A. DIVIDEND POLICY

On March 15, 2019, the Board formalized and adopted a Dividend Policy to set out the framework that the Company has put in place in relation to dividend payouts 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 (including under Italian law and the Company's By-laws) on payment of dividends.

The Board reviews the Dividend Policy from time to time and may adopt changes, as appropriate, to ensure the effectiveness of the Dividend Policy.

At the 2021 AGM, the shareholders approved the distribution of a final dividend of Euro 0.035 per share for the financial year ended 31 December, 2020, representing a total dividend of Euro 89,558,840, which was paid on June 30, 2021.

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 a regular dialogue with and fair disclosure to 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 27, 2021 exclusively by way of electronic means (the "2021 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 2021 AGM.

The Company has also held a shareholders' general meeting on January 28, 2022 to appoint two additional Independent Non-Executive Directors (the "2022 SGM").

All resolutions put to the shareholders at the 2021 AGM and 2022 SGM were duly passed and the voting results of such resolutions were disclosed in the announcements of the Company dated May 27, 2021 and January 28, 2022 respectively.

Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2021 AGM and 2022 SGM.

D. CORPORATE COMMUNICATIONS

In order to increase the 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 the means of receipt of the corporate communications, either 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 2021	December 31 2020
Assets			
Current Assets			
Cash and cash equivalents	1	396,777,137	103,294,670
Trade receivables, net	2	683,087,212	526,652,299
Inventories, net	3	269,946,903	295,693,913
Derivative financial instruments - current	4	3,057,552	12,445,419
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties - current	5	415,145,594	265,626,783
Other current assets	6	95,509,379	143,153,507
Total current Assets		1,863,523,777	1,346,866,590
Non-current Assets			
Property, plant and equipment	7	788,786,160	791,076,443
Intangible assets	8	205,587,499	200,496,905
Right of use assets	9	343,835,070	294,419,531
Investments	10	907,468,056	903,271,935
Deferred tax assets	27	43,324,128	43,922,790
Other non-current assets	11	70,303,774	74,457,073
Derivative financial instruments - non current	4	3,518,203	6,768,227
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties	5	72,524,683	201,298,365
Total non-current Assets		2,435,347,573	2,515,711,268
Total Assets		4,298,871,350	3,862,577,859
Liabilities and Shareholders' equity			
Current Liabilities			
Short-term financial payables and bank overdrafts	13	171,973,113	177,787,027
Financial and other payables due to parent company, subsidiaries, associates and to related parties - current	14	85,999,785	63,800,921
Trade payables	15	635,780,571	635,001,957
Tax payables	16	84,781,096	24,123,529
Derivative financial instruments - current	4	29,682,695	7,788,853
Other current liabilities	17	145,298,070	145,772,616
Short-term Lease Liability	12	50,507,192	42,146,074
Total current Liabilities		1,204,022,522	1,096,420,979
Non-current Liabilities			
Long-term financial payables	18	441,013,186	385,868,249
Long-term employee benefits	19	39,810,559	35,704,448
Provision for risk and charges	20	16,050,608	1,581,265
Deferred tax liabilities	27	1,959,678	1,710,553
Other non-current liabilities	21	116,660,658	104,000,000
Derivative financial liabilities - non current	4	4,785,772	9,249,071
Financial and other payables to parent company, subsidiaries, associates and related parties	14	-	13,877,911
Long-term Lease Liability	12	312,766,721	275,612,364
Total non-current Liabilities		933,047,182	827,603,860
Total Liabilities		2,137,069,704	1,924,024,839
Shareholders' equity			
Share capital		255,882,400	255,882,400
Total other reserves		1,595,269,500	1,698,846,500
Net income/(loss) of the year		310,649,746	(16,175,880)
Shareholders' equity	22	2,161,801,646	1,938,553,020
Total Liabilities and Shareholders' equity		4,298,871,350	3,862,577,859

STATEMENT OF PROFIT OR LOSS

(amounts in Euro)	Note	December 31 2021	December 31 2020
Net Revenues	23	1,854,692,127	1,188,628,418
Cost of goods sold	24	(719,202,091)	(598,423,944)
Gross Margin		1,135,490,036	590,204,475
Operating expenses	25	(675,067,012)	(595,638,176)
EBIT		460,423,024	(5,433,701)
Interest and other financial expenses, net	26	(45,679,287)	(52,856,799)
Interest income/(expenses) on lease liabilities	26	(3,419,675)	(2,952,044)
Dividends from investments	26	23,784,956	37,014,250
Total financial income/(expenses)		(25,314,006)	(18,794,594)
Income /(loss) before taxation		435,109,018	(24,228,295)
Taxation	27	(124,459,272)	8,052,415
Net income/(loss) of the year		310,649,746	(16,175,880)

STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Net income/(loss) for the period	310,650	(16,176)
Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	(17,695)	5,809
Tax impact	4,247	(1,394)
Change in Cash Flow Hedge reserve less Tax Impact	(13,448)	4,415
Items not recyclable to P&L:		
Change in Fair Value reserve	845	(15,206)
Tax impact	-	-
Change in Fair Value reserve less Tax Impact	845	(15,206)
Change in Actuarial reserve	634	(346)
Tax impact	(152)	405
Change in Actuarial reserve less Tax Impact	482	59
Total Comprehensive income/(loss)	298,529	(26,908)

STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Income/(loss) before taxation	435,109	(24,228)
<u>Profit or loss adjustments</u>		
Depreciation of Right of Use assets	48,354	43,561
Depreciation and amortization of property, plant and equipment and intangible assets	71,479	65,242
Impairment of fixed assets	1,030	515
Losses/(gains) on disposal of fixed assets	(18)	(36,748)
Impairment of investments	39,216	40,353
Interest expenses on Lease liabilities, net	3,420	2,952
Non-monetary financial income (expenses)	(27,321)	(34,537)
Provisions and other non-monetary charges	31,278	24,087
<u>Balance sheet changes</u>		
Trade receivables, net	(162,624)	224,162
Inventories, net	13,663	31,769
Trade payables	1,138	(230,123)
Other current assets and liabilities	4,628	19,222
Other non-current assets and liabilities	(6,010)	7,591
Cash flows generated by operating activities	453,342	133,818
Interest paid, (net), including interest paid of Lease liabilities	(1,714)	(2,814)
Taxes paid	8,560	(4,159)
Net cash flows from operating activities	460,187	126,845
Purchase of tangible and intangible assets	(74,901)	(49,054)
Disposal of property, plant and equipment	20,000	2,320
Investments in subsidiaries	(92,826)	(6,614)
Financial investments	76,363	-
Dividends received	23,785	37,014
Net cash flows (used)/generated by investing activities	(47,579)	(16,334)
Dividends paid	(89,559)	-
Change in short-term bank loans	-	(45,000)
Change in short-term intercompany loans	(4,447)	27,563
Repayment of loans from subsidiaries	23,537	14,052
Repayment of Lease liabilities, net	(56,132)	(53,728)
(Disbursement) of loans to subsidiaries	(42,640)	(23,486)
Repayment of short-term portion of long-term bank loans	(189,889)	(177,889)
New long-term borrowings arranged	240,000	175,000
Cash flow generated/(used) by financing activities	(119,130)	(83,488)
Change in cash and cash equivalents net of bank overdraft	293,478	27,023
Fratelli Prada spa -Opening cash and cash equivalents, net of bank overdraft	-	5,574
Opening cash and cash equivalents, net of bank overdraft	103,293	70,696
Closing cash and cash equivalents, net of bank overdraft	396,771	103,293

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 2019	2,558,824,000	255,882	410,047	51,176	182,899	881,086	(3,711)	(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 for the year (recyclable to P&L)	-	-	-	-	-	-	4,415	-	(16,176)	(11,761)
Comprehensive income for the year (not recyclable to P&L)	-	-	-	-	-	59	-	(15,206)	-	(15,147)
Balance at December 31, 2020	2,558,824,000	255,882	410,047	51,176	234,075	1,028,031	704	(25,188)	(16,176)	1,938,552
Net result Allocation	-	-	-	-	-	(16,176)	-	-	16,176	-
Other movements	-	-	-	-	-	929	-	13,351	-	14,280
Dividends paid	-	-	-	-	(51,176)	(38,382)	-	-	-	(89,558)
Comprehensive income for the year (recyclable to P&L)	-	-	-	-	-	-	(13,448)	-	310,650	297,202
Comprehensive income for the year (not recyclable to P&L)	-	-	-	-	-	482	-	845	-	1,327
Balance at December 31, 2021	2,558,824,000	255,882	410,047	51,176	182,899	974,884	(12,744)	(10,992)	310,650	2,161,802

NOTES TO THE FINANCIAL STATEMENTS

COMPANY INFORMATION

Prada spa is a joint-stock company, registered and domiciled in Italy. Its headquarters are in Via A. Fogazzaro 28, Milan, Italy. As of December 31, 2021, 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 14, 2022.

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 as at December 31, 2021, 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

Amendments to existing standards issued by the International Accounting Standard Board ("IASB"), endorsed by the European Union and applicable to the Prada spa from January 1, 2021.

Amendments to existing standards	Effective date for Prada spa	EU endorsement dates
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
Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	April 1, 2021	Endorsed in August 2021

The introduction of these amendments, with the exception of that relating to IFRS 16, did not have any effect on these Financial Statements.

AMENDEMENT TO "IFRS 16 LEASES" REGARDING COVID-RELATED RENT CONCESSIONS

On March 31, 2021, the IASB extended by one year the period of application of the IFRS 16 practical expedient previously approved by the IASB on May 28, 2020. With this amendment, issued in response to the duration of the Covid-19 pandemic, immediate recognition in profit and loss of rent discounts is applicable if the reduction regards payments originally due on or before June 30, 2022 (and no longer by the original date of June 30, 2021), whereas the other terms of the standard and practical expedient adopted in 2020 remain valid.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Note that during the annual reporting period, the Company accounted for Covid-related concessions of Euro 5.9 million in the Statement of Profit or Loss, basically none of which regarded the 2021 amendment, as no significant related cases had emerged at the reporting date.

Amendments to existing standards issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada spa because they are effective for annual periods beginning on or after January 1, 2022.

Amendments to existing standards	Effective date for Prada spa	EU endorsement status
IFRS 3 Business Combinations	January 1, 2022	Endorsed in June 2021
IAS 16 Property, Plant and Equipment	January 1, 2022	Endorsed in June 2021
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Endorsed in June 2021
Annual Improvements 2018-2020	January 1, 2022	Endorsed in June 2021
IFRS 17 Insurance contracts	January 1, 2022	Endorsed in November 2021
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)	January 1, 2023	Endorsed in March 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	January 1, 2023	Endorsed in March 2022

New standards and amendments issued by the IASB, but not yet endorsed by the European Union at December 31, 2021.

