PRADA Group

2022 Annual Report

PRADA spa
(Hong Kong Stock code: 1913)

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The first Prada store
Galleria Vittorio Emanuele II, Milan

THE PRADA GROUP

Miuccia Prada and Patrizio Bertelli

PRESENTATION

With an authoritative voice in the luxury industry and as a pioneer of constant dialogue with a contemporary society that spans over different cultural spheres, the Prada Group bases its identity on fundamental values such as creativity, transformation and sustainable growth. In accordance with such principles, it offers its brands a shared vision in which they can interpret and express their essence.

The Group owns some of the most prestigious luxury brands: Prada, Miu Miu, Church's, Car Shoe, Marchesi 1824 and Luna Rossa, and it aims to enhance their value while increasing their visibility and appeal over time.

The clothing, leather goods and footwear collections - designed, produced and distributed by the Prada Group - are available in more than 70 countries through 612 owned stores, the direct e-commerce channel, and selected e-tailers and department stores across the globe. The Group, which also operates in the eyewear and fragrance sectors through licensing agreements, has 24 production facilities and more than thirteen thousand seven hundred employees worldwide.

Prada S.p.A. is listed on the Hong Kong Stock Exchange (HKSE code: 1913).

THE GROUP'S PURPOSE AND VALUES

"Thorough observation and curiosity for the world around us have always been at the heart of the creativity and modernity of the Prada Group. In society, and thus in fashion, which is somehow a reflection of it, the only constant is change. The transformation and innovation of references, at the core of any evolution, lead us to interact with different cultural disciplines, at times apparently far from our own, allowing us to capture and anticipate the spirit of the times. Today this is no longer enough: we must be the Drivers of Change, with the flexibility required to translate the demands of the market and society into tangible actions that inform our way of doing business."

Miuccia Prada and Patrizio Bertelli

RE-THINK
THE RULES

UNIQUENESS
OF TALENTS

INNOVATIVE
TRADITION

BEYOND
BOUNDARIES

SPIRIT OF
EXCELLENCE

SUSTAINABLE
PATHS

Be
DRIVERS OF CHANGE
PRADA Group

for PLANET **for PEOPLE** **for CULTURE**

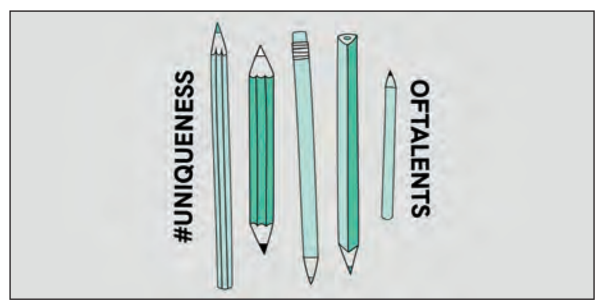
The Group's purpose is to be "DRIVERS OF CHANGE" for the PLANET, PEOPLE and CULTURE.

The values:

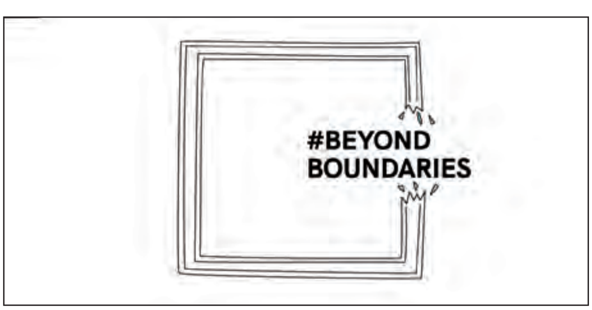
Re-think the rules. Synonymous with innovation, transformation and independence, the Prada Group offers its brands a shared vision in which they can express their essence. This vision has broadened the horizons of luxury, without fear of facing contradictions.

Innovative tradition. The Group, driven by a spirit of research and innovation, is rooted in more than a century of history. Its heritage is completed with the organization's production know-how and expertise.

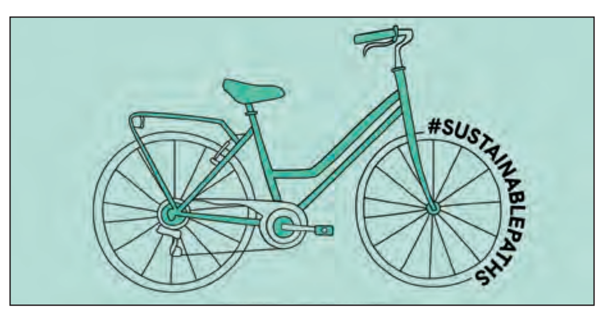
Spirit of excellence. Gearing toward excellence is a mental attitude for the people of the Prada Group, who constantly seek perfection, continuously refining and surpassing their previous achievements.



Uniqueness of talents. Passion, curiosity, attention to detail and expertise are the distinctive qualities of each person in Prada. The promotion of an inclusive work environment stimulates intellectual vitality and the ability to interpret how society is evolving.



Beyond boundaries. Art, philosophy and cinema are just some of the cultural disciplines that represent constant sources of inspiration for the Group. Bold connections are made that broaden perspectives and enable to propose unexpected solutions.



Sustainable paths. The Group places sustainability at the core of its corporate strategy. The value creation model is implemented in harmony with the places and people within the entire sphere of influence of its activities. The Group also contributes to contemporary cultural debate.

Mario Prada

PRADA GROUP HISTORY

The Prada brand was founded in **1913** by Mario Prada, who opened a store in the Galleria Vittorio Emanuele II, Milan, selling handbags, travel trunks, tasteful accessories, jewelry and other luxury items. Thanks to its goods, created using fine materials and sophisticated techniques, Prada rapidly acquired wide popularity across Europe.

In **1919** Prada obtained the title of Official Supplier to the Italian Royal Family; since then, Prada has been able to display the House of Savoy coat of arms and knotted rope design in its trademark logo.

The turning point for the Group came at the end of the 1970s when Miuccia Prada, Mario Prada's granddaughter, partnered with Tuscan entrepreneur Patrizio Bertelli to combine creativity with business acumen and lay the foundations for the ensuing international expansion.
Patrizio Bertelli broke new ground in the luxury goods sector by introducing a business model based on direct control over all processes and applying strict quality standards to the entire production cycle. Miuccia Prada's creative talent attracted international attention due to her innovative approach, inspired by an unconventional outlook on society, enabling her to anticipate and often influence new fashion and design trends.

In **1977** Patrizio Bertelli founded IPI S.p.A. to concentrate the production resources built up over the previous ten years of business in the leather goods industry. In the same year, IPI S.p.A. obtained a license from Miuccia Prada for the exclusive production and distribution of Prada brand leather goods. In the following years the two family businesses gradually merged into a single Group.

In **1983** Prada opened a second store in Via della Spiga in Milan, one of Europe's key shopping destinations. The store showcased the new brand image, a concept dominated by a special shade of light green, which soon became known as "Prada green". It was the first Green Store, which will be followed by stores in New York, Madrid, London, Paris and Tokyo, in an aesthetic revolution in the retail world and a new standard for the industry.

In response to the growing appreciation of the products, the Prada leather goods range was expanded to include the first women's footwear collection in **1979**. The first women's clothing collection was launched in Milan in **1988**.

In **1993** Prada made its debut in menswear with its first men's clothing and footwear collection. That same year, Miuccia Prada's creative inspiration led to the establishment of a new brand, Miu Miu, characterized by a strong, carefree and at times provocative identity. In 1993 Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", which subsequently became "Fondazione Prada", a place to analyze the present using intensive cultural events as an effective learning tool.

In **1997** the Prada Challenge sailing team was founded to compete for the 2000 America's Cup, and Prada launched its activewear collection featuring the "Linea Rossa" (red line).

In **1999**, the Prada Group acquired the classic brand Church's, founded in 1873 in Northampton, England, a symbol of British handcraft tradition and sophisticated elegance.

In **2001**, the Prada "Epicenter" store, designed by Rem Koolhaas, was opened on Broadway in New York City. This was the first of a series of stores created to redefine the shopping concept and try out inventive ways to interact with customers. A second Epicenter store was inaugurated in Aoyama, Tokyo, followed by a third one on Rodeo Drive, Beverly Hills, in **2004**. During the same year, Prada acquired control of Car Shoe, a classic Italian brand renowned for its exclusive driving moccasins.

