

Prada Denmark ApS

Amerika Plads 37, DK-2100 Copenhagen

CVR no. 36 73 33 14

Annual report 2016/17

Approved at the annual general meeting of shareholders on 20 June 2017

Chairman:


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Stefano Alfredo Sutter

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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Prada Denmark ApS for the financial year 1 February 2016 - 31 January 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 January 2017 and of the results of the Company's operations for the financial year 1 February 2016 - 31 January 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 20 June 2017
Executive Board:



Stefano Alfredo Sutter
General Manager



Aldo Camillo Gotti
Director



Carlo Mazzi
Director

Independent auditor's report

To the shareholder of Prada Denmark ApS

Opinion

We have audited the financial statements of Prada Denmark ApS for the financial year 1 February 2016 - 31 January 2017, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 January 2017 and of the results of its operations for the financial year 1 January 2016 - 31 January 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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 and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the Management's review, 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 20 June 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

Bjarne Iver Jørgensen
State Authorised Public Accountant

Management's review

Company details

Name	Prada Denmark ApS
Address, Postal code, City	C/O Plesner Advokatfirma Amerika Plads 37, DK-2100 Copenhagen
CVR no.	36 73 33 14
Established	1 May 2015
Registered office	Copenhagen
Financial year	1 February 2016 - 31 January 2017
Executive Board	Stefano Alfredo Sutter, General Manager Aldo Camillo Gotti, Director Carlo Mazzi, Director
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, DK-2300 Copenhagen

Management commentary

Business review

Principal activities of the Company comprise import, distribution and sales of Prada products in Denmark.

Financial review

In 2016/17, the Company's revenue amounted to DKK 5,115 thousand against DKK The income statement for 2016/17 shows a loss of DKK 18 thousand against DKK -49 thousand last year, and the balance sheet at 31 January 2017 shows equity of DKK 25,934 thousand.

Events after the balance sheet date

After the balance sheet date, the unpaid share capital of DKK 5.588 thousand has been paid by the shareholder. No other events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements for the period 1 February 2016 - 31 January 2017

Income statement

Note	DKK'000	2016/17 12 months	2015/16 9 months
	Revenue	5,115	0
	Cost of sales	3,129	0
	Other external expenses	-5,533	0
	Gross margin	2,711	0
2	Staff costs	-2,133	0
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-476	0
	Profit before net financials	102	0
	Financial expenses	-115	-1
	Profit/loss before tax	-13	-1
3	Tax for the year	-5	-48
	Profit/loss for the year	-18	-49
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-18	-49
		-18	-49

Financial statements for the period 1 February 2016 - 31 January 2017

Balance sheet

Note	DKK'000	2016/17	2015/16
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	8,456	0
	Leasehold improvements	19,951	0
	Property, plant and equipment under construction	0	2,579
		<u>28,407</u>	<u>2,579</u>
	Total fixed assets	<u>28,407</u>	<u>2,579</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	7,476	0
		<u>7,476</u>	<u>0</u>
	Receivables		
	Trade receivables	4,404	0
	Receivables from group enterprises	13,988	2,010
	Other receivables	0	138
	Prepayments	4	0
	Contributed capital in arrears	5,588	0
		<u>23,984</u>	<u>2,148</u>
	Cash	<u>2,958</u>	<u>9</u>
	Total non-fixed assets	<u>34,418</u>	<u>2,157</u>
	TOTAL ASSETS	<u>62,825</u>	<u>4,736</u>

Financial statements for the period 1 February 2016 - 31 January 2017

Balance sheet

Note	DKK'000	2016/17	2015/16
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	7,500	50
	Unpaid contributed capital	5,588	0
	Retained earnings	12,846	-49
	Total equity	25,934	1
	Provisions		
	Deferred tax	5	0
	Total provisions	5	0
	Liabilities		
	Current liabilities		
	Trade payables	19,570	1,044
	Payables to group enterprises	16,589	3,643
	Corporation tax payable	0	48
	Other payables	727	0
		36,886	4,735
	Total liabilities other than provisions	36,886	4,735
	TOTAL EQUITY AND LIABILITIES	62,825	4,736