Amendments to existing standards	Effective date for Prada spa	EU endorsement status
Amendment to IAS 1 Presentation of Financial Statements (issued on 23 January 2020)	January 1, 2023	Not endorsed yet
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	Not endorsed yet
Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative information (issued on 9 December 2021)	January 1, 2023	Not endorsed yet

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

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 a short-term maturity.

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 inventories, are made for slow moving, obsolete inventories or if, in the end, the estimated selling price or realizable value is reasonably expected to be lower than the 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
Land	not depreciated
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 lease 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-end, a valuation aimed at monitoring indications of impairment over the value of property, plant and equipment is performed. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The impairment loss is determined by comparing the carrying value of the asset with its recoverable value, which means the higher of the fair value of the asset less costs to sell and its value in use.

Fair value is determined based on the best information available to reflect the amount that could be obtained from the disposal of the asset at the reporting date. Value in use is an estimate of the present value of future cash flows expected to derive from the asset tested for impairment. Impairment losses are recorded immediately in the profit or loss.

INTANGIBLE ASSETS

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

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

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

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 recognize the Right of use assets and the lease liability at the commencement date of the lease and based on the lease term.

The identification of a lease term is very important, especially in the field of real estate, because the form, legislation and common business practice can vary considerably from one jurisdiction to another. The 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 recognizes 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 is 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 occurs, 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 or loss statement.

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

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

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, 2022;
- 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.

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 for determining the investments' value in use is the Discounted Cash Flow model, adopting the process described in the Note Impairment of assets; alternatively, the recoverable amount can be estimated by using the fair value less costs of disposal method. 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 (previously “available for sale”) is at purchase cost, increased by any directly attributable transaction costs. The Company evaluates these instruments at fair value and the related changes are recorded in a specific equity reserve. This change (Fair Value through Other Comprehensive Income) is also included in the statement of comprehensive income as “items not recyclable to profit or loss”, therefore only dividends received will be recorded in the statement of profit or loss of the Company. IFRS 9 also provides for an alternative treatment that allows the recognition of fair value changes directly to profit or loss (Fair Value Through Profit or Loss). The choice of this accounting treatment (FVTPL or 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 temporary 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) that have

been enacted or substantively enacted at the reporting date.

Deferred tax assets are not discounted.

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

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 which means at the initial amount less principal repayments already made plus or minus the amortization (using the effective interest method) of any difference between that initial amount and the maturity amount.

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. The recognition of these benefits is usually subject to the attainment of specific earnings by the Company, and their payment, deferred over time to keep the beneficiaries in the organization, is remeasured using indices relating to the Company's profitability or market value.

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 and when it is probable that an outflow of resources will be required.

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 virtually certain.

PRADA spa is mainly involved in civil and tax disputes and the related provisions for risks and charges are booked in the financial statements both on the basis of historical experience and on the basis of assumptions concerning future events that are difficult to predict as also depending on factors that are not under the full control of the Company. Therefore it is possible that after the reporting period, departures between the estimates made and the actual results materialize so that it might be necessary to make adjustments to the values of the liabilities recognized.

Application of exemptions to some or all of the disclosures required by IAS 37 are applied when these could prejudice seriously the position the Company in a

dispute with other parties on the on the subject matter of the provision, contingent liability or contingent asset.

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:

- identification of the contract (in writing, orally or in accordance with other customary business practices) with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction selling price for each performance obligations;
- the amount of revenue (transaction selling price) can be measured reliably;
- the significant risks and rewards of ownership are transferred to the buyer;
- all control over the goods sold has ceased;

- the economic benefits generated by the transaction will probably be enjoyed by the Group;
- the costs pertaining to the transaction can be reliably measured;
- each performance obligation has been satisfied.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. 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.

INTEREST EXPENSES

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

TAXATION

The provision for taxation 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 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 are used also for impairment tests, when 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.

The management estimates that the effects of climate change on the criteria for the preparation of these financial statements are negligible, as at the reporting date it does not identify particular items of assets and liabilities subject to estimation processes that can be significantly influenced by climate change matters.

MERGERS AND ACQUISITIONS

On January 29, 2021, the Prada Group signed an agreement with DFS Group L.P. to purchase the residual minority stake in the "Travel Retail Shop" companies, managed together with the latter group on the basis of a joint venture agreement that expired on January 31, 2021.

Pursuant to this transaction, since February 1, 2021 Prada Spa has wholly owned TRS Hong Kong Ltd and TRS Saipan LLC. TRS Singapore Pte Ltd, for which a liquidation process had already initiated and finished in November 2021, was not part of the acquisition. After the acquisition, in order to simplify the corporate structure, some extraordinary transactions were carried out.

On April 15, 2021, Prada Spa established the company Prada San Marino srl with the aim of expanding commercial activities in the area of central Italy.

On April 23, 2021, Prada Spa exercised the purchase option on the remaining 10% of the share capital of Pelletteria Ennepi srl. As a result of such agreement, Prada Spa wholly owns that company.

On May 26, 2021, Prada Spa exercised the purchase option on the remaining 20% of the share capital of Hipic Prod Impex Srl. As a result of such agreement, Prada Spa wholly owns that company.

On June 22, 2021, Prada Spa and the Ermenegildo Zegna Group signed an agreement to acquire share capital of Filati Biagioli Modesto S.p.A., a company renowned for Italian excellence in the production of cashmere and other noble yarns located in Tuscany (Montale, Pistoia). In July, the two new shareholders

subscribed the respective 40% stakes in the company.

On November 30, 2021, Prada Spa acquired from a related party, PA BE 1 S.r.l., the entire share capital of Luna Rossa Challenge S.r.l., the company that organizes and manages the Luna Rossa sailing team for the participation in America's Cup and other high-profile sailing events. Luna Rossa Challenge S.r.l. also wholly owns COR 36 S.r.l., whose activities are about to be liquidated since they relate exclusively solely to the organization of the 36th edition of the America's Cup race.

STATEMENT OF FINANCIAL POSITION

1. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of December 31, 2021 and December 31, 2020 is presented hereunder:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Cash on hand	768	207
Bank deposit accounts	1	1
Bank current accounts	396,008	103,086
Total cash and cash equivalents	396,777	103,295

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 2021	December 31 2020
Trade receivables due from third parties	142,957	146,224
Trade receivables due from Parent company	11	5
Trade receivables due from subsidiaries and associates	539,550	380,093
Trade receivables due from related companies	568	330
Total trade receivables	683,087	526,652

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".

In order to provide a better data comparability, 2020 receivables from Luna Rossa Challenge Srl, which were previously included in the "Trade receivables from related companies", have been reclassified within "Trade receivables due from subsidiaries and associates".

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 and intercompany clients.

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Trade receivables, third, parent and related parties, gross	148,467	152,554
Allowance for bad and doubtful debts	(4,931)	(5,995)
Trade receivables, third, parent and related parties, net	143,537	146,559

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Trade receivables from subsidiaries and associates, gross	542,392	381,821
Allowance for bad and doubtful debts	(2,842)	(1,728)
Trade receivables due from subsidiaries and associates, net	539,550	380,093
Total	683,087	526,652

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Opening Balance	7,722	8,053
Increases	1,484	1,922
Utilization	(372)	(171)
Reversals	(1,100)	(2,082)
Other Movements	39	(1)
Closing Balance	7,773	7,722

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, 2021	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third, parent and related parties	148,467	142,882	-	-	-	-	5,585
Trade receivables, subsidiaries and associates	542,392	533,321	189	130	233	700	7,818
Total at December 31, 2021	690,859	676,203	189	130	233	700	13,403

(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	152,554	146,417	24	8	(1)	13	6,093
Trade receivables, subsidiaries and associates	381,821	338,105	1,670	2,039	3,189	3,059	33,758
Total at December 31, 2020	534,375	484,522	1,694	2,047	3,188	3,072	39,851

3. INVENTORIES, NET

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Raw materials	93,530	94,808
Work in progress	23,751	14,440
Finished products	174,576	199,863
Returns asset	35,864	32,695
Allowance for obsolete and slow-moving inventories	(57,775)	(46,112)
Inventories, net	269,947	295,694

The net inventories are basically consistent with the prior year's balance, mainly as a result of the streamlining of the production and logistics processes.

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, 2020	24,200	21,912	46,112
Increases	6,300	5,500	11,800
Utilization	-	(137)	(137)
Balance at December 31, 2021	30,500	27,275	57,775

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 2021	December 31 2020
Financial assets regarding derivative instruments, current	3,058	12,446
Financial assets regarding derivative instruments, non-current	3,518	6,768
Total Financial Assets - Derivative financial instruments	6,576	19,214

The current and non-current portions of the liabilities are presented:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Financial liabilities regarding derivative instruments, current	(29,682)	(7,789)
Financial liabilities regarding derivative instruments, non-current	(4,786)	(9,249)
Total Financial Liabilities - Derivative financial instruments	(34,468)	(17,038)
Net carrying amount - current and non-current portion	(27,893)	2,176

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

(amounts in thousands of Euro)	December 31 2021	December 31 2020	IFRS13 Category
Forward contracts	1,394	7,770	Level II
Options	368	2,921	Level II
Interest rate swap - fair value through profit or loss	4,814	8,523	Level II
Positive Fair Value	6,576	19,214	
Forward contracts	(10,139)	(3,006)	Level II
Options	(17,485)	(2,030)	Level II
Interest rate swap - cash flow hedge	(2,168)	(3,638)	Level II
Interest rate swap - fair value through profit or loss	(4,677)	(8,364)	Level II
Negative Fair Value	(34,469)	(17,038)	
Net carrying amount	(27,893)	2,176	

All of the above derivative instruments are classified as Level II in the fair value hierarchy. 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, outflows for trade payables and financial cash flows. 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, 2021) are listed below.

Contracts in effect as of December 31, 2021 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2021
Currency			
Chinese Renminbi	280,762	37,528	318,290
US Dollar	150,980	42,380	193,360
Korean Won	133,692	-	133,692
Japanese Yen	46,019	37,966	83,985
GB Pound	42,962	5,355	48,317
Russian Ruble	9,203	14,537	23,740
Taiwan Dollar	19,144	-	19,144
Canadian Dollar	18,481	-	18,481
Other currencies	27,686	44,970	72,656
Total	728,929	182,736	911,665

Contracts in effect as at December 31, 2021 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts	December 31 2021
Currency		
GB Pound	73,785	73,785
Swiss Franc	29,716	29,716
US Dollar	13,597	13,597
Malaysia Ringgit	5,298	5,298
Other currencies	28,919	28,919
Total	151,315	151,315

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

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

All contracts in place at December 31, 2021 will mature within 12 months.