In **2003**, Prada entered into a licensing agreement with Luxottica, the world's leading eyewear company, which currently produces and distributes Prada, Miu Miu and Luna Rossa eyewear. Also in 2003, Prada entered the beauty industry and launched, in **2004**, its first fragrance, Amber.

In **2006**, Miu Miu moved its fashion show venue to Paris, after its experiences in New York and London.

In **2007**, the Prada phone by LG, the world's first touchscreen cellphone, made

Prada Epicenter concept store Broadway, New York
by architect Rem Koolhaas and Studio OMA

Prada Epicenter concept store Los Angeles, Beverly Hills
by architect Rem Koolhaas and Studio OMA

Prada Epicenter concept store
Aoyama, Tokyo by architects Herzog & de Meuron

its debut. The LG/Prada partnership achieved further success with new models in 2008 and 2011.

On June 24, **2011**, Prada S.p.A. was successfully listed on the Main Board of the Hong Kong Stock Exchange.

In **2014**, the Group acquired control of Angelo Marchesi S.r.l., the historical Milanese patisserie founded in 1824, thus entering the food industry.

In **2015** the Prada Group and Coty Inc. introduced the first Miu Miu fragrance. In September of that year the Marchesi 1824 brand was developed on the market with the opening of a second location in via Montenapoleone, Milan. In 2015 the Prada Group began to implement an investment plan for the industrial area intended to redevelop and reorganise the Group's manufacturing structure in order to preserve artisanal know-how, support the technical advancement of the production processes and improve the quality of the work environments.

In **2017**, the important restyling plan for Prada and Miu Miu stores was coupled with an extensive program of pop-ups to further support retail activities. In the same year, the Prada Group was admitted to the Cooperative Compliance regime with the Italian tax authorities, introduced with Italian Law Decree 128/2015.

In **2018** the Group added to its customary Milan and Paris fashion shows two important events to present pre-collections: Miu Miu Croisière in Paris and Prada Resort in New York. On June 8, 2018, Prada officially unveiled its factory in Valvigna, designed by Guido Canali, architect of the Group's "garden factories".

In **2019** the Group announced the adoption of a fur free policy for all its brands, it joined The Fashion Pact, and it set up the Diversity & Inclusion Advisory Council which, with the consultancy of leading experts from important international academic and cultural institutions, helps to bring out a tapestry of voices from within the Group's creative processes and projects. Prada also launched the first collection made of recycled nylon, Prada Re-Nylon. In October of the same year, the Prada Group obtained full control of the retail network by acquiring Fratelli Prada S.p.A., the long-standing franchisee of Prada monobrand stores in Milan.

In **2020**, the year marked by the outburst of the Covid-19 pandemic, Raf Simons became the Creative Co-Director of Prada and other important managers joined the team, with a view to fostering long-term growth even with the uncertainties arising from the public health emergency. In July of the same year Prada S.p.A. obtained "AEO Full" (Authorized Economic Operator) certification from the Italian Customs Agency, becoming one of very few taxpayers in Italy to hold simultaneously this qualification and participate in the Cooperative Compliance regime with the Italian Revenue Agency.

In **2021** the 36th edition of America's Cup presented by Prada became the most viewed one ever, and the Luna Rossa sailing team won the Prada Cup Challenger Selection Series for the second time in history. During the year, the Prada Group founded the Aura Blockchain Consortium with LVMH and Cartier and purchased a stake in Filati Biagioli Modesto S.r.l. with the Zegna Group; it also bought out the remaining stakes in the Travel Retail Shop companies dealing with duty-free retail activities, and acquired the ownership of Luna Rossa Challenge S.r.l. so as to fully develop the commercial value of the Luna Rossa brand. In 2021, a long-term licensing agreement with L'Oréal for the creation, development and distribution of Prada brand luxury cosmetics entered into effect. Moreover, the Group converted the entire production of nylon from virgin nylon to recycled nylon.

In **2022**, thanks to the work performed by the newly formed Sustainability Committee, important documents were completed such as the new Group-wide Code of Ethics and Human Rights Policy. With a view to increasing manufacturing expertise and controlling quality at every phase of the process, the Group acquired a 43.65% stake in Conceria Superior S.p.A., a firm known for its superior calf leather tanning. In 2022, Prada presented Paradoxe, the first fragrance created from the partnership with L'Oréal. Prada also launched Eternal Gold, the first jewelry collection made of 100% certified recycled gold. The year ended with the announcement of the appointment of Andrea Guerra as the new Group CEO, with the aim to help the Group evolve while easing the generational transition.

THE GROUP'S BRANDS

The Prada Group works constantly to enhance the value of its brands by increasing their visibility, recognition and appeal.

PRADA

Prada is at the forefront of international creative talent. As one of the most innovative fashion brands, it is intrinsically linked to the intellectual curiosity of Miuccia Prada who, with her collections, has redefined fashion norms by anticipating and setting new trends. The Prada brand, with its collections of leather goods, clothing, footwear, eyewear and fragrances, targets an urbane clientele that is culturally and socially active, and with the Linea Rossa collection it is present in the activewear world.

Prada advertising campaign S/S 2023


PRADA
PRADA
PRADA
Re-Edition
2002


PRADA
Prada advertising campaign S/S 2023
Talent: Vincent Cassel


PRADA
PRADA

MIU MIU

Miu Miu is the most free-spirited representation of Miuccia Prada's creativity. Intentionally distant from classic aesthetic expressions, and with a nonconformist perspective, the brand reflects an emancipated and discerning woman.

Miu Miu was created in 1993 from Miuccia Prada's independent and unconventional spirit, and the brand soon evolved into a reference point for an international audience. Miu Miu's direct force fluctuates between ingenuous spirit and iridescent subversion, and expresses the most rebellious and seductive attitude of contemporary femininity.

Right page
Miu Miu advertising campaign S/S 2023


miu miu


NORTHAMPTON ENGLAND
Church's
English shoes
MADE IN ENGLAND
LONDON
PARIS MILAN
NEW YORK
TOKYO
Church's
English shoes

