

# Prada Denmark ApS

Østergade 60, DK-1100

CVR no. 36 73 33 14

## Annual report

for the year 1 January - 31 December 2018

Approved at the Company's annual general meeting on 31 May 2019



Alessandra Marsicola

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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 January - 31 December 2018.

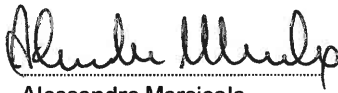
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

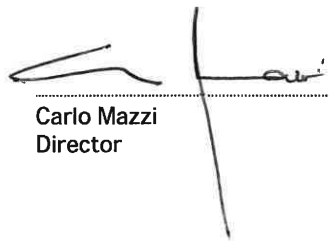
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 31 May 2019  
Executive Board:



Alessandra Marsicola  
Director



Carlo Mazzi  
Director

## Independent auditor's report

To the shareholders of Prada Denmark ApS

### Opinion

We have audited the financial statements of Prada Denmark ApS for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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.

## Independent auditor's report

- ▶ 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's commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 in 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, 31 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Bjarne Iver Jørgensen  
State Authorised Public Accountant  
mne35659

## Management's review

### Company details

Name	Prada Denmark ApS
Address, Postal code, City	Østergade 60, DK-1100
CVR no.	36 73 33 14
Established	1 May 2015
Registered office	Copenhagen
Financial year	1 January - 31 December

Executive Board	Alessandra Marsicola, Director Carlo Mazzi, Director
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Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6, DK-2300 Copenhagen
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### Management commentary

#### Business review

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

#### Financial review

The income statement for 2018 shows a profit of DKK 165 thousand against a profit of DKK 311 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 26,410 thousand.

Prada Group is continuing the commitment on the business transformation process initiated in 2017 with the objective of increasing volumes and profitability in the medium term. During the year, global commercial strategy focused its creative talent on the development of products that are particularly popular with the new generations, such as sneakers, backpacks and special editions offering collections that have therefore benefited from a product assortment better targeted to the tastes of such market segment, while maintaining the brand identities and essential brand codes. Nylon was renewed as a major component of the Spring/Summer collection and Fall/Winter Linea Rossa 2018 collections, and was at the centre of an important communications campaign.

It's clear that the digital transformation has radically altered relationships with consumers, making them ever more aware of their purchasing choices. In this context, communication takes on an even more crucial importance to effectively reach Group's customers. With this objective in mind the Group will continue to invest in all its digital assets to create an increasingly immersive brand experience with a unique and engaging involvement at all touch points.

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018 12 months	2017 11 months
	Gross margin	10,073	9,003
2	Staff costs	-7,278	-6,393
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-2,261	-1,979
	Profit before net financials	534	631
3	Financial expenses	-315	-230
	Profit before tax	219	401
4	Tax for the year	-54	-90
	Profit for the year	165	311
	Recommended appropriation of profit	165	311
	Retained earnings	165	311

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	<u>2018</u>	<u>2017</u>
	<b>ASSETS</b>		
	Fixed assets		
5	Property, plant and equipment	7,253	7,889
	Fixtures and fittings, other plant and equipment	20,217	21,591
	Leasehold improvements	<u>27,470</u>	<u>29,480</u>
	<b>Total fixed assets</b>	<u>27,470</u>	<u>29,480</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	9,357	9,974
		<u>9,357</u>	<u>9,974</u>
	Receivables		
	Trade receivables	2,888	5,357
	Receivables from group enterprises	15,459	11,517
	Deferred tax assets	1,087	1,148
	Other receivables	11	50
	Prepayments	24	18
		<u>19,469</u>	<u>18,090</u>
	Cash	<u>1,308</u>	<u>1,916</u>
	<b>Total non-fixed assets</b>	<u>30,134</u>	<u>29,980</u>
	<b>TOTAL ASSETS</b>	<u><u>57,604</u></u>	<u><u>59,460</u></u>



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	<u>2018</u>	<u>2017</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
6	Share capital	7,500	7,500
	Retained earnings	<u>18,910</u>	<u>18,745</u>
	Total equity	<u>26,410</u>	<u>26,245</u>
	Provisions		
	Deferred tax	<u>1,237</u>	<u>1,244</u>
	Total provisions	<u>1,237</u>	<u>1,244</u>
	Liabilities other than provisions		
7	Non-current liabilities other than provisions		
	Payables to group enterprises	<u>6,000</u>	<u>6,000</u>
		<u>6,000</u>	<u>6,000</u>
	Current liabilities other than provisions		
	Trade payables	3,682	3,745
	Payables to group enterprises	18,301	18,242
	Other payables	<u>1,974</u>	<u>3,984</u>
		<u>23,957</u>	<u>25,971</u>
	Total liabilities other than provisions	<u>29,957</u>	<u>31,971</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>57,604</u>	<u>59,460</u>

- 1 Accounting policies
- 8 Contractual obligations and contingencies, etc.
- 9 Collateral
- 10 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2018	7,500	18,745	26,245
Transfer through appropriation of profit	0	165	165
Equity at 31 December 2018	7,500	18,910	26,410

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Prada Denmark ApS for the period 1 January - 31 December 2018 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.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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.

#### Gross margin

The items revenue, change in inventories of finished goods and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### Cost of sales

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

#### 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### 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 entity is jointly taxed with other group entities. 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

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.

#### 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

	2018 12 months	2017 11 months
DKK'000		
2 Staff costs		
Wages/salaries	7,156	6,293
Other social security costs	122	100
	<u>7,278</u>	<u>6,393</u>
Average number of full-time employees	<u>9</u>	<u>7</u>
DKK'000		
3 Financial expenses		
Interest expenses, group entities	243	143
Other financial expenses	72	87
	<u>315</u>	<u>230</u>
DKK'000		
4 Tax for the year		
Deferred tax adjustments in the year	54	90
	<u>54</u>	<u>90</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 5 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2018	8,620	23,313	31,933
Additions	2	249	251
Cost at 31 December 2018	8,622	23,562	32,184
Impairment losses and depreciation at 1 January 2018	731	1,722	2,453
Depreciation	638	1,623	2,261
Impairment losses and depreciation at 31 December 2018	1,369	3,345	4,714
Carrying amount at 31 December 2018	7,253	20,217	27,470
Depreciated over	5-15 years	15 years	

#### 6 Share capital

Analysis of changes in the share capital over the past 4 years:

DKK'000	2018	2017	2016	2015
Opening balance	7,500	7,500	50	50
Capital increase	0	0	7,450	0
	7,500	7,500	7,500	50

#### 7 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Payables to group enterprises	6,000	0	6,000	0
	6,000	0	6,000	0

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 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>32,188</u>	<u>71,540</u>
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#### 9 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

#### 10 Related parties

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Prada S.p.A	Via Fogazzaro 28, 20135 Milano, Italy	By contact to the Company

##### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.