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.

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

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, 2021 and December 31, 2020 are summarized below:

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2021	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	31,167	1.457%	May-2030	(2,015)	Euro/000	Term loan	31,167	May-2030
IRS	Euro/000	50,000	-0.094%	Feb-2022	(153)	Euro/000	Term loan	50,000	Feb-2022
Total fair value (amounts in thousands of Euro)					(2,168)				

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 fair value (amounts in thousands of Euro)					(3,638)				

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 2021 <i>Fair value Euro/000</i>	December 31 2020 <i>Fair value Euro/000</i>	Counterparty
IRS	GBP/000	48,975	2.778%	Libor GBP/365	31/01/2029	(4,677)	(8,364)	Unicredit
IRS	GBP /000	48,975	Libor GBP/365	2.83%	31/01/2029	4,814	8,523	Kenon Ltd
Total IRS - <i>Fair value through profit or loss</i>						137	159	

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	396,777	-	396,777	1
Trade receivables, net	683,087	-	683,087	2
Derivative financial instruments	-	6,576	6,576	4
Financial receivables from parent, subsidiary and associated companies and related parties	425,877	-	425,877	5
Financial receivables IFRS16 - lease	24,885	-	24,885	5
Investments in equity instruments	2,964	-	2,964	10
Total at December 31, 2021	1,533,590	6,576	1,540,166	

(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 IFRS16 - 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	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	612,986	-	612,986	13, 17
Financial payables - parent, subsidiary and associated companies and related parties	67,643	-	67,643	14
Trade payables	635,781	-	635,781	15
Derivative financial instruments	-	34,468	34,468	4
Lease liabilities (IFRS16)	363,274	-	363,274	12
Total at December 31, 2021	1,679,684	34,468	1,714,152	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	563,655	-	563,655	13, 17
Financial payables - parent, subsidiary and associated companies and related parties	66,973	-	66,973	14
Trade payables	635,002	-	635,002	15
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	

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, 2021, the Company had undrawn cash credit lines of Euro 620 million, of which Euro 400 million committed and Euro 220 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 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, 2021	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	(10,139)	(5,492)	(4,647)	-	-	-
Net cash flows (outflows/inflows) of options	(15,884)	(9,312)	(6,572)	-	-	-
Interest rate swaps	(2,031)	(447)	(271)	(407)	(287)	(619)
Net value	(28,054)	(15,251)	(11,490)	(407)	(287)	(619)

(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	(832)	(520)	(312)	-	-	-
Interest rate swaps	(3,427)	(341)	(314)	(910)	(501)	(1,361)
Net value	(7,190)	(3,212)	(1,206)	(910)	(501)	(1,361)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Reported amount at December 31, 2021	Future contractual cash flows at December 31, 2021	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)	363,274	363,274	-	25,211	25,172	46,942	45,935	42,486	177,528
Financial payables to banks	612,986	612,986	-	126,054	45,254	90,200	79,089	130,378	142,011
Financial payables to subsidiaries, parent company and related parties	67,643	67,643	53,765	-	13,878	-	-	-	-
Total	1,043,903	1,043,903	53,765	151,265	84,304	137,142	125,024	172,864	319,539

(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	more than 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

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, 2021:

(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	(80)	1,144	(444)	(2,423)
Hong Kong Dollar	3,016	3,470	(3,357)	(3,895)
Japanese Yen	595	3,817	(629)	(4,222)
US Dollar	(5,532)	1,179	5,942	(2,933)
Chinese Renminbi	(2,786)	7,324	3,392	(10,130)
Other currencies	(4,351)	3,622	4,086	(7,390)
Total	(9,138)	20,556	8,990	(30,993)

The total impact on equity (increase of Euro 20.6 million and decrease of Euro 31 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.

With particular reference to the Russian Ruble, a sensitivity analysis was carried out with a range of hypothetical fluctuation towards Euro of 20% which led to the results of the table below:

(amounts in thousands of Euro)	Euro --> + 20%		Euro --> - 20%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
Russian Ruble	(4,712)	(2,074)	7,069	2,652

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, 2021.

(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%	418	(289)	-0.50%	(444)	289
GB Pound	+ 0.50%	379	379	-0.50%	(379)	(379)
Hong Kong Dollar	+ 0.50%	13	13	-0.50%	(13)	(13)
US Dollar	+ 0.50%	228	228	-0.50%	(228)	(228)
Other currencies	+ 0.50%	374	374	-0.50%	(374)	(374)
Total		1.412	705		(1.438)	(705)

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 2021	December 31 2020
Financial receivables	375,066	202,928
Other receivables	36,909	59,566
Short term receivables IFRS16	3,170	3,133
Financial and other receivables – due within a year	415,145	265,627

The financial receivables include Euro 348 million of the principal on the loans to subsidiaries due within 12 months, shown net of the allowance for expected credit losses of Euro 3.9 million.

Other receivables included at December 31, 2020 prepayments for the 36th America's Cup race and were entirely released in the period due to the expiration of the contracts and the completion of the sporting event.

In the Other receivables Euro 18 million refer to residual 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 2021	December 31 2020
Financial receivables	72,525	183,298
Other receivables	-	18,000
Financial and other receivables - due after or more than a year	72,525	201,298

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 0.4 million.

Other receivables referred at December 31, 2020 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 2021	December 31 2020
VAT	8,853	12,786
Income tax and other tax receivables	34,112	89,338
Other assets	2,202	1,995
Prepayments	50,268	38,928
Deposits	74	107
Total other current assets	95,509	143,154

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 2021	December 31 2020
Advances to suppliers	953	159
Advances to employees	373	310
Other receivables	876	1,527
Total other current assets	2,202	1,995

PREPAYMENTS

The prepayments and accrued income are broken down below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Rental costs	94	208
Insurance	577	571
Design Costs	25,836	21,198
Fashion shows and advances on advertising campaigns	14,187	6,902
Others	9,574	10,049
Total prepayments and accrued income	50,268	38,928

The prepaid design costs consist primarily of costs incurred to design collections that will generate revenues 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	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	41,961	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
Historical cost	634,426	217,692	146,509	217,327	112,075	24,714	1,352,743
Accumulated depreciation	(128,253)	(168,049)	(104,982)	(86,616)	(76,057)	-	(563,957)
Net carrying amount at December 31, 2021	506,173	49,643	41,526	130,711	36,018	24,714	788,786

The changes in the carrying amount of “property, plant and equipment” for the year ended December 31, 2021 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, 2020	507,257	53,595	45,622	119,185	38,296	27,121	791,076
Additions	1,629	4,975	3,666	17,347	2,103	14,296	44,016
Depreciation	(14,379)	(10,782)	(8,980)	(6,606)	(5,589)	-	(46,337)
Disposals	-	(9)	(16)	(54)	(11)	-	(90)
Other movements	11,667	1,880	1,235	1,853	1,219	(16,703)	1,151
Impairment	-	(14)	(2)	(1,014)	-	-	(1,030)
Balance at December 31, 2021	506,173	49,643	41,526	130,711	36,018	24,714	788,786

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.

Assets under construction at the end of the period concern retail and industrial projects that are nearly completed.

The Euro 1 million impairment for the period refers substantially to the writedown of store assets due to early closures or renovations in the period.

“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)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
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	200,497
Historical cost	13,756	111,875	33,665	209,933	28,845	13,103	411,177
Accumulated depreciation	(13,756)	(3,463)	(33,156)	(130,987)	(24,229)	-	(205,591)
Net carrying amount at December 31, 2021	-	108,412	509	78,946	4,616	13,103	205,587

The changes in the carrying amount of intangible assets for the year ended December 31, 2021 are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
Balance at December 31, 2020	2,199	108,412	831	80,526	5,121	3,407	200,497
Additions	-	-	-	16,127	1,012	13,095	30,234
Amortization	(2,199)	-	(322)	(19,773)	(2,848)	-	(25,142)
Other movements	-	-	-	2,066	1,331	(3,399)	(2)
Balance at December 31, 2021	-	108,412	509	78,946	4,616	13,103	205,587

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, 2021 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. 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 6.2% 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 1.5%, 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 headrooms. Further sensitivity analysis were furthermore carried out on the WAAC, using particularly conservative parameters to determine the market risk premium and risk-free rates. In this sensitivity analysis the WACC used was equal to 7.2%. These additional stress tests did not indicate any impairment loss either.

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, 2021 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	291,412	942	2,066	294,420
Additions	109,900	1,560	811	112,271
Depreciation	(46,764)	(866)	(725)	(48,355)
Disposals	(13,672)	(440)	(389)	(14,501)
Total	340,877	1,195	1,763	343,835

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

10. INVESTMENTS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Investments in subsidiaries and associated undertakings	903,689	839,026
Investments at FVTOCI	2,964	64,203
Other investments	815	43
Total	907,468	903,272

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 decrease for the year refers essentially to the disposal of securities.