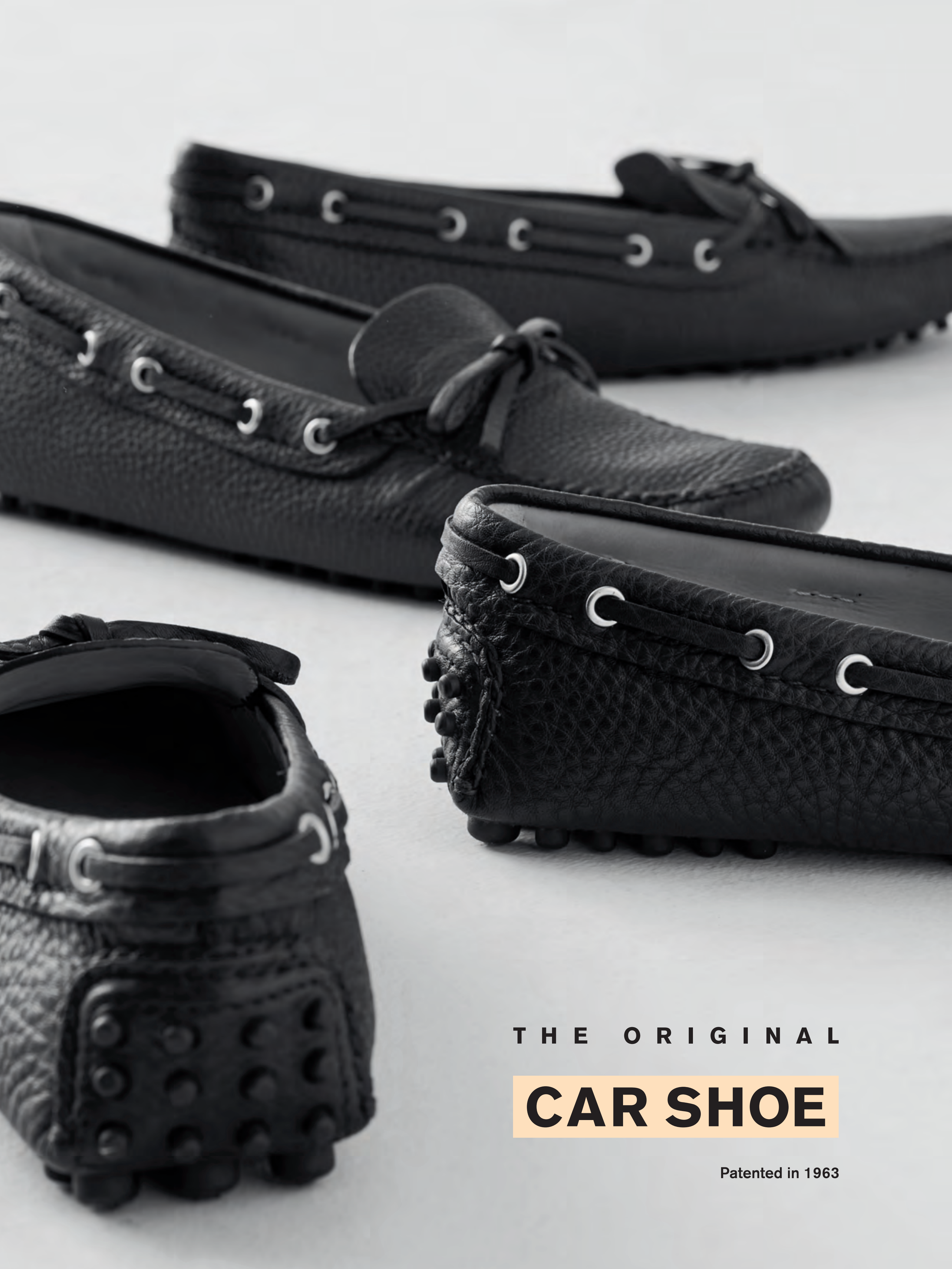
CHURCH'S

Church's is distinguished by timeless elegance and artisanal quality, and expresses contemporary luxury, upholding a centuries-old tradition. It began its distinctive journey when, thanks to a family heritage of handcrafted shoemaking experience dating back to 1675, the first Church's brand shoe factory was opened in 1873 at 30 Maple Street in Northampton, England.

Over time, Church's turned a small cordwainer's workshop into a leading luxury footwear company.

With its creations, Church's has become synonymous with an impeccable style that remains faithful to the British look yet explores new design areas, playing with the combination of three primary elements: the finest leather, classic style and superb craftsmanship. Church's dedicates meticulous attention and care to every detail: it takes approximately 250 manual steps and 8 weeks of work to make a single pair of shoes.

Left page
Church's Royal Collection


THE ORIGINAL
CAR SHOE
Patented in 1963

CAR SHOE

Small rubber studs set on a deconstructed sole have characterized the iconic Car Shoe loafer since 1963. Footwear originating from a passion for race cars. Starting with that iconic loafer, Car Shoe has succeeded in displaying its identity with a wide range of products that interpret its casual style.

MARCHESI 1824

Pasticceria Marchesi has been a symbol of Milanese style since 1824. With its excellent preparations, elegant ambiance and impeccable service, it accompanies times of conviviality featuring artisanal taste and refined creativity. In addition to its historic location at Via Santa Maria alla Porta are the locations at via Monte Napoleone and Galleria Vittorio Emanuele II in Milan, and a shop in the heart of London, in the prestigious Mayfair neighborhood.

Left page
Car Shoe Driving Shoes Collection

Pasticceria Marchesi 1824
Galleria Vittorio Emanuele II, Milan

Pasticceria Marchesi 1824
117 Mount Street, London - external view

Pasticceria Marchesi 1824
117 Mount Street, London - internal view

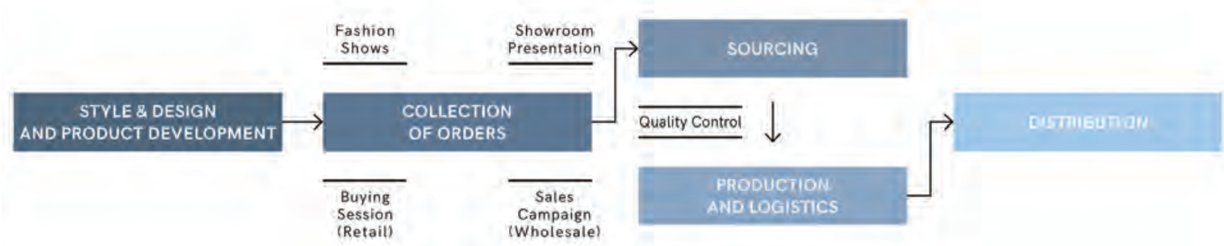
LUNA ROSSA

Luna Rossa is the Italian sailing team representing the Circolo della Vela Sicilia in the 37th America's Cup competition, which will take place in 2024. The team is infused with vision, competence and passion, which are guiding it in its determination to win the prestigious trophy. A project that has entered into the hearts of Italians and of all sailing enthusiasts in the world.


LUNA ROSSA
PIRELLI

BUSINESS MODEL

The success of the Prada Group's brands is based on a business model that combines skilled craftsmanship with industrial manufacturing processes. This enables the Group to translate innovative ideas into successful products, while retaining flexibility and control over know-how, quality and sustainability standards, and production costs.



CREATIVITY

Miuccia Prada's intellectual curiosity, the constant pursuit of new styles, and her interpretation of culture and society underpin the creative process. This vision has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone who contributes to the creative development. The appointment in 2020 of Raf Simons as Creative Co-Director of the Prada brand alongside Miuccia Prada produced a new creative authorship model, reiterating the importance and power of dialogue.

Constant experimentation and idea-sharing are the essential components of the design process. The time spent at the drawing board, in the testing room, and on research and development is fundamental to creating each collection.

The Prada Group's creative spirit continues to attract talented people from all over the world.

RAW MATERIALS AND THE PRODUCTION PROCESS

Know-how is Prada Group's historical asset and represents an element of continuity and balance between creativity and precision. The manufacturing activity is based on two key principles: constant innovation, which ensures the evolution of skills and expertise, and a vocation for craftsmanship, which is an essential asset for the production and value of each brand.

Raw materials are an essential part of product quality. In many cases the fabrics and leather are made especially for the Group's brands, according to stringent technical and style specifications that guarantee excellence.

The products are made at the 24 manufacturing facilities owned (21 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and by a network of selected and strictly monitored contract manufacturers that are supplied with internally made raw materials, patterns and prototypes. This system, which enables close oversight of each step of the process and ensures high-quality workmanship, emphasizes manufacturing excellence and ensures significant flexibility in the organization of production.
The outstanding quality of the production operations gives the Group a competitive advantage, enhanced by continuous research and experimentation on production materials and techniques, and by investments in structures, the supply chain and people. Most of the production employees have been working for the Prada Group for an average of 20 years; this ensures an extremely high level of specialization as well as in-depth knowledge of the organization. With the Prada Academy and by honing its employees' skills, for years the Prada Group has been investing heavily in the transmission of the manufacturing techniques and craft skills to younger generations, values on which the Group's heritage rely.

DISTRIBUTION

Over the years, the Prada Group has expanded its distribution network to include 612 directly operated stores ("DOS") in the most prestigious locations of the major international shopping destinations, consistent with the image of each brand. The DOS serve as more than a primary sales function, and they are an important means of communication: they are brand ambassadors, conveying the image of each brand consistently and categorically and enabling the Group to monitor in real time the sales performance in various markets. This extensive network, the object of ongoing renovation, is a strategic asset for the Group, as it showcases the new collections and is the fulcrum of the omnichannel strategy. The Group's e-commerce websites complete the customer journey, offering a constantly evolving shopping experience integrated with the physical stores.

Prada store
Place Vendôme, Doha (external view) - New Opening

Prada store
Place Vendôme, Doha (internal view)- New Opening

Miu Miu store
Place Vendôme, Doha - New Opening

Miu Miu store
Seoul Galleria West, Seoul - New Opening

The wholesale channel (department stores, multi-brand stores, franchisees and e-tailers) has been gradually streamlined in the past few years, using a very selective approach.

IMAGE AND COMMUNICATIONS

Sharing information with stakeholders enables being involved in the brands' value system, which transcends purely commercial goals. Effective communications are key to building and transmitting a strong image consistent with the brands' identity. The fashion shows and advertising campaigns are prime occasions for the Group to present the image of its brands, which is valued particularly by an international clientele and by industry critics.

Through social media accounts, brand e-commerce websites, the corporate website and digital platforms, each brand offers an opportunity for direct dialogue and immediate contact with its audience. In parallel, the vast editorial coverage heightens the visibility of the Group's products.

The Group's special events, known for their many innovative formats, are avenues for communicating the values of the brands beyond the products and for establishing direct contact with consumers in the various local markets.

SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

After Prada S.p.A.'s Board of Directors approved the strategic guidelines for sustainable growth in 2021, great progress was made in 2022 in terms of governance with the creation of the Sustainability Committee at the beginning of the year, demonstrating the Group's commitment to integrating environmental and social sustainability into its business strategies. The Committee assists the Board of Directors, in a proactive and advisory capacity, in the evaluation and decision-making about sustainability-related issues, overseeing the Company's commitment to sustainable development throughout the value chain.

Important documents were completed, such as the new Group-wide Code of Ethics and Human Rights Policy. Everything was formalized on the basis of the principles and priorities that have always motivated the Prada Group, identified in three pillars: people, the environment and culture.

Lastly, a Whistleblowing process was approved in order to have a secure, private communication and whistleblowing channel for all the Group's internal and external stakeholders, thanks to the adoption of an external digital whistleblowing platform accessible from both the corporate intranet and the Group's corporate website.

PEOPLE

The Prada Group puts the human factor and the universe of cultures, talents and identities that compose it at the center of its work. This variety is a source of inspiration for creativity and innovation, and an essential tool for rapidly understanding changes in society and in the market.

At December 31, 2022, the Group had 13,768 employees (headcount) from 113 countries, with women making up 63% of the total workforce.

The Group, which works in a constantly evolving global market, encourages a culture of diversity, equity and inclusion within its own ranks and along its entire sphere of influence. The Board of Directors' capabilities, the Human Resources Department and the partnerships with worldwide authoritative universities and monitoring centers make it possible for Prada's strategies to evolve in tune with the most recent societal shifts.

In 2022 the engagement with diversity, equity and inclusion proceeded according to plan thanks to the implementation of numerous initiatives, including the first edition of Dorchester Industries Experimental Design Lab (a three-year program developed by Theaster Gates and the Prada Group to support and celebrate talented designers of color working in various design industries) and the pilot program "Fashion Expressions: The Stories She Wears", a project partnered with UNFPA (the United Nations sexual and reproductive health agency) that aims to harness fashion's social and economic power as a vehicle to promote women's empowerment, sexual health and reproductive health, with a six-month training program for 45 young women in Ghana and Kenya. In addition, the collaboration with the Fashion Institute of Technology (FIT) continued to support talented creative youths with the granting of scholarships.

The Group has embarked on a very ambitious path of DE&I commitment that aims to produce a genuine cultural evolution within the organization. With "Drivers of Change", its internal communication and employee engagement program, the Group pursued a work plan intended to further expand, in the more than 40 countries where the Group operates directly, its employees' awareness about social responsibility and environmental protection, fostering greater dialogue among employees and an understanding of the Group's initiatives and objectives.

From the outset, Prada has encouraged and rewarded workplace skills, results orientation and teamwork. The passion and skills of the employees, and of the

artisans in particular, are essential for product innovation and quality, for which the Group pursues excellence in all its endeavors and relationships. It cultivates a mindset that leads people to strive for perfection in their work.
Prada Academy is the Group's training hub designed to cultivate talent and ensure the Group's future through the sharing of knowledge, techniques and ideas. The Academy has a global digital platform and a team dedicated to the implementation and continuous updating of projects, content and training plans for each of the three macro areas: Industrial, Learning & Development and Stores.
The Industrial area holds courses dedicated to learning craftsmanship in the clothing, footwear and leather goods categories. A strong structure supporting the Group's productive strategy, the Industrial Academy's goal is to preserve and pass on to young generations the heritage of knowledge and expertise typical of the organization and of the fashion industry. The Learning & Development area, effectively the Group's corporate part, focuses on courses geared toward the enhancement of relational and behavioral skills, aimed at achieving more effective management of operational complexities. In the Stores area, store staff are mentored by experienced personnel, and institutional training courses are designed to strengthen their relational skills, including through the use of technology and product knowledge.

The extensive, merit-based compensation and benefits system ensures equal treatment in terms of gender, seniority and role, and makes the Prada Group a true equal opportunity employer. The Group's remuneration policy seeks to attract and retain skilled personnel and expert managers, while bringing the interests of management into line with the primary objective of creating value for the long-term future.
During 2022, the processes and strategies of the compensation and benefits system were reviewed, which led to the granting of welfare initiatives to help employees deal with the considerable increase in the cost of living.
The Remuneration Committee oversees the compensation packages of top management, taking into consideration roles and responsibilities as well as market standards for similar positions in a panel of companies comparable to Prada in terms of size and complexity.

The Group is committed to demonstrating its full respect for the value of the individual and of the human rights, especially of workers, recognized in Italian and international agreements and statements such as the United Nations Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises, as noted in the Human Rights Policy approved by the Board of Directors on July 28, 2022.

Internal policies safeguard the health and safety of the employees at all the premises in accordance with the highest standards and in full compliance with local and international regulations and with the strictest public health emergency protocols. Manufacturing facilities present the greatest health and safety risk, although to a limited degree. Safety training and refresher courses, with an emphasis on industrial facilities, helped keep the number of accidents very low in 2022, as well as in previous years.

The Prada Group collaborates with trade unions to continuously improve the working conditions of its employees and to foster their long-term well-being as well as that of their respective communities.

Over the years the Group has stipulated many supplementary agreements in Italy, France and the United Kingdom whereby it offers better benefits than those already contained in the local collective bargaining agreements. Thanks to respect, dialogue and cooperation with trade unions, no labor strikes occurred in the year or in recent years.

With regard to the working conditions of employees throughout the supply chain, the Group has identified some industrial supplier risks, for which it has adopted specific policies and set up control structures. This control system defines the responsibilities and operational behaviors needed to assess the ethical, technical and financial reliability of the suppliers. Specifically for ethical issues, the accreditation and subsequent maintenance of a supplier’s qualification requires compliance with the Group’s Code of Ethics and the collection of documents, statements and self-certifications that ensure compliance with laws on remuneration, social security, taxation, occupational health and safety, the environment, privacy and the governance model. Audits carried out at the manufacturing locations of suppliers in recent years, intended to maintain a high level of control over risks of human rights violations and inadequate working conditions, led to the formulation of implementation plans at some locations. In a few cases, the audit resulted in the termination of the supply contract.

ENVIRONMENT AND TERRITORY

The Prada Group believes it has a responsibility to engage in and cultivate virtuous behaviors that contribute to the sustainable growth of its business and are examples of good practice within its industry. Prada is committed to reducing its environmental impact not only within the organization but also by raising the awareness of its stakeholders and partnering with qualified third parties.
Fighting climate change and conserving the places where it operates are ways the Group intends reduce its ecological footprint with the greatest priority.

Joining The Fashion Pact on August 23, 2019 when it was formed at the G7 Meeting in France created a unique opportunity to accelerate environmental sustainability initiatives. Active participation in the coalition's activities has enabled the Group to acquire expertise, forge new relationships and expand its own knowledge of the actions needed to achieve the objectives of contrasting climate change, restoring biodiversity and protecting the oceans.
In 2021 the Prada Group finished measuring its carbon footprint and then successfully presented greenhouse gas emission reduction targets in accordance with the Science Based Targets Initiative best international practice and protocol. The targets envision a 29% reduction of Scope 1 and Scope 2 emissions (from those of 2019) by 2026, and a 42% reduction of Scope 3 emissions (from those of 2019) by 2029. The first target will be met with the completion of an intensive energy-efficiency action plan that has in recent years characterized the Group for its strong commitment in this area: for example switching from gas to electric heating and air conditioning, increasing the number of e-vehicles in the car fleet, and expanding the proportion of renewable energy obtained and self-produced. The second target, cutting emissions along the supply chain, requires the involvement of the suppliers and the formulation of a joint action plan. The Group plans to reach net zero emissions by 2050.
On this front, in 2022 the Prada Group announced its participation in the The Fashion Pact initiative, "Collective Virtual Power Purchase Agreement (CVPPA)", aimed at accelerating renewable electricity adoption by investing in new clean energy infrastructure in Europe. First of its kind involving numerous players in the fashion industry, the CVPPA seeks to add over 100,000 MWh per year of renewable electricity generation to the European grid, accelerating from 2023 the transition to clean energy while contributing to the achievement of the targets.