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Collateral
- 8 Related parties

Financial statements for the period 1 February 2016 - 31 January 2017

Statement of changes in equity

DKK'000	Share capital	Unpaid contributed capital	Retained earnings	Total
Equity at 1 May 2015	50	0	0	50
Transfer through appropriation of loss	0	0	-49	-49
Equity at 1 February 2016	50	0	-49	1
Capital increase	7,450	5,588	12,913	25,951
Transfer through appropriation of loss	0	0	-18	-18
Equity at 31 January 2017	7,500	5,588	12,846	25,934

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies

The annual report of Prada Denmark ApS for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes to presentation and disclosures only

Effective 1 February 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Income statement

Revenue

Income from the sale of goods for resale, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

The positive value of the COGS in the fiscal year is affected by the transfer pricing adjustment of about DKK 5.863 thousand received from the controlling company (Prada SpA) in application of the Group Transfer Pricing policies.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	5-15 years
Leasehold improvements	15 years

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the weighted average cost method due to the fact that the composition of the stock is only related to finished goods held for sale in the ordinary course of the business. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years. Prepayments are measured at cost.

Equity

Reserve for non-paid-in share capital

Non paid in share capital is presented according to the net method, implying that it does not affect the size of equity. The non paid in share capital is presented in a separate item under equity. An amount corresponding to the non paid in share capital is re classified from "Retained earnings" to "Reserve for non paid in capital".

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual obligation on finance leases. Other liabilities are measured at net realisable value

DKK'000	2016/17 12 months	2015/16 9 months
2 Staff costs		
Wages/salaries	2,117	0
Other social security costs	16	0
	<u>2,133</u>	<u>0</u>
Average number of full-time employees	<u>7</u>	<u>0</u>
3 Tax for the year		
Estimated tax charge for the year	0	48
Deferred tax adjustments in the year	5	0
	<u>5</u>	<u>48</u>

4 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 February 2016	0	0	2,579	2,579
Additions	8,508	17,796	0	26,304
Transferred	97	2,482	-2,579	0
Cost at 31 January 2017	<u>8,605</u>	<u>20,278</u>	<u>0</u>	<u>28,883</u>
Impairment losses and depreciation at 1 February 2016	0	0	0	0
Depreciation	149	327	0	476
Impairment losses and depreciation at 31 January 2017	<u>149</u>	<u>327</u>	<u>0</u>	<u>476</u>
Carrying amount at 31 January 2017	<u>8,456</u>	<u>19,951</u>	<u>0</u>	<u>28,407</u>
Amortised over	<u>5-15 years</u>	<u>15 years</u>		

Financial statements for the period 1 February 2016 - 31 January 2017

Notes to the financial statements

5 Share capital

Analysis of changes in the share capital over the past 2 years:

DKK'000	2016/17	2015/16
Opening balance	50	50
Capital increase	7,450	0
	<u>7,500</u>	<u>50</u>

6 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Church Denmark ApS. The Company has joint and several unlimited liability for Danish corporation taxes within Danish entities that are part of the joint taxation.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	<u>78,382</u>	<u>74,650</u>
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7 Collateral

The Company has not provided any security or other collateral in assets at 31 January 2017.

8 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Prada S.p.A	Via Fogazzaro 28, 20135 Milano, Italy	http://www.pradagroup.com/system/pdf_ens/280/original/e-Annual%20Report%202016.pdf

Related party transactions

In 2016, the Company carried through related party transactions with the companies in the Prada Group based on the Prada Group Transfer Pricing policies. This has resulted in a positive transfer pricing adjustment of DKK 5,863 thousand in 2016/2017, which has been included in the cost of goods sold in the income statement.