The investments as at December 31, 2021 and December 31, 2020 are presented hereunder:

(amounts in thousands of Euro)	Note	December 31 2020	Increases	Decreases	December 31 2021
Investments in subsidiaries:					
Artisans Shoes S.r.l.		2,706			2,706
Church & Co Ltd	(1)	86,513		(13,966)	72,547
FILATI BIAGIOLI MODESTO S.P.A	(6)		390		390
Figline Srl	(1)	335		(335)	-
Hipic Prod Impex Srl	(5)	3,836	7,456		11,292
IPI Logistica S.r.l.		1,798			1,798
Kenon Limited		99,478			99,478
Les Femmes Srl		1,960			1,960
Luna Rossa Challenge Srl	(7)		17,025		17,025
Marchesi 1824 srl	(1)	4,694	5,825	(5,060)	5,459
PRM Services S. De R.L. de CV		407			407
Pelletteria Ennepi S.r.l.	(4)	4,695	577		5,272
Post Development Corp.		54,807			54,807
Prada (Thailand) Co.,Ltd.		4,845			4,845
Prada Asia Pacific Ltd.		1,120	3,653		4,773
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	(1)	22,897		(16,154)	6,743
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.		14,093	766		14,859
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	20,000		21,764
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		2,106			2,106
Prada Montecarlo Sam		23,829	1,000		24,829
Prada Netherlands B.V.		3,623			3,623
Prada New Zealand Pty. Ltd		2,192			2,192
Prada Panama SA		1,760		(854)	906
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 UK Ltd		21,170			21,170
Prada Retail SPC		3,041			3,041
Prada Rus LLC		39,388	43,162		82,550
Prada SA		23,315			23,315
Prada ST. Barthelemy		1,600			1,600
TRS Saipan		4	1,089		1,093
Prada San Marino	(3)		26		26
Prada Saudi Arabia		10,671			10,671
Prada Singapore Pte, Ltd.		2,478			2,478
Prada South Africa (Pty) Ltd	(1)	3,709		(2,848)	861
Prada Spain S.A.		29,375			29,375
Prada Sweden AB		8,121			8,121
Prada Switzerland sa		73,281			73,281
Prada USA Corp.		145,759			145,759
Prada Ukraine		6			6

(amounts in thousands of Euro)	Note	December 31 2020	Increases	Decreases	December 31 2021
Prada Vietnam		2,637	3,098		5,735
Space Caffè S.r.l.		-			-
TRS Hong Kong Ltd	(2)	31	3,621	(3,652)	-
TRS Singapore Pte Limited	(2)	156	-	(156)	
Tannerie Limoges S.A.S.		1,374			1,374
Investments in other entities		64,246	1,617	(62,084)	3,779
Total		903,273	109,305	(105,109)	907,469

Investments for which indications of impairment had been identified, also in light of the performance of certain retail subsidiaries during the period, 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).

The business plans used for the impairment tests cover a period of five years and were constructed on the basis of the 2022 budget prepared by management. The plans do not take into account future developments of new activities for the subsidiaries, except for their investments planned in the 2022 budget for the retail premises' restyling and renovation projects.

The rate used to discount cash flows was calculated using the weighted average cost of capital (WACC). For the year ended December 31, 2021, the weighted average WACC (based on the equity value of the investments) used for discounting purposes is 5.1%. Each WACC was determined taking into due consideration the risk profile of the investment activities, as well as the parameters specific to the geographical area to which it belongs: 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 to minimize the dilutive effect on rates of the expansionary monetary policies adopted by central banks.

The "g" rate of growth used to calculate the terminal value ranged between 1.5% (subsidiaries in the Asia Pacific area) and 20% (Prada Bosphorus), in light of the diverging inflation prospects and GDP growth outlooks of the various countries. However, the prevalent growth rate was 1.5%, which can be considered prudent

given the average growth expected in the long term for the luxury goods market in general.

In accordance with IAS 10, Management considered the potential impacts deriving from the Ukrain conflict which began in February 2022 as non adjusting events that occurred after the end of the financial year and consequently did not take them into consideration for the impairment test performed as at 31 December 2021.

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 2021
Church & Co Ltd	(13,966)
Figline Srl	(335)
Marchesi 1824 srl	(5,060)
Prada Bosphorus Deri Mamuller Limited Sirketi	(16,154)
Prada Panama S.A.	(854)
Prada South Africa (Pty) Ltd	(2,847)
Total	(39,216)

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 analysis conducted to determine the recoverable amount.
2. On January 29, 2021, the Prada Group signed an agreement with DFS Group L.P. to purchase the residual minority stake in the "Travel Retail Shop" companies, managed together with the latter group on the basis of a joint venture agreement that expired on January 31, 2021. Pursuant to this transaction, since February 1, 2021 Prada Spa has wholly owned TRS Hong Kong ltd and TRS Saipan llc. TRS Singapore pte ltd, for which a liquidation process had already initiated and finished in November 2021, was not part of the acquisition.

3. On April 15, 2021, Prada Spa established the company Prada San Marino srl with the aim of expanding commercial activities in the area of central Italy.
4. On April 23, 2021, Prada Spa exercised the purchase option on the remaining 10% of the share capital of Pelletteria Ennepi srl. As a result of such agreement, Prada Spa wholly owns that company.
5. On May 26, 2021, Prada Spa exercised the purchase option on the remaining 20% of the share capital of Hipic Prod Impex Srl. As a result of such agreement, Prada Spa wholly owns that company.
6. On June 22, 2021, Prada Spa and the Ermenegildo Zegna Group signed an agreement to acquire share capital of Filati Biagioli Modesto S.p.A., a company renowned for Italian excellence in the production of cashmere and other noble yarns located in Tuscany (Montale, Pistoia). In July, the two new shareholders subscribed the respective 40% stakes in the company.
7. On November 30, 2021, Prada Spa acquired from a related party, PA BE 1 S.r.l., the entire share capital of Luna Rossa Challenge S.r.l., the company that organizes and manages the Luna Rossa sailing team for the participation in America's Cup and other high-profile sailing events. Luna Rossa Challenge S.r.l. also wholly owns COR 36 S.r.l., whose activities are about to be liquidated since they relate exclusively solely to the organization of the 36th edition of the America's Cup race.

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	118	7,869	66.70 %
Church & Co Ltd	72,547	3,345	(26,291)	7,546	100.00 %
Figline Srl	-	10	(2,969)	(3,843)	100.00 %
Hipic Prod Impex Srl	11,292	6,491	(57)	5,082	100.00 %
IPI Logistica S.r.l.	1,798	600	21	2,929	100.00 %
Kenon Limited	99,478	99,967	1,033	95,156	100.00 %
Les Femmes Srl ⁽¹⁾	1,960	400	(23)	898	40.00 %
Marchesi 1824 srl	5,459	414	(5,030)	(3,080)	100.00 %
Pelletteria Ennepi S.r.l.	5,272	93	(580)	1,318	100.00 %
Post Development Corp.	54,807	76,454	1,594	83,442	100.00 %
Prada Asia Pacific Ltd.	4,773	340	26,154	363,660	100.00 %
Prada Australia Pty. Ltd	7,267	8,646	860	13,782	100.00 %
Prada Austria GmbH	2,185	40	150	8,429	100.00 %
Prada Belgium sprl	4,004	4,000	110	4,329	100.00 %
Prada Bosphorus Deri Mamuller Limited Sirketi	6,743	4,792	(8,855)	(9,561)	100.00 %
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	14,859	53,882	645	15,750	100.00 %
Prada Canada Corp.	5,086	209	1,430	36,067	100.00 %
Prada Czech Republic s.r.o.	1,894	101	58	1,126	100.00 %
Prada Denmark	3,491	3,496	46	3,974	100.00 %

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Prada Germany GmbH	14,122	215	(885)	15,081	100.00 %
Prada Hellas Single Partner Limited Liability Company	21,764	4,350	377	20,923	100.00 %
Prada Japan Co., Ltd.	28,770	9,204	5,508	42,507	100.00 %
Prada Kazakhstan Llp	4,938	1,022	242	1,764	100.00 %
Prada Korea Ltd.	10,631	6,035	4,954	80,560	100.00 %
Prada Maroc Sarlau	-	9,032	3	1	100.00 %
Prada Middle East Fzco	2,106	4,327	757	44,133	60.00 %
Prada Montecarlo Sam	24,829	2,000	(491)	3,045	100.00 %
Prada Netherlands B.V.	3,623	20	419	12,460	100.00 %
Prada New Zealand Pty. Ltd	2,192	2,111	99	2,198	100.00 %
Prada Panama S.A.	906	26	(770)	906	100.00 %
Prada Portugal, Unipessoal LDA	955	5	93	2,421	100.00 %
Prada Retail Aruba N.V.	1,623	1,776	92	1,934	100.00 %
Prada Retail France SaS	48,195	4,000	206	22,839	100.00 %
Prada Retail Malaysia Sdn	292	212	(215)	6,891	100.00 %
Prada Retail UK Ltd	21,170	5,950	559	33,926	100.00 %
Prada Retail Wll	3,041	3,608	559	8,007	100.00 %
Prada Rus LLC	82,550	3	3,200	81,429	100.00 %
Prada SA	23,315	31	(619)	(14,108)	100.00 %
Prada Saint Barthelemy SARL	1,600	1,600	58	1,403	100.00 %
Prada Saipan	1,093	1,241	(509)	2,121	100.00 %
Prada Saudi Arabia Ltd	10,671	6,269	366	5,106	75.00 %
Prada Singapore Pte, Ltd.	2,478	654	1,221	22,520	100.00 %
Prada South Africa (Pty) Ltd	861	2,768	(56)	861	100.00 %
Prada Spain S.A.	29,375	240	374	16,256	100.00 %
Prada Sweden AB	8,121	49	54	4,021	100.00 %
Prada Switzerland sa	73,281	23,231	435	35,814	100.00 %
Prada (Thailand) Co.,Ltd.	4,845	9,880	551	14,491	100.00 %
Prada Ukraine	6	7,761	511	1,766	100.00 %
Prada USA Corp.	145,759	134,390	15,811	265,904	100.00 %
Prada Vietnam	5,735	5,579	97	4,559	100.00 %
PRM Services S.A. de R.L. de C.V.	407	311	(61)	799	100.00 %
Tannerie Limoges S.A.S.	1,374	600	(23)	123	60.00 %
TRS Hong Kong Ltd	-	-	-	(8,541)	100.00 %
TRS MACAU	-	-	739	-	100.00 %
TRS Singapore Pte Limited	-	-	(5)	-	55.00 %
Total	886,248				

Note:

1) Figures at 31/12/2020

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 2021	December 31 2020
Prepaid for commercial agreements	54,253	58,427
Sundry other long-term receivables	13,034	12,325
Long-term guarantee deposits	3,016	3,705
Total	70,303	74,457

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 2021	December 31 2020
Nature:		
Stores	1,869	1,835
Offices	44	44
Warehouses	21	24
Other	1,082	1,802
Total	3,016	3,705

The security deposits are set forth below by maturity:

(amounts in thousands of Euro)	December 31 2021
Maturity:	
within 1-2 years	-
within 2-3 years	163
within 3-4 years	557
within 4-5 years	104
After 5 years	2,192
Total	3,016

12. LEASE LIABILITY

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Short-term Lease Liability	50,507	42,146
Long-term Lease Liability	312,767	275,612
Total	363,274	317,758

The Lease Liabilities increased from Euro 318 million at December 31, 2020 to Euro 363 million mainly as a result of new contracts net of payments and closures of the period.

13. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Bank overdrafts	1	2
Short-term loans	174	619
Current portion of long-term loans	172,044	177,389
Deferred costs on loans	(245)	(223)
Short-term financial payables and bank overdrafts	171,974	177,787

The short-term loans as at December 31, 2021 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 2021	December 31 2020
Financial payables	67,643	53,095
Other payables	18,357	10,706
Total payables due within a year	86,000	63,801

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

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 2021	December 31 2020
Financial payables due to subsidiaries	-	13,878
Total payables due after more than a year	-	13,878

The decrease is due to the short-term reclassification of the Prada SA financial payables.

15. TRADE PAYABLES

The trade payables are set forth below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Trade payables - Third parties	227,220	185,267
Trade payables - Subsidiaries and associated undertakings	401,312	447,750
Trade payables - Related companies	7,249	1,985
Total	635,781	635,002

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, 2021	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third, parent and related parties	234,468	231,260	48	19	67	16	3,059
Trade payables - subsidiaries and associates	401,313	397,933	252	157	80	112	2,779
Total	635,782	629,193	300	176	147	128	5,838

(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

16. TAX PAYABLES

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Current income taxes	60,791	-
VAT and other taxes	9,166	9,169
Social security and pension contribution liabilities	14,824	14,954
Total	84,781	24,123

“Current income taxes” include current tax liabilities net of prepayments.

“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 2021	December 31 2020
Payables for capital expenditure	22,822	26,911
Payables to employees	27,339	23,292
Provision for return	77,431	75,553
Accrued expenses and deferred income	6,599	7,201
Other payables	11,107	12,816
Total	145,298	145,773

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, 2021, described in Notes 7 and 8 on property, plant and equipment and intangible assets.

“Other payables” includes Euro 0.8 million in advances received from customers and Euro 1.3 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 2021	December 31 2020
Long-term bank borrowings	441,678	386,222
Deferred costs on loans	(665)	(354)
Total	441,013	385,868

In 2021 PRADA spa took out three new bank loans totaling Euro 240 million, two of which are sustainability-linked loans; in fact, both have a mechanism to adjust the annual interest based on the achievement of sustainability goals regarding the quantity of scrap regenerated and reintroduced into new operating cycles, and energy production from new photovoltaic plants. There were 4 ESG-linked loans in place, accounting for 45% of the total bank debt.

PRADA spa’s loans covenants were fully satisfied at December 31, 2021 and are expected to be met in the next 12 months as well.

In the same period, the company repaid the current portions of long-term loans for an amount of Euro 190 million.

The long-term bank borrowings as at December 31, 2021, excluding 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	50,000	Term-loan	EUR	02/2022	0.406%	50,000	-	-
PRADA spa	50,000	Term-loan	EUR	06/2022	0.179%	50,000	-	-
PRADA spa	31,167	Term-loan	EUR	05/2030	2.737%	3,667	27,500	Mortgage loan
PRADA spa	30,000	Term-loan	EUR	10/2024	0.600%	10,000	20,000	-
PRADA spa	100,000	Term-loan	EUR	04/2025	0.157%	-	100,000	-
PRADA spa	100,000	Term-loan	EUR	07/2026	0.069%	-	100,000	-
PRADA spa	90,000	Term-loan	EUR	02/2026	1.250%	12,600	77,400	-
PRADA spa	55,555	Term-loan	EUR	06/2024	0.137%	22,222	33,333	-
PRADA spa	57,000	Term-loan	EUR	01/2025	0.232%	18,000	39,000	-
PRADA spa	50,000	Term-loan	EUR	11/2026	0.184%	5,556	44,444	-
Total	613,722					172,045	441,677	

(1) the interest rates include the effect of interest rate 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 2021	December 31 2020
Post-employment benefits	19,689	22,334
Other long-term employee benefits	20,122	13,370
Total	39,811	35,704

POST-EMPLOYMENT BENEFITS

The post-employment benefits recognized as at December 31, 2021 amount to Euro 20 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:

	December 31 2021	December 31 2020
Average duration of plan (years)	10.7	10.9
Discount rate	0.76%	0.20%
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:	
Changes in financial assumptions	(1,099)
Other	465
Actuarial (gains)/losses	(634)

Sensitivity analysis conducted on the main actuarial assumptions used as at December 31, 2021 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)	2022	2023	2024	2025	After 2025
Defined Benefit Plans (TFR)	1,166	919	1,011	813	17,565

The changes in the liabilities for post-employment benefits as at December 31, 2021 are shown hereunder:

(amounts in thousands of Euro)	Post - employment benefits
Balance at December 31, 2020	22,334
Financial income	(94)
Current service cost	41
Actuarial (Gains)/Losses	(634)
Indemnities paid	(1,958)
Balance at December 31, 2021	19,689

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, 2021, under the Projected Unit Cost Method, is Euro 20 million (Euro 13 million as at December 31, 2020). 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, 2021:

(amounts in thousands of Euro)	Other long-term employee benefits
Balance at December 31, 2020	13,370
Current service cost	11,557
Transfers	5
Utilization for payments	(4,810)
Balance at December 31, 2021	20,122

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 2020	-	770	-	811	1,581
Increases	10,000	388	4,178	-	14,566
Utilization for payments	-	(96)	-	-	(96)
Balance at December 31 2021	10,000	1,062	4,178	811	16,051

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 due to the appeals filed by the Company in 2019 and 2020, and for which the Company has already paid the amount due while pending. The Company is awaiting notification of the hearing for all three cases.

In addition to the aforementioned disputes 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. The application of such method led to the estimate of an end-of-period liability of Euro 0.5 million.

OTHER PROVISIONS

The other provisions amount to Euro 0.8 million at December 31, 2021 and refer to contractual obligations to restore leased property to its original condition.

LEGAL DISPUTES

Chora S.r.l., a company controlled by Prada's former Board Chairman, Carlo Mazzi, initiated a lawsuit in January 2022 against Prada in the Court of Milan claiming for a one-off compensation following the non-renewal of the strategic consulting agreement with Chora S.r.l..

PRADA spa, taking into consideration the independent opinion of its legal counsels, considered reasonable a provision of Euro 10 million, which represents the best estimate at this time of the contingent liability. The Company will continue to monitor this case and will adjust the amount allocated for it at December 31, 2021, as necessary, in view of any new facts and/or circumstances.

21. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities are as follows:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Deferred income for commercial agreements	116,661	104,000
Total	116,661	104,000

Deferred income for commercial agreements increased by Euro 12 million compared to December 31, 2020 as a result of amounts collected under commercial agreements whose effects on income are expected for more than 12 months.

22. SHAREHOLDERS' EQUITY

Equity composition is set forth hereunder:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Share capital	255,882	255,882
Legal reserve	51,176	51,176
Share premium reserve	410,047	410,047
Other capital reserves	182,899	234,075
Retained Earnings	974,885	1,028,032
Fair value reserve	(10,992)	(25,187)
Cash flow hedge reserve	(12,745)	704
Net profit (loss) for the year	310,650	(16,176)
Total	2,161,802	1,938,553

SHARE CAPITAL

As at December 31, 2021, approximately 79.98% 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, 2020.

OTHER CAPITAL RESERVES

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

EXTRAORDINARY RESERVE

The Extraordinary Reserve was distributed to the shareholders during the period.

RETAINED EARNINGS

The decrease in "retained earnings" is attributable to the allocation of net loss of the previous year and to the distributions of dividends.

DIVIDENDS

During 2021, the Company distributed dividends of Euro 89,558,840 (Euro 0.035

per share), as approved at the General Meeting held on May 27, 2021 to approve the December 31, 2020 financial statements.

AVAILABILITY OF EQUITY

(amounts in thousands of Euro)	December 31 2021	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	-	-	-
Other Reserves	182,899	A, B, C	182,899	-	-
Retained earnings	974,884	A, B, C	930,013	-	345,441
Fair value reserve	(10,992)				
Time value reserve	618				
Intrinsic value reserve	(13,363)				
Distributable amount			1,522,959		345,441
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 20.5 million refers to restricted reserves under Legislative Decree 38/2005, Article 7.

Reserves for Euro 85 million are restricted under tax suspension in accordance with Decree Law 104/2020, Art. 110, subsection 8. These reserves are subject to taxation in the event of distribution, on which deferred taxes had not been allocated as their distribution is not foreseen.

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 1.8 billion, up by 56% from those of the prior reporting period (Euro 1.2 billion in 2020).

Royalty income is Euro 49 million and derives from cosmetic and eyewear sales.

The new agreement with *L'Oréal* gave an important boost to the fragrance segment, whereas the increase for eyewear followed the trend with the long-standing partner, *Luxottica*.

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Net Sales	1,805,459	1,156,692
Royalties	49,233	31,936
Net revenues	1,854,692	1,188,628

24. COST OF GOODS SOLD

The cost of goods sold is summarized below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Purchases of raw materials and production costs	613,260	509,273
Logistic costs, duties and insurance	83,139	59,362
Change in Inventories	22,803	29,789
Total	719,202	598,424

The cost of goods sold increased by Euro 121 million in line with the increase of net sales.

The increase is attributable to the normalization of production level.

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 2021	December 31 2020
Depreciation of Right of Use	808	774
Depreciation, amortization and impairment	13,102	12,912
Labour costs	82,703	72,503
Fixed Rent	3	3
Total	96,615	86,192

25. OPERATING EXPENSES

The operating expenses are summarized below:

(amounts in thousands of Euro)	December 31 2021	% of net revenues	December 31 2020	% of net revenues
Advertising and promotion expenses	167,638	9.0%	129,935	10.9%
Product design and development costs	100,521	5.4%	91,749	7.7%
Selling expenses	301,086	16.2%	327,570	27.6%
General and administrative costs	105,822	5.7%	46,384	3.9%
Total	675,067	36.4%	595,638	50.1%

The total operating expenses were Euro 675 million, up by Euro 79.5 million from those of 2020. The increase is attributable to the normalization of expenditure levels, which in 2020 had benefited to a greater extent from rent discounts and government incentives.

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 167.6 million in the twelve months ended December 31, 2021, up by Euro 37.7 million from the same period of 2020, due to more communication activities.

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.

General and administrative costs, Euro 105.8 million in the twelve months ended December 31, 2021, showed an increase of Euro 59.4 million resulting essentially from the capital gain accounted for in 2020, on the sale of the building in via Spiga 18, Milan.