Respect for the places where its facilities are located has been a guiding principle for the Prada Group from the start. Reducing land take, renovating existing structures and working toward building requalification have inspired the decisions made in more than thirty years of industrial development.
Prada's manufacturing and storage facilities are an excellent example of its responsible relationship with the environment. These buildings occupy more than 200,000 m^2, and are almost all located in Italy. Among manufacturing and storage facilities, five are new constructions, three are the products of industrial archeology projects, and many more have been converted from sites long abandoned and in obvious disrepair.
For four of its largest industrial projects, Prada hired architect Guido Canali, Italy's leading proponent of sustainable architecture. This relationship, initiated in the 1990s, was developed while business ethics were being introduced voluntarily and spontaneously at a time in history in which the significance of adopting such values had not been realized yet. The Valvigna factory and the logistic hub in Levanella, both in Tuscany, represent the synthesis of these principles: structures capable of generating sustainable efficiency while harmonising the architectural intervention with the natural surroundings.

With respect to protecting biodiversity, the Prada Group is constantly seeking ways to make footwear, clothing and leather goods increasingly sustainable, in keeping with its characteristically innovative spirit. The expertise acquired over decades of product research and development led to the successful launch and completion of the campaign to fully transition from virgin nylon to regenerated nylon ("Re-Nylon"), and to the introduction of many new solutions with a smaller carbon footprint used in areas ranging from catwalks to collections and, obviously, packaging. The Group brands became fur free with the 2020 Spring-Summer Women's collection.
In 2022, the Group was among the founders of the Re.Crea Consortium, formed to manage end-of-life textile and fashion products, and to promote the research and development of innovative recycling solutions.
In 2019, "Sea Beyond" made its debut. Sea Beyond is an educational program that aims to raise awareness about sustainability and ocean preservation issues, promoted by the Prada Group and by UNESCO's Intergovernmental Oceanographic Commission (IOC). The project is funded by a percentage of sales of the Prada Re-Nylon collection, and in January 2021 it was officially associated with the

Prada industrial Headquarter
Valvigna, Terranuova Bracciolini (AR)
by architect Guido Canali

KINDERGARTEN OF THE LAGOON

SEA BEYOND

unesco
Intergovernmental Oceanographic Commission

2021 2030 United Nations Decade of Ocean Science for Sustainable Development

PRADA RE-NYLON

United Nations Decade of Ocean Science for Sustainable Development. The project consists of three main initiatives: an educational module for secondary school students worldwide, the "Asilo della Laguna" (a program of outdoor lessons for preschool students in Venice), and a training program formulated specifically for the more than 13,000 employees of the Prada Group. In 2022 Sea Beyond won the Oceans Award at the "Sustainable Fashion Awards 2022" organized by the National Chamber of Italian Fashion in collaboration with the United Nations Ethical Fashion Initiative (EFI).

In 2022, the Prada Group announced its participation in Forestami, the urban forestation project of the Metropolitan City of Milan, which plans to plant 3 million trees in the city by 2030: its contribution will commence next year.

Left page
Prada Group and UNESCO-IOC "Kindergarten of the Lagoon" outdoor education programme

CULTURE

Art, philosophy, architecture, literature and film are the main cultural disciplines that represent continuous sources of inspiration for the Group. The network of connections made broadens horizons, subverting norms, boldly challenging expectations and shaping scenarios that deviate from the ordinary. Interaction with these apparently distant cultural spheres has led to a number of special projects that, over the years, have helped define the many facets of the Prada world.

Prada's interest in architecture has always been evident in its aforementioned cutting-edge manufacturing sites, with the requalification and conversion of former factories into showrooms and offices, and the development of revolutionary retail concepts thanks to prestigious partnerships with some of the most influential architectural firms in the world.
In 2015 Herzog & de Meuron, winners of the Pritzker Architecture Prize, worked with the Group on the Miu Miu flagship store in the Aoyama district of Tokyo, core of the brand's Japanese operations. A few years earlier, from 2000 to 2004, Herzog & de Meuron and another Pritzker Prize winner, Rem Koolhaas, had partnered with Prada on the Epicenter Concept Stores in New York, Los Angeles and Tokyo. These Epicenters, still key for Prada's image, are the result of innovative thinking about the shopping concept, revisited and reinvented in order to create unique stores, where luxury goods, technology, design and architecture combine seamlessly with a vast range of exclusive services and sensory and digital experiences. On occasion, the Epicenters host movie screenings, exhibitions, debates and other cultural events.

The restoration of Rong Zhai, a historic residence in downtown Shanghai, was completed in 2017 after a scrupulous, six-year refurbishment. Rong Zhai, yet another example of the Prada Group's interest in the restoration of historical landmarks, is the result of a fruitful partnership with architects, historians, and artisans and is now the hub of the Group's cultural events in China.

The interests and passions of Miuccia Prada and Patrizio Bertelli have inspired the Prada Group to support the artistic and cultural activities of Fondazione Prada since 1993.
Fondazione Prada was created in Milan to develop contemporary art exhibitions along with architectural, cinematic, philosophical, science and performing arts

projects. The cultural activities of Fondazione Prada make it possible for the Group to proactively contribute to current debates and observe the changes taking place in society. This collaboration, active in the form of sponsorship, is an important source of inspiration for the creative process and enables the Group to associate the success of Fondazione Prada with its image and share the related value with its stakeholders.

Since 2011, the Fondazione has also been operating at its Venetian venue, Ca' Corner della Regina, an eighteenth-century building that has so far hosted ten research exhibitions and an experimental platform dedicated to cinema.
The exhibition program of Fondazione Prada's headquarters in Milan, inaugurated in 2015 and designed by the architectural firm OMA, included in 2022 "Useless Bodies?" by the artist duo Elmgreen & Dragset, one of the most extensive thematic exhibitions ever realized by Fondazione Prada, which explored the condition of the body in the post-industrial age, and "Recycling Beauty", a project curated by Salvatore Settis and Anna Anguissola and designed by Rem Koolhaas, which investigates the subject of reusing Greek and Roman antiquities in post-antique contexts, from Medieval to Baroque times.
At the Venetian venue, the second collaboration with the Fondazione Archivio Luigi Nono was presented. The "Luigi Nono, Contrappunto dialettico alla mente" encounter included the participation of philosopher Massimo Cacciari, neurologist Daniela Perani and sound director Alvise Vidolin.
Another musical project was developed with Threes Productions and MMT Creative Lab, for the musical performance of Dies Irae by Swedish composer Maria W Horn.
Osservatorio, the Fondazione's exhibition space dedicated to photography since 2016, is located on the 5th and 6th floors of one of the central buildings in Galleria Vittorio Emanuele II, in Milan. In 2022, this space hosted the "Role Play" exhibition curated by Melissa Harris. The project explored the processes of searching for, projecting and inventing possible alternative identities, teetering between authentic, idealized, and universal selves through a selection of photographic, video and performing works by eleven international artists.

More projects were presented at the historic Rong Zhai residence in Shanghai and at the Prada Aoyama Tokyo epicenter with the support of Fondazione Prada. In Shanghai "Lake Tai" was offered, a project by American artist Michael Wang, who created a series of works focused on the natural and cultural heritage of the Tai

Exhibition view of "Lake Tai" by Michael Wang
Prada Rong Zhai, Shanghai - 2022
Photo: JJYPHOTO - Courtesy Prada

Exhibition view of "Who the Bær" by Simon Fujiwara
Prada Aoyama Tokyo - 2022
Photo: Yasushi Ichikawa - Courtesy Prada

Lake region and on the tradition of Chinese landscape art. In Tokyo, new versions of two exhibitions previously realized by the Fondazione in Milan were organized: "Role Play" and "Who the Bær". "Role Play" included photographs, videos and audio works of five international artists who explore the theme of role playing and the manipulation of identity and public image. "Who the Bær", conceived by artist Simon Fujiwara, explored a plurality of topics: from the climate crisis to cultural appropriation, from plastic surgery to pop art, through the experiences of a fictitious character created by the artist.

Three steps were taken in 2022 for the "Human Brains" project, dedicated to neuroscience: the "Conversations" series of online appointments, the "Preserving the Brain" forum and the "It Begins with an Idea" exhibition. The three initiatives are the result of an in-depth research process undertaken by Fondazione Prada in 2018 with the support of a scientific committee to understand the human brain, the complexity of its functions, and its centrality to human history.

Miuccia Prada's interest in cinema as a contemporary form of art has led to other invaluable collaborations such as the short films entitled "Miu Miu Women's Tales", of which the last two episodes – "House Comes With a Bird", directed by Janicza Bravo and "Carta a mi madre para mi hijo", directed by Carla Simon – were shown at the 2022 Venice Film Festival as part of the Giornate degli Autori program. The film series, which consists of twenty-four films produced up to December 2022, calls upon directors of international fame and diverse intellectual backgrounds to explore the world of women.