The following table sets forth depreciation, amortization, impairment, cost of labor (net of the government subsidies for the Covid-19 pandemic) and rent expense included within the operating expenses in accordance with the requirements of IAS 1:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Depreciation of Right of Use	47,202	42,432
Depreciation, amortization and impairment	56,279	50,385
Labour costs	190,850	175,218
Pure Variable Lease (IFRS 16)	1,370	889
Short term and low value lease (IFRS 16)	329	665
Fixed Rent	555	376
Total	296,584	269,965

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 2021	December 31 2020
Interest expenses on borrowings	(9,028)	(9,401)
Interest income	6,570	5,772
Interest income/(expenses) IAS 19	114	74
Exchange gains/(losses) - realized	(4,127)	(7,953)
Exchange gains/(losses) - unrealized	2,460	(1,875)
Other financial income/(expenses)	(41,668)	(39,474)
Interest and other financial income/(expenses), net	(45,679)	(52,856)
Interest income/(expenses) on lease liabilities	(3,420)	(2,952)
Dividends from investments	23,785	37,014
Total	(25,314)	(18,795)

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 2021	December 31 2020
Prada Asia Pacific Ltd.	-	21,101
TRS Singapore Pte Limited	224	-
Prada Japan Co., Ltd.	5,402	5,637
Prada SA	18,000	10,000
Other equity investments	159	277
Total	23,785	37,014

27. TAXATION

The income taxes for the year ended December 31, 2021 and the prior reporting period are set forth below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Current taxation	118,374	4,699
Prior year taxes	1,143	(1,437)
Deferred taxation	4,942	(11,314)
Total	124,459	(8,052)

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
	December 31, 2021	December 31, 2020		
Employee benefits - defined benefit plans	913	1,075	(10)	(152)
Inventories	16,428	14,195	2,233	-
Property, plant and equipment	1,623	640	983	-
Intangible assets	497	1,106	(608)	-
Provisions for risks and charges	15,124	12,767	2,357	-
Allowance for doubtful debts	(1,369)	(1,369)	-	-
Derivative instruments	4,025	(222)	-	4,247
NOL carryforward	-	2,215	(2,215)	-
Other temporary differences	4,123	11,805	(7,682)	-
Total	41,364	42,212	(4,942)	4,095

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	104,426	24.00%	17,147	3.94%	121,573	27.94%
Dividends exempted	(5,423)	-1.25%	-	-	(5,423)	-1.25%
ACE	(10,200)	-2.34%	-	-	(10,200)	-2.34%
Impairment adjustment to investments	5,535	1.27%	-	-	5,535	1.27%
Other permanent differences	14,777	3.40%	5,847	1.34%	20,625	4.74%
Patent Box	(5,968)	-1.37%	-	-	(5,968)	-1.37%
Adjustments in annual tax return "UNICO"	1,149	0.26%	288	0.07%	1,437	0.33%
Difference between income before taxation and net value of production	-	-	(3,119)	-0.72%	(3,119)	-0.72%
Taxes for period	104,296	23.97%	20,163	4.63%	124,460	28.60%
Temporary differences	(5,038)	-1.16%	389	0.09%	(4,649)	-1.07%
Current taxation	99,258	22.81%	20,552	4.72%	119,811	27.54%

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, 2021 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, respectively, December 1, 2017 ("Sponsorship Agreement") and November 20, 2020 ("Amendment to Sponsorship Agreement").

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.

The transactions with related party Orexis srl refer to the 2020 transaction in which PRADA spa 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

2021 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 2021	December 31 2021	December 31 2020	December 31 2020
Subsidiaries and associates	542,392	401,312	381,821	447,750
Artisans Shoes S.r.l.	442	21,490	308	16,110
COR 36 New Zeland Branch Ltd	-	-	856	-
COR 36 S.r.l.	427	-	46	-
Church & Co Ltd	12,651	1,380	44,739	2,392
Church & Co. (USA) Ltd.	139	1	130	1
Church Austria GmbH	43	-	31	-
Church English shoes SA	39	-	29	-
Church Footwear (Shanghai) Co., Ltd	173	-	138	-
Church Footwear Ab	163	1	152	1
Church France SA	227	15	159	8
Church Hong Kong Retail C	102	-	88	-
Church Ireland Retail Ltd	32	-	24	-
Church Italia S.r.l.	2,961	781	2,440	574
Church Japan Co., Ltd.	16	-	21	1
Church UK Retail Ltd	882	3	802	10
Church's Denmark	112	-	102	7
Church's Eng. Shoes Sw.SA	140	4	131	4
Church's Germany	54	-	42	-
Church's Korea	86	-	77	-
Church's Netherlands	182	-	173	-
Church's Singapore	169	-	163	-
Church's Spain	29	-	23	-
Figline Srl	486	435	476	861
Hipic Prod Impex Srl	337	2,738	60	551
IPI Logistica S.r.l.	560	2,372	510	2,068
Kenon Limited	7	-	6	-
Luna Rossa Challenge NZ LTD	-	-	228	-
Luna Rossa Challenge Srl	1,666	-	2,152	-
Marchesi 1824 srl	7,216	2,999	2,178	1,875
Marchesi UK	68	-	51	-
PRM Services S.A. de R.L. de C.V.	-	-	103	1
Pelletteria Ennepi S.r.l.	307	465	225	1,356

(amounts in thousands of Euro)	Trade receivables	Trade payables	Trade receivables	Trade payables
	December 31 2021	December 31 2021	December 31 2020	December 31 2020
Pelletteria Figline Srl	14	-	35	-
Post Development Corp.	16	-	14	-
Prada (Thailand) Co.,Ltd.	1,881	991	843	3,616
Prada Asia Pacific Ltd.	4,094	70,092	4,072	53,870
Prada Australia Pty. Ltd	2,674	6,506	2,246	9,367
Prada Austria GmbH	4,442	5,860	3,849	4,228
Prada Belgium sprl	3,349	1,461	3,485	713
Prada Bosphorus Deri Mamuller Limited Sirketi	6,106	528	4,347	317
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	4,969	1,473	2,981	278
Prada Canada Corp.	6,629	7,895	6,247	9,812
Prada Company SA	(3)	-	(4)	-
Prada Czech Republic s.r.o.	985	464	509	154
Prada Denmark	1,362	1,272	612	1,420
Prada Dongguan Trading co. LTD	40	97	44	368
Prada Emirates Llc ⁽¹⁾	789	512	673	323
Prada Fashion (Shanghai)	126,645	14,412	91,906	7,244
Prada Finnish Oy	0	-	0	-
Prada Germany GmbH	8,450	10,292	7,940	14,851
Prada Guam LLC	544	177	-	-
Prada Hellas Single Partner Limited Liability Company	675	204	583	1,071
Prada Japan Co., Ltd.	18,828	26,057	12,203	51,040
Prada Kazakhstan LLP	5,433	-	4,701	375
Prada Korea Ltd.	60,795	2,041	32,761	5,708
Prada Kuwait Wll ⁽¹⁾	404	30	271	24
Prada Macau Co., Ltd.	5,246	5,733	2,289	10,151
Prada Mexico	3,185	52	5,378	3,592
Prada Middle East Fzco	32,045	2,934	6,557	6,574
Prada Montecarlo Sam	2,831	5,315	1,456	2,515
Prada Netherlands B.V.	3,397	2,090	3,255	2,807
Prada New Zealand Pty. Ltd	372	709	625	974
Prada Panama S.A.	231	791	585	553
Prada Portugal, Unipessoal LDA	925	545	707	1,056
Prada Retail Aruba N.V.	1,668	507	978	707
Prada Retail France SaS	18,953	48,078	12,694	40,058
Prada Retail Malaysia Sdn	1,959	1,437	854	526
Prada Retail UK Ltd	22,591	19,101	20,710	17,930
Prada Retail UK Ltd. - Irish Branch	2,890	485	2,237	1,044
Prada Retail Wll	2,673	3	4,906	20
Prada Rus LLC	35,066	1,190	15,329	654
Prada SA	39	28	31	6,217
Prada SA,Lux,Swiss Branch	1,714	25,196	1,421	4,924
Prada Saint Barthelemy SARL	3,459	336	5,053	2,380
Prada Saipan	71	48	33	232
Prada San Marino	1,939	-	-	-
Prada Saudi Arabia Ltd	499	159	343	74
Prada Singapore Pte, Ltd.	2,666	7,052	1,588	9,288
Prada South Africa (Pty) Ltd	515	1,521	510	1,500
Prada Spain S.A.	9,674	7,888	7,667	9,539
Prada Sweden AB	626	1,036	567	1,091
Prada Switzerland sa	7,221	5,890	6,126	12,742
Prada Taiwan Ltd Branch Taipei	7,761	454	2,823	514
Prada USA Corp.	81,658	78,639	36,323	115,458
Prada Ukraine	835	6	723	309
Prada Vietnam	832	745	595	1,001
TRS Guam	-	-	326	562
TRS Hawaii LLC	-	-	372	380

(amounts in thousands of Euro)	Trade receivables	Trade payables	Trade receivables	Trade payables
	December 31 2021	December 31 2021	December 31 2020	December 31 2020
TRS MACAU	-	-	1,307	1,106
TRS Okinawa	-	-	447	-
Tannerie Limoges S.A.S.	15	296	24	672
Related parties	580	7,248	336	1,985
Chora Srl	-	433	-	403
Conceria Superior S.p.A.	-	1,258	-	621
FILATI BIAGIOLI MODESTO S.P.A.	-	2,877	-	-
Les Femmes Srl	569	2,676	331	960
PRADA HOLDING S.P.A.	11	-	5	-
Peschiera Immobiliare srl	-	3	-	-
Total	542,972	408,560	382,156	449,735

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 2021	December 31 2021	December 31 2020	December 31 2020
Subsidiaries and associates	453,920	14,198	392,278	33,718
Artisans Shoes S.r.l.	8,595	216	3,617	268
COR 36 S.r.l.	-	-	-	6,500
Church & Co Ltd	52,630	157	6,413	119
Church Italia S.r.l.	(28)	6,968	(28)	5,956
Church's Spain	-	0	-	0
Figline Srl	4,412	47	5,982	4
Hipic Prod Impex Srl	10,949	-	1,981	-
IPI Logistica S.r.l.	-	17	-	16
Luna Rossa Challenge Srl	1,760	6,000	-	18,532
Marchesi 1824 srl	37,781	64	45,211	22
Pelletteria Ennepi S.r.l.	454	70	469	70
Pelletteria Figline Srl	5,411	304	-	1,237
Prada (Thailand) Co.,Ltd.	4,517	-	4,656	-
Prada Asia Pacific Ltd.	-	164	-	323
Prada Australia Pty. Ltd	7,048	-	10,067	-
Prada Austria GmbH	5,009	-	5,009	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	-	5	-	5
Prada Denmark	2,022	-	2,705	-
Prada Dongguan Trading co. LTD	-	25	-	17
Prada Fashion (Shanghai)	-	6	-	97
Prada Germany GmbH	27,340	-	27,300	-
Prada Hellas Single Partner Limited Liability Company	796	-	1,804	-
Prada Maroc Sarlau	-	3	-	-
Prada Middle East FZCO	12,379	5	11,425	-
Prada Montecarlo Sam	41,974	-	43,067	-
Prada New Zealand Pty. Ltd	1,514	-	2,063	-
Prada Portugal, Unipessoal LDA	-	-	1,262	-
Prada Retail France SaS	73,621	-	67,033	64
Prada Retail Malaysia Sdn	5,389	-	5,101	-
Prada Retail UK Ltd	21,517	25	20,073	36
Prada Retail UK Ltd. - Irish Branch	1,903	-	1,903	-
Prada Retail SPC	13,619	-	-	-
Prada Saudi Arabia	2,980	-	2,750	-
Prada Singapore Pte, Ltd.	6,553	-	11,101	-
Prada Spain S.A.	64,092	-	69,198	-
Prada Switzerland sa	29,960	116	32,587	110
Prada USA Corp.	-	5	-	342
Prada Ukraine	-	0	-	0
Prada Vietnam	2,682	-	2,486	-
Tannerie Limoges S.A.S.	7,044	-	7,044	-
Related parties	1,131	4,711	1,125	5,848
Chora Srl	-	4,711	-	5,848
Les Femmes Srl	1,131	-	1,125	-
Orexis	-	18,000	-	38,000
Total	455,050	36,909	393,404	77,566

(amounts in thousands of Euro)	Fair value IRS "fair value through profit or loss"	
	December 31 2021	December 31 2020
Kenon Ltd	4,814	8,523

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	December 31 2021	December 31 2021	December 31 2020	December 31 2020
Subsidiaries and associates	67,643	13,357	66,973	10,325
Artisans Shoes S.r.l.	-	124	-	117
Church Italia S.r.l.	-	117	-	61
Figline Srl	36	1,056	-	425
IPI Logistica S.r.l.	1,268	3	1,423	7
Marchesi 1824 srl	-	9,367	-	6,911
Pelletteria Ennepi S.r.l.	-	361	-	147
Post Development Corp.	144	-	119	-
Prada Asia Pacific Ltd.	-	-	-	0
Prada Austria GmbH	-	-	-	2
Prada Belgium sprl	-	-	-	0
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	-	3	-	-
Prada Canada Corp.	-	-	-	4
Prada Denmark	-	-	-	1
Prada Dongguan Trading co. LTD	-	61	-	61
Prada Fashion (Shanghai)	-	7	-	1
Prada Germany GmbH	6,884	529	7,289	534
Prada Japan Co., Ltd.	-	6	-	21
Prada Middle East FZCO	-	8	-	8
Prada Netherlands B.V.	6,676	-	4,637	2
Prada Retail France SaS	0	-	-	17
Prada Retail UK Ltd	-	3	-	15
Prada Retail UK Ltd. - Irish Branch	1,593	-	1,186	-
Prada SA,Lux,Swiss Branch	50,828	1,572	52,122	1,572
Prada South Africa (Pty) Ltd	-	5	-	5
Prada Spain S.A.	-	29	0	(3)
Prada Switzerland sa	15	134	15	135
Prada USA Corp.	198	(27)	182	282
Related parties	-	5,000	-	380
Miuccia Prada Bianchi	-	-	-	380
PA BE 1 S.r.l.	-	5,000	-	-
Total	67,643	18,357	66,973	10,705

(amounts in thousands of Euro)	Other liabilities	
	December 31 2021	December 31 2020
Remuneration of Board of Directors	1,702	2,206
Others ⁽¹⁾	-	471
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 2021	December 31 2020	December 31 2021	December 31 2020
Subsidiaries and associates	1,323,665	779,539	88,270	78,916
Artisans Shoes S.r.l.	6	6	52,480	48,517
COR 36 S.r.l. New Zeland Branch	(275)	197	-	-
COR 36 S.r.l.	1	24	13	-
Church & Co Ltd	4,628	7,248	3,049	380
Church Footwear (Shanghai) Co., Ltd	1	1	-	-
Church France SA	1	1	-	-
Church Italia S.r.l.	(1)	2	4	4
Church Japan Co., Ltd.	1	1	-	-
Church UK Retail Ltd	2	2	-	-
Figline Srl	3	2	4,030	4,459
Hipic Prod Impex Srl	10	9	8,263	5,802
IPI Logistica S.r.l.	-	-	576	694
Luna Rossa Challenge Srl	4	455	-	(1)
Marchesi 1824 srl	8	9	30	7
Pelletteria Ennepi S.r.l.	2	2	5,269	4,962
Prada (Thailand) Co.,Ltd.	8,603	2,883	-	-
Prada Asia Pacific Ltd.	(35,384)	(5,555)	2,155	2,355
Prada Australia Pty. Ltd	4,117	1,636	-	-
Prada Austria GmbH	5,902	5,371	2	71
Prada Belgium sprl	3,712	4,381	38	-
Prada Bosphorus Deri Mamuller Limited Sirketi	10,723	4,661	-	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	6,374	5,780	-	-
Prada Canada Corp.	25,001	21,588	(1)	3
Prada Czech Republic s.r.o.	1,140	648	-	-
Prada Denmark	2,084	570	-	3
Prada Dongguan Trading co. LTD	-	-	855	763
Prada Emirates Llc ⁽¹⁾	6	2	3	-
Prada Fashion (Shanghai)	383,922	277,134	8	-
Prada Germany GmbH	31,200	22,237	-	-
Prada Guam LLC	568	-	-	-
Prada Hellas Single Partner Limited Liability Company	1,538	(110)	-	-
Prada Japan Co., Ltd.	80,350	54,710	537	757
Prada Kazakhstan LLP	3,883	2,444	-	-
Prada Korea Ltd.	208,107	134,707	217	74
Prada Kuwait Wll ⁽¹⁾	-	-	(1)	(1)
Prada Macau Co., Ltd.	15,982	(9,115)	-	35
Prada Mexico	8,485	4,383	-	-
Prada Middle East FZCO	62,298	5,347	(60)	(146)
Prada Montecarlo Sam	(878)	(172)	31	-
Prada Netherlands B.V.	10,952	13,430	1	1
Prada New Zealand Pty. Ltd	316	988	-	-
Prada Panama SA	(413)	136	-	88
Prada Portugal, Unipessoal LDA	2,294	736	2	1
Prada Retail Aruba	614	(48)	-	-
Prada Retail France SaS	19,748	(1,360)	2,118	2,283
Prada Retail Malaysia Sdn	6,191	8,867	5	5
Prada Retail UK Ltd	35,193	26,381	1,042	1,874
Prada Retail UK Ltd. - Irish Branch	4,238	2,085	-	-
Prada Retail SPC	995	2,618	-	-
Prada Rus LLC	40,459	22,550	11	11
Prada SA, Lux, Swiss Branch	1	-	-	-

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	December 31 2021	December 31 2020	December 31 2021	December 31 2020
Prada ST. Barthelemy	1,542	536	-	-
TRS Saipan	(102)	(180)	-	-
Prada San Marino	2,992	-	-	-
Prada Saudi Arabia	247	95	70	70
Prada Singapore Pte, Ltd.	3,442	(4,981)	45	22
Prada South Africa (Pty) Ltd	(21)	(730)	-	-
Prada Spain S.A.	18,319	5,581	3	12
Prada Sweden AB	1,518	544	1	1
Prada Switzerland sa	11,742	3,632	29	(1)
Prada Taiwan Ltd Branch Taipei	26,559	19,042	-	-
Prada USA Corp.	296,980	132,992	2,175	830
Prada Ukraine	1,900	1,154	-	-
Prada Vietnam	1,752	259	179	330
TRS Guam	(586)	319	-	-
TRS Hawaii LLC	(906)	498	-	-
TRS MACAU	3,892	1,413	-	-
TRS Okinawa	1,682	1,898	-	-
TRS Singapore Pte Limited	-	(406)	-	-
Tannerie Limoges S.A.S.	1	1	5,091	4,650
Related parties	-	-	20,048	9,526
Conceria Superior S.p.A.	-	-	10,821	6,571
FILATI BIAGIOLI MODESTO S.P.A.	-	-	3,777	-
Les Femmes Srl	-	-	5,455	2,960
Peschiera Immobiliare srl	-	-	(5)	(5)
Total	1,323,665	779,539	108,318	88,441

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 2021	December 31 2020	December 31 2021	December 31 2020
Subsidiaries and associates	(123,223)	(174,006)	6,907	6,750
Artisans Shoes S.r.l.	(2,305)	(1,900)	5	3
COR 36 S.r.l. New Zeland Branch	(189)	383	-	-
COR 36 S.r.l.	(11,498)	(11,414)	-	9
Church & Co Ltd	629	874	500	67
Church & Co. (USA) Ltd.	8	10	-	-
Church Austria Gmbh	11	16	-	-
Church English shoes SA	9	11	-	-
Church Footwear (Shanghai) Co., Ltd	27	32	-	-
Church Footwear Ab	11	14	-	-
Church France SA	59	78	1	-
Church Hong Kong Retail C	12	21	-	-
Church Ireland Retail Ltd	8	15	-	-
Church Italia S.r.l.	284	341	1	-
Church Japan Co., Ltd.	31	39	-	-
Church UK Retail Ltd	84	218	-	-
Church's Denmark	10	10	-	-
Church's Eng. Shoes Sw.SA	9	25	-	-
Church's Germany	12	16	-	-
Church's Korea	9	10	-	-
Church's Netherlands	9	20	-	-
Church's Singapore	6	8	-	-
Church's Spain	6	11	-	-
Figline Srl	148	121	31	6
Hipic Prod Impex Srl	441	105	167	9
IPI Logistica S.r.l.	129	29	-	-
Kenon Limited	10	6	1,528	1,289
Luna Rossa Challenge 2013 NZ LTD	12	228	-	-
Luna Rossa Challenge Srl	(21,224)	(21,143)	-	-
Marchesi 1824 srl	115	400	605	590
Marchesi UK	16	18	-	-
PRM Services S. De R.L. de CV	7	12	-	-
Pelletteria Ennepi S.r.l.	309	221	1	-
Pelletteria Figline Srl	16	29	11	-
Post Development Corp.	2	1	-	-
Prada (Thailand) Co., Ltd.	561	533	75	173
Prada Asia Pacific Ltd.	(33,309)	(39,384)	(4)	(2)
Prada Australia Pty. Ltd	1,258	1,156	18	61
Prada Austria GmbH	560	673	26	20
Prada Belgium sprl	392	333	2	-
Prada Bosphorus Deri Mamuller Limited Sirketi	4,517	21	1	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	473	451	-	381
Prada Canada Corp.	(6,683)	(8,373)	-	-
Prada Company SA	1	-	-	-
Prada Czech Republic s.r.o.	184	147	-	-
Prada Denmark	298	218	22	34
Prada Dongguan Trading co. LTD	40	44	-	-
Prada Emirates Llc ⁽¹⁾	890	539	-	-
Prada Fashion (Shanghai)	(275)	3,363	-	-
Prada Germany GmbH	3,234	2,464	74	11
Prada Guam LLC	45	-	-	-
Prada Hellas Single Partner Limited Liability Company	227	168	38	34
Prada Japan Co., Ltd.	3,755	7,254	-	-
Prada Kazakhstan Llp	2,226	869	-	-
Prada Korea Ltd.	3,658	3,374	-	-