The special initiatives organized by Fondazione Prada at the Milan venue in 2022 included: the "Soggettiva Ava DuVernay" film selection conceived by the American writer, director, screenwriter and producer; the screening of the complete television series "Small Axe", unprecedented in Italy, introduced by its director and co-screenwriter Steve McQueen; the outdoor film program "Multiple Canvases"; and "Soggettiva Bernardo Bertolucci – Doppia Autobiografia", an analysis of the director's films in the 1960s and the 1970s associated with nine feature films that influenced his imagination and his language.

Left page
Miu Miu Women's tales #23 "House comes with a bird"
Directed by Janicza Bravo


PRADA
PIRELLI
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GROUP
PRADA
LUNA ROSSA
PIRELLI

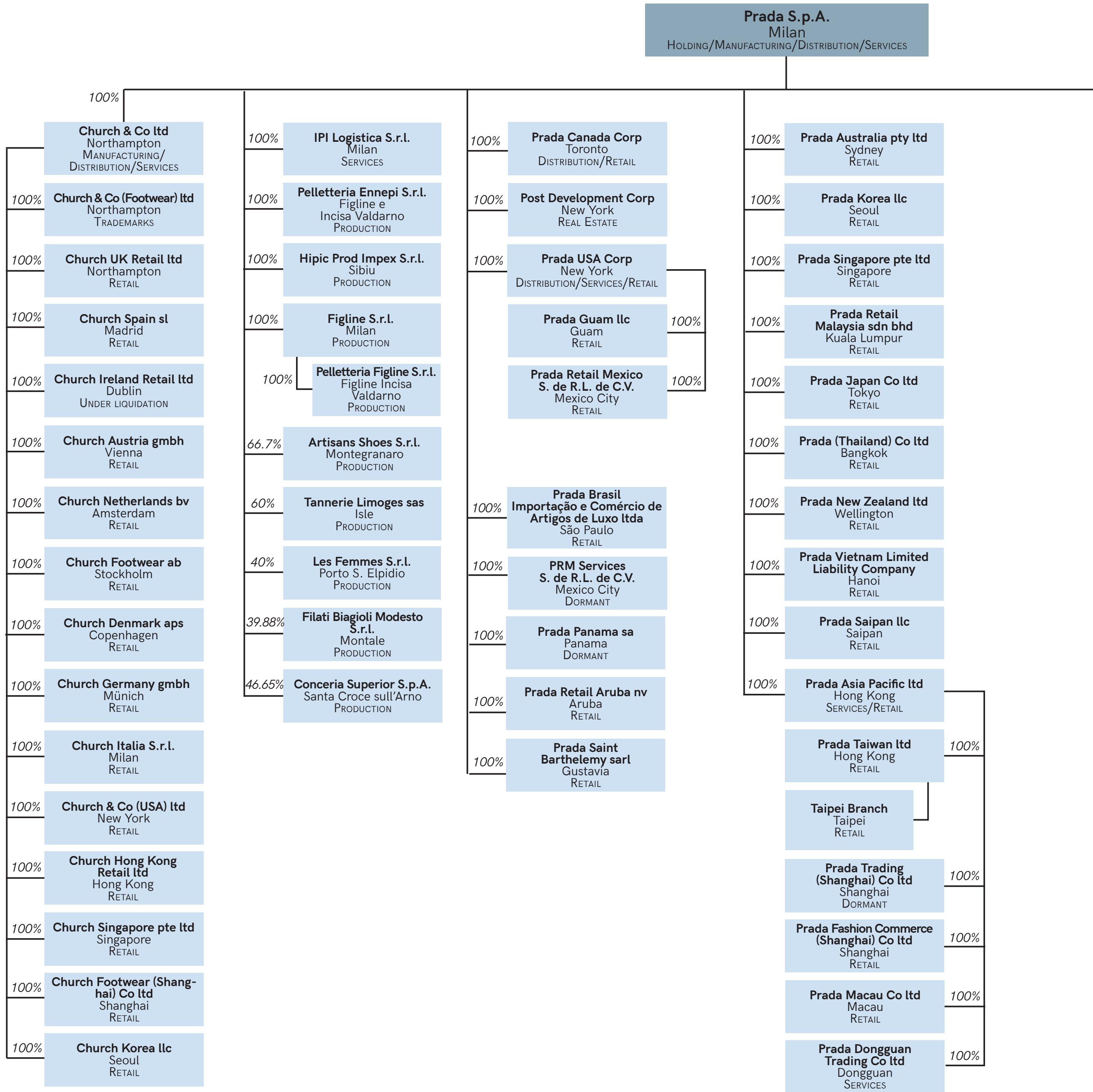
LUNA ROSSA

In addition to engaging with the world of art, cinema, architecture and culture in general, the Prada Group, driven by the same spirit of constant pursuit of inspiration, has shown fervent interest in the world of sailing and the America's Cup race, the most prestigious competition for this sport, for more than twenty years. Prada sponsors the Luna Rossa team, which was a challenger in the sailing yacht races of 2000, 2003, 2007, 2013 and 2021, won the challenger selection regattas in 2000 and 2021, and reached the finals in 2007 and 2013.

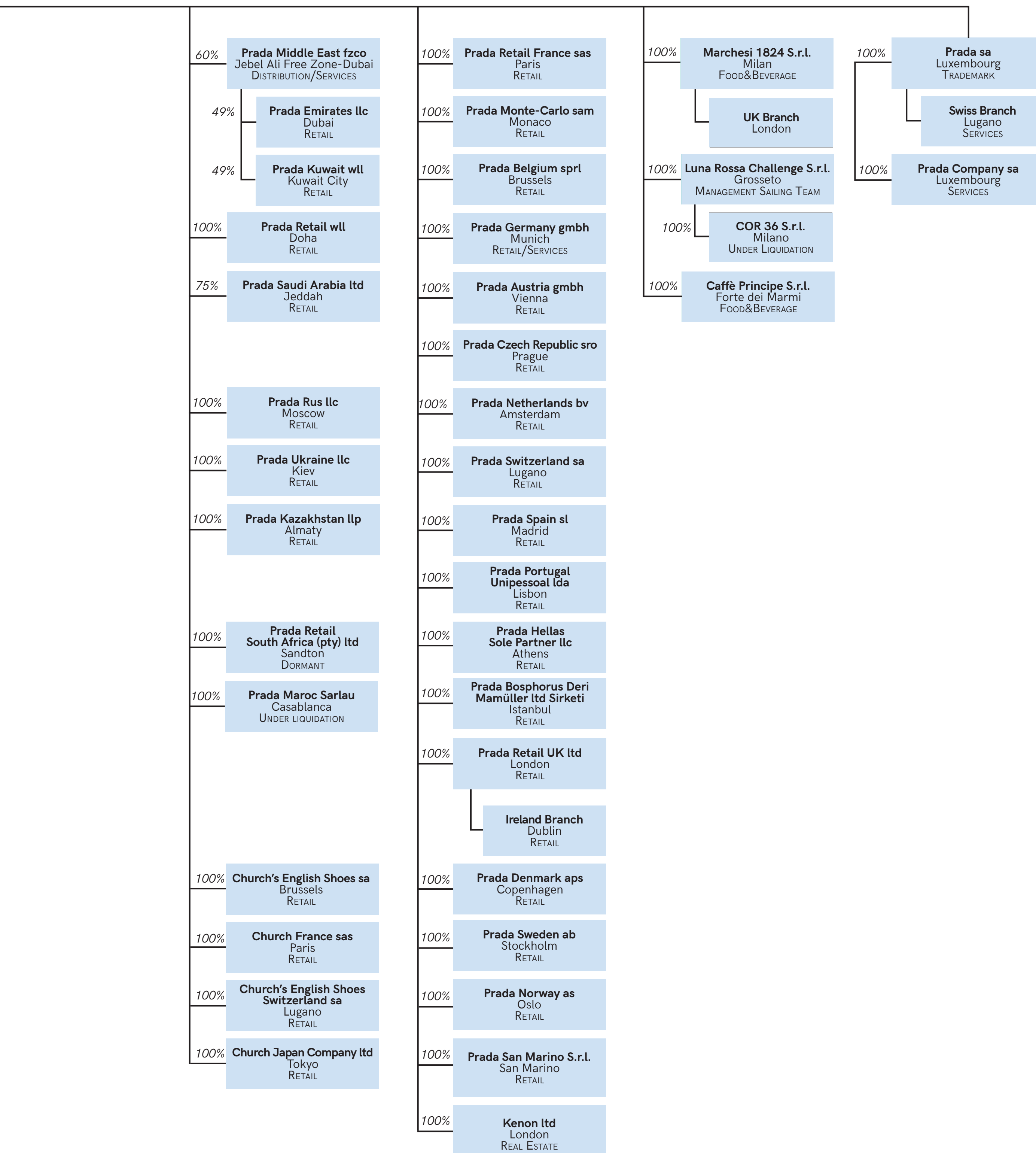
Having benefited from this experience, which increased the Prada brand's global visibility and made a huge contribution to the commercial success of the activewear lines, in November 2021 the Group purchased Luna Rossa Challenge S.r.l., the firm that manages the sailing team and possesses unique and advanced technological and sports know-how in the sector. With this acquisition, the Group combined the ownership of the Luna Rossa brand with the competitive capability of the team in view of participating in the 37th America's Cup and fully unleashing the commercial potential of the Luna Rossa brand.