(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 2021	December 31 2020	December 31 2021	December 31 2020
Prada Kuwait Wll ⁽¹⁾	326	177	-	-
Prada Macau Co., Ltd.	886	259	-	-
Prada Mexico	1,883	(1,763)	-	-
Prada Middle East FZCO	173	(116)	-	-
Prada Montecarlo Sam	319	268	1,393	1,743
Prada Netherlands B.V.	459	500	(6)	(7)
Prada New Zealand Pty. Ltd	89	108	13	13
Prada Panama SA	(14)	(390)	-	-
Prada Portugal, Unipessoal LDA	382	274	9	5
Prada Retail Aruba	27	24	-	-
Prada Retail France SaS	387	375	1,449	1,521
Prada Retail Malaysia Sdn	248	225	167	34
Prada Retail UK Ltd	2,508	4,747	106	185
Prada Retail UK Ltd. - Irish Branch	242	145	8	7
Prada Retail SPC	2,851	955	22	-
Prada Rus LLC	9,590	1,084	8	-
Prada SA	7	7	1	-
Prada SA,Lux,Swiss Branch	(36,955)	(23,582)	(44)	(40)
Prada ST. Barthelemy	(293)	(457)	-	-
TRS Saipan	14	16	-	-
Prada San Marino	51	-	1	-
Prada Saudi Arabia	327	302	-	-
Prada Singapore Pte, Ltd.	766	682	56	175
Prada South Africa (Pty) Ltd	6	(43)	-	-
Prada Spain S.A.	1,085	1,303	96	134
Prada Sweden AB	235	172	-	-
Prada Switzerland sa	580	990	240	-
Prada Taiwan Ltd Branch Taipei	1,118	643	-	-
Prada USA Corp.	(59,527)	(104,053)	76	-
Prada Ukraine	53	(15)	-	-
Prada Vietnam	(376)	115	35	120
TRS Guam	4	65	-	-
TRS Hawaii LLC	-	53	-	-
TRS MACAU	18	125	-	-
TRS Okinawa	8	53	-	-
TRS Singapore Pte Limited	3	11	-	-
Tannerie Limoges S.A.S.	22	20	175	175
Related parties	(2,670)	33,512	(76)	47
BELLATRIX S.P.A.	-	3	-	122
Chora Srl	(856)	(1,711)	-	1
Conceria Superior S.p.A.	(58)	(82)	-	-
FILATI BIAGIOLI MODESTO S.P.A	(36)	-	-	-
LUDO DUE S.R.L.	(1,121)	(1,123)	(56)	(49)
LUDO S.R.L.	-	(1)	-	-
Les Femmes Srl	-	-	11	9
Ludo Tre S.r.l.	1	-	-	-
Orexis S.r.l.	(74)	36,942	(1)	-
PRADA HOLDING S.P.A.	4	14	-	-
Peschiera Immobiliare srl	(530)	(530)	(30)	(36)
Others ⁽²⁾	-	(1,041)	-	-
Total	(125,893)	(141,535)	(6,831)	(6,797)

Note:

1) Company consolidated according to IFRS 10 definition of control

2) Relatives of a Director

COMMITMENTS

GUARANTEES GIVEN

The guarantees concern:

- sureties of Euro 335 million given to third parties and related parties on behalf of Group companies;
- letters of comfort for Euro 299 million issued to banks on behalf of subsidiaries.

OTHER COMMITMENTS

The Company had no significant binding purchase commitments as at December 31, 2021.

In 2011, PRADA spa and Al Tayer Insignia llc ("Al Tayer") stipulated an agreement expiring on December 31, 2021 to develop the Prada and Miu Miu brands in the Middle East retail business (the "joint venture"). That agreement resulted in the establishment of subsidiary Prada Middle East fzco, followed by Prada Emirates llc and Prada Kuwait wll. At the date of approval of these Financial Statements, Prada and Al Tayer were managing the joint venture under principles of ordinary administration while negotiating the expired contractual terms. Management is confident that through the negotiations PRADA spa can acquire full control of such companies upon the payment of an amount that does not differ significantly from the corresponding non-controlling interest in equity stated in the financial statements.

ADDITIONAL INFORMATION

BOARD OF DIRECTOR REMUNERATION

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Directors' fees	30,772	19,281
Remuneration and other benefits	452	371
Bonuses and other incentives	1,026	212
Benefits in kind	17	85
Pension, healthcare and TFR contributions	401	290
Total	32,668	20,239

The Director's fees include the allocation of what was resolved by the Shareholders' Meeting on May 27, 2021 as well as the additional emoluments approved by the Board of Statutory Auditors due to the specific activities carried out by the Directors.

During the year, remuneration was also paid to two former directors of the Company (Carlo Mazzi for Euro 481,000 and Gian Franco Oliviero Mattei for Euro 77,000).

DELOITTE & TOUCHE SPA FEES

The total fees of the independent audit firm, Deloitte & Touche S.p.A. for the audit of PRADA spa's accounts (audit of the separate financial statements and Group consolidated financial statements, amount to Euro 508 thousands.

The total fees paid to Deloitte & Touche S.p.A. for auditing the financial statements of the year ended December 31, 2021, and for other services provided by Deloitte to PRADA spa (amounts in thousands of Euro) are as follows:

Type of service	Audit firm	twelve months ended December 31, 2021	twelve months ended December 31, 2020
Audit services	Deloitte & Touche S.p.A.	508	450
Other advisory services	Deloitte & Touche S.p.A.	24	31
Total fees of audit firm		532	481

NUMBER OF EMPLOYEES

The average FTE (calculated through ratio between effective working hours and standard working hours) of the employees, by business division, is presented below:

FTE (full time equivalent) ⁽¹⁾	December 31 2021	December 31 2020
Production	1,747	1,703
Product design and development	914	922
Communications	76	71
Selling	977	938
General and administrative services	510	517
Total	4,224	4,151

Note:

(1) Agency workers included

In 2021 new criteria for determining Full-Time Equivalents were adopted, which entailed revision of those published in 2020 in order to ensure correct comparison between the two periods.

The average number of employees by job title as at December 31, 2021 and December 31, 2020 is presented below:

Headcount ⁽¹⁾	December 31 2021	December 31 2020
Executive	103	96
Manager	350	353
Staff	2,161	2,273
Labor	1,730	1,774
Total	4,344	4,496

Note:

(1) Agency workers are not included

EMPLOYEE REMUNERATION

The employee remuneration by business division, net of government subsidies for Covid-19 pandemic, is presented below:

(amounts in thousands of Euro)	December 31 2021	December 31 2020
Production	91,849	78,189
Product design and development	58,092	54,551
Advertising and Communications	7,959	6,224
Selling	65,658	59,277
General and administrative services	53,203	44,282
Total	276,761	242,523

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, 2021, 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, 2021, 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 904 million. In accordance with IAS 36 “Impairment of assets”, goodwill has to be tested for recoverability at least annually. Furthermore, in light of the performance of certain retail subsidiaries during the period, Management carried out impairment tests for some of the investments in subsidiaries recorded at December 31, 2021 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. As a result of the impairment tests, impairment losses of Euro 39.2 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 (WACC) and long-term growth rates (g-rate).

Management also performed 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 and investments in subsidiaries on the impairment tests result.

In accordance with IAS 10 Management has considered the potential impacts arising from the Russia - Ukraine conflict commenced on February 24, 2022 as non-adjusting events occurred after the reporting period and has not accordingly taken them in account for the impairment test.

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 test.

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, through sector data analysis (reports on the fashion and luxury industry) 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 2021 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.



Marco Ricci
Partner

Milan, Italy
March 14, 2022

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, 2021, 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, 2021, 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.

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.

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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, 2021, 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, 2021 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, 2021 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
Marco Ricci
Partner

Milan, Italy
March 14, 2022

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, 2021 pursuant to art. 2429, second paragraph of the Italian Civil Code

Dear Shareholders,

during the financial year closed as at December 31st, 2021, 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, 2021 the Board of Statutory Auditors met ten 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 2021, sharing its content, in particular with respect to the analysis of certain topics, namely the areas of improvement of the organization structure, personal data processing pursuant to the GDPR 679/2016 (EU Reg), cyber-security and Group Risk Assessment.

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 analyzing 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, 2021.

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, 2021 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 five 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 2021 was negatively affected by the Covid-19 pandemic, determining the adoption by the Company of suitable commercial strategies on an ongoing basis. In this regard, the Board of Statutory Auditors takes note of the information contained in the Director's Report on operations. The Board of Statutory Auditors has also verified the actions implemented by the Group to regulate the measures to fight and contain contagion from Covid-19.

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, and of the verifications carried out, 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 Law Decree 39/2010



and international auditing standards (ISA Italia), certifying that the separate financial statements as at December 31st, 2021 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, 2021 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 report also contain an opinion, issued pursuant to art.14 paragraph 2 letter e) of Law Decree no.39/2010, certifying that the Directors' Report is consistent with the separate financial statements closed as at December 31st, 2021, 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 of Law Decree 39/2010 and international auditing standards (ISA Italia), certifying that the consolidated financial statements as at December 31st, 2021 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, 2021, 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, 2021, is compliant with the laws and does not contain any exceptions or requests for disclosures.

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, 2021, showing a net profit of Euro 310,649,745.66, agreeing with the Directors' proposal on the appropriation of the net profit for the year.

Milan, 14 March 2022

The Board of Statutory Auditors

The Chairman
Antonino Parisi