Left page
Luna Rossa Prada Pirelli Team

PRADA GROUP STRUCTURE



Note:
PRM Services S. de R.L. de C.V.; Prada Maroc Sarlau; Prada Retail South Africa (pty) ltd; Cor 36 S.r.l. (all 100%, directly or indirectly, owned by Prada S.p.A.) are currently under liquidation process


60% Prada Middle East fzco Jebel Ali Free Zone-Dubai Distribution/Services
49% Prada Emirates llc Dubai Retail
49% Prada Kuwait wll Kuwait City Retail
100% Prada Retail wll Doha Retail
75% Prada Saudi Arabia ltd Jeddah Retail
100% Prada Rus llc Moscow Retail
100% Prada Ukraine llc Kiev Retail
100% Prada Kazakhstan llp Almaty Retail
100% Prada Retail South Africa (pty) ltd Sandton Dormant
100% Prada Maroc Sarlau Casablanca Under liquidation
100% Church's English Shoes sa Brussels Retail
100% Church France sas Paris Retail
100% Church's English Shoes Switzerland sa Lugano Retail
100% Church Japan Company ltd Tokyo Retail
100% Prada Retail France sas Paris Retail
100% Prada Monte-Carlo sam Monaco Retail
100% Prada Belgium sprl Brussels Retail
100% Prada Germany gmbh Munich Retail/Services
100% Prada Austria gmbh Vienna Retail
100% Prada Czech Republic sro Prague Retail
100% Prada Netherlands bv Amsterdam Retail
100% Prada Switzerland sa Lugano Retail
100% Prada Spain sl Madrid Retail
100% Prada Portugal Unipessoal lda Lisbon Retail
100% Prada Hellas Sole Partner llc Athens Retail
100% Prada Bosphorus Deri Mamüller ltd Sirketi Istanbul Retail
100% Prada Retail UK ltd London Retail
Ireland Branch Dublin Retail
100% Prada Denmark aps Copenhagen Retail
100% Prada Sweden ab Stockholm Retail
100% Prada Norway as Oslo Retail
100% Prada San Marino S.r.l. San Marino Retail
100% Kenon ltd London Real Estate
100% Marchesi 1824 S.r.l. Milan Food&Beverage
UK Branch London
100% Luna Rossa Challenge S.r.l. Grosseto Management Sailing Team
100% COR 36 S.r.l. Milano Under Liquidation
100% Caffè Principe S.r.l. Forte dei Marmi Food&Beverage
100% Prada sa Luxembourg Trademark
Swiss Branch Lugano Services
100% Prada Company sa Luxembourg Services

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	Paolo Zannoni (*Chairman & Executive Director)* Andrea Guerra *(Chief Executive Officer & Executive Director)* Miuccia Prada Bianchi *(Executive Director)* Patrizio Bertelli *(Executive Director)* Andrea Bonini *(Chief Financial Officer & Executive Director)* Lorenzo Bertelli *(Executive Director)* Marina Sylvia Caprotti *(Independent Non-Executive Director)* Maurizio Cereda *(Independent Non-Executive Director)* Yoël Zaoui *(Independent Non-Executive Director)* Pamela Yvonne Culpepper *(Independent Non-Executive Director)* Anna Maria Rugarli *(Independent Non-Executive Director)*
Audit and Risk Committee	Yoël Zaoui *(Chairman)* Marina Sylvia Caprotti Maurizio Cereda

Remuneration Committee	Marina Sylvia Caprotti *(Chairwoman)* Paolo Zannoni Yoël Zaoui
Nomination Committee	Maurizio Cereda *(Chairman)* Lorenzo Bertelli Marina Sylvia Caprotti
Sustainability Committee	Pamela Yvonne Culpepper *(Chairwoman)* Lorenzo Bertelli Anna Maria Rugarli
Board of Statutory Auditors	Antonino Parisi *(Chairman)* Roberto Spada David Terracina
Organismo di Vigilanza **(Supervisory Body)** (Italian Leg. Decr. 231/2001)	Stefania Chiaruttini *(Chairwoman)* Yoël Zaoui Roberto Spada
Main Shareholder	Prada Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Company Secretary	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

BASIS OF PREPARATION

The Board of Director's Financial Review refers to the group of companies controlled by Prada S.p.A. ("Prada" or the "Company"), the operating parent company of the Prada Group (the "Group" or "Prada Group"). This Financial Review should be read in conjunction with the Consolidated Financial Statements and related explanatory Notes, which are an integral part thereof.

The tables reported in the Financial Review have been prepared in accordance with the measurement and classification criteria of the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. Some "non-IFRS measures" are also used within the Financial Review in order to represent some financial aspects of the period from a management perspective.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (INCLUDES NON-IFRS MEASURES)

(amounts in thousands of Euro)	twelve months ended December 31 2022	% on net revenues	twelve months ended December 31 2021	% on net revenues	change	% change
Net sales	4,124,592	98.2%	3,316,620	98.5%	807,972	24.4%
Royalties	76,082	1.8%	49,047	1.5%	27,035	55.1%
Net revenues	4,200,674	100.0%	3,365,667	100%	835,007	24.8%
Cost of goods sold	(888,580)	-21.2%	(818,309)	-24.3%	(70,271)	8.6%
Gross margin	3,312,094	78.8%	2,547,358	75.7%	764,736	30.0%
Product design and development costs	(137,469)	-3.3%	(115,319)	-3.4%	(22,150)	19.2%
Advertising and communications costs	(359,114)	-8.5%	(294,251)	-8.7%	(64,863)	22.0%
Selling costs	(1,704,363)	-40.6%	(1,421,169)	-42.2%	(283,194)	19.9%
General and administrative costs	(265,972)	-6.3%	(217,135)	-6.5%	(48,837)	22.5%
Total operating expenses	(2,466,918)	-58.7%	(2,047,874)	-60.8%	(419,044)	20.5%
Recurring operating income / (loss) - EBIT Adjusted	845,176	20.1%	499,484	14.8%	345,692	69.2%
Other non-recurring income / (expenses)	(69,186)	-1.6%	(10,000)	-0.3%	(59,186)	591.9%
Operating income / (loss) - EBIT	775,990	18.5%	489,484	14.5%	286,506	58.5%
Interest and other financial income / (expenses), net	(24,498)	-0.6%	(31,216)	-0.9%	6,718	-21.5%
Interest expenses on lease liability	(40,990)	-1.0%	(36,773)	-1.1%	(4,217)	11.5%
Dividends from investments	473	0.0%	160	0.0%	313	195.6%
Total financial income / (expenses)	(65,015)	-1.5%	(67,829)	-2.0%	2,814	-4.1%
Income / (loss) before taxation	710,975	16.9%	421,655	12.5%	289,320	68.6%
Taxation	(241,820)	-5.8%	(126,552)	-3.8%	(115,268)	91.1%
Net income / (loss) for the period	469,155	11.2%	295,103	8.8%	174,052	59.0%
Net income / (loss) - Non-controlling interests	3,962	0.1%	849	0.0%	3,113	366.7%
Net income / (loss) - Group	465,193	11.1%	294,254	8.8%	170,939	58.1%

KEY FINANCIAL INFORMATION

Key economic figures (amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Net Revenues	4,200,674	3,365,667
EBIT Adjusted (*)	845,176	499,484
% Incidence on net revenues	20.1%	14.8%
EBIT (**)	775,990	489,484
% Incidence on net revenues	18.5%	14.5%
Net Income / (Loss) of the Group	465,193	294,254
Earnings / (Losses) per share (Euro)	0.182	0.115
Net operating cash flow (***)	695,527	750,723

(*) Non-IFRS measure equal to EBIT less Other non-recurring income / (expenses)
(**) Non-IFRS measure equal to Earnings before Interest and Taxation
(***) Non- IFRS measure equal to net cash flow from operating activities less repayment of lease liability

Key indicators (amounts in thousands of Euro)	December 31 2022	December 31 2021
Net operating working capital	690,573	602,038
Net invested capital (right of use assets included)	5,073,699	4,936,402
Net financial surplus / (deficit) (*)	534,900	237,653
Group shareholders' equity	3,482,217	3,113,894

(*) Non-IFRS measure equal to short-term and long-term financial payables due to third parties and related parties, net of cash and cash equivalents and short-term and long-term financial receivables due from third parties and related parties

2022 HIGHLIGHTS

2022 was characterised by challenging macroeconomic conditions following the outbreak of war in Ukraine, interest rate hikes, and the continued impact of the Covid-19 public health emergency in some countries, particularly China. However, the luxury goods sector, bolstered by strong local demand and some recovery in global tourism flows, demonstrated resilience and provided opportunities for growth.

The Prada Group reported strong growth in net revenues (+21.3% at constant exchange rates compared with 2021), with double-digit growth for both Prada and Miu Miu, and in profitability (EBIT Adjusted +69.2% against 2021, corresponding to 20.1% of net revenues), capitalising on its investments in creative talent, innovation, supply chain and stores. In addition, the Group increased the focus on client centrality and retail productivity, and continued to optimise manufacturing processes, delivering a substantial profitability improvement.

In Interbrand's "Best Global Brands 2022" rankings, Prada registered more than

20% year-on-year value growth for the second year in a row, and ranked among the 15 fastest-growing brands.

Prada also topped the Lyst rankings for the October-December 2022 period; Miu Miu ranked fourth in the same period. Lyst is a data analysis tool that each quarter explores the purchasing habits of more than 200 million consumers worldwide, providing a snapshot of the most loved brands and products of the moment. According to Lyst, Miu Miu was the "2022 Brand of the Year": the successful 2022 Fall/Winter fashion show, highly appreciated by both critics and the public, together with the launch of iconic products, increased the popularity of the brand on social media, also due to the support of celebrities and influencers.

The Group achieved double-digit growth in all the main product categories, i.e. leather goods, ready to wear and footwear. For Prada, Prada Paradoxe, the first women's fragrance created from the Prada-L'Oréal partnership, was launched in August; in October, Prada presented ETERNAL GOLD, its first sustainable fine jewelry collection, made of 100% certified recycled gold. Both Paradoxe, with its refillable bottle, and ETERNAL GOLD embed sustainable practices reflected in every aspect of the Group's business.

At Church's, the focus has been an internal reorganisation process with the aim of repositioning the brand and improving its profitability. As part of this process, 24 stores were closed as they were deemed non-strategic.

The investments in retail proceeded at accelerated pace with 191 projects completed over the year, concentrated on renovations and improvements of existing stores and selective new store openings. The client experience was enhanced with numerous special installations, nearly 130 pop-in and pop-up shops. Prada Tropico was one of the most successful ones: the colors and atmospheres of whimsical distant lands inspired a fresh new landscape, reinterpreting Prada's visual identity with a contemporary pop vocabulary.

The client experience was also the focus, at the beginning of the year, for the rollout of "client journey", a global project intended to reinforce client centrality through the lens of empathy, warmth, passion, and energy.

In the digital arena, starting in June and with a launch per month, Prada Timecapsule gained a new format: each month's exclusive, limited-edition item was sold together with a non-fungible token (NFT), marking the Group's Web 3.0 debut. Simultaneously, Prada released Prada Crypted, the new Discord server for the brand community, where users exchange ideas and draw inspiration from connecting the fashion universe with the worlds of art, architecture, cinema, music, Web3, and more. Prada also debuted in the Meta Avatars Store, the digital fashion store where Facebook, Instagram, and Messenger users can buy fashion items for their virtual alter-egos.

On the manufacturing front, the Group continued to invest in its factories and in the vertical integration of the supply chain, to further improve manufacturing expertise and quality control at every step of the process. To this end, in August, the Group acquired a 43.65% stake in Conceria Superior S.p.A., a company with 60 years of experience in exceptional calfskin tanning techniques.

The organisation continued to be strengthened at all levels. The appointment of Andrea Guerra as Prada Group CEO, in January 2023, represents a fundamental governance change aimed at further evolving Prada Group and easing the generational transition. Equally significant is the appointment of Gianfranco D'Attis as CEO of the Prada brand in December 2022.

ANALYSIS OF NET REVENUES

(amounts in thousands of Euro)	twelve months ended December 31 2022		twelve months ended December 31 2021		% change current exc. rate	% change constant exc. rate
Net revenues						
Retail net sales (Directly Operated Stores and e-commerce)	3,736,971	89.0%	2,930,856	87.1%	27.5%	23.8%
Wholesale net sales (independent customers and franchisees)	387,621	9.2%	385,764	11.4%	0.5%	-2.0%
Royalties	76,082	1.8%	49,047	1.5%	55.1%	55.1%
Total net revenues	4,200,674	100%	3,365,667	100%	24.8%	21.3%
Retail net sales by geographical area						
Asia Pacific	1,231,659	33.0%	1,192,109	40.7%	3.3%	-1.7%
Europe	1,187,466	31.8%	748,833	25.5%	58.6%	63.4%
Americas	781,825	20.9%	571,692	19.5%	36.8%	22.1%
Japan	368,739	9.9%	296,735	10.1%	24.3%	30.5%
Middle East and other countries	167,282	4.4%	121,487	4.2%	37.7%	23.0%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%
Retail net sales by brand						
Prada	3,252,025	87.0%	2,537,061	86.6%	28.2%	24.5%
Miu Miu	431,768	11.6%	346,874	11.8%	24.5%	20.3%
Church's	29,403	0.8%	29,835	1.0%	-1.4%	-2.3%
Other	23,775	0.6%	17,086	0.6%	39.1%	38.9%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%
Retail net sales by product category						
Leather goods	1,862,453	49.8%	1,530,418	52.2%	21.7%	18.5%
Clothing	1,085,660	29.1%	825,587	28.2%	31.5%	27.0%
Footwear	690,707	18.5%	520,892	17.8%	32.6%	28.9%
Other	98,151	2.6%	53,959	1.8%	81.9%	77.1%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%

For fiscal year 2022, the Prada Group registered net revenues of Euro 4,200.7 million, an increase at constant exchange rates of 21.3% on 2021. Foreign exchange rates contributed positively for an additional 3.5%, for an increase of 24.8% on 2021, at current exchange rates.

DISTRIBUTION CHANNELS

Over the twelve-month period, retail net sales experienced double-digit growth compared with 2021, with an increase of 23.8% at constant exchange rates (+27.5% at current exchange rates).

There were 612 stores at December 31, 2022 following 17 store openings and 40 closures, including 24 Church's stores as a result of the reorganisation process.

Direct e-commerce sales accounted for approximately 7% of total retail sales, in line with annual 2021 data. For the twelve-month period, retail net sales accounted for approximately 89% of net revenues.

Wholesale net sales contracted by 2% at constant exchange rates compared with 2021, consistently with the Group's selective strategies for this channel and the impact of Covid-19 restrictions on the duty free customers.

NUMBER OF STORES

	December 31, 2022		December 31, 2021		December 31, 2020	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	422	21	420	21	410	20
Miu Miu	145	5	146	5	152	6
Church's	37	-	61	-	62	-
Car Shoe	2	-	2	-	3	-
Marchesi 1824	6	-	6	-	6	-
Total	612	26	635	26	633	26

	December 31, 2022		December 31, 2021		December 31, 2020	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	209	-	228	-	222	-
Asia Pacific	190	21	193	21	194	21
Americas	104	-	105	-	108	-
Japan	86	-	88	-	88	-
Middle East	23	5	21	5	21	5
Total	612	26	635	26	633	26

MARKETS

In Asia Pacific, retail net sales for the twelve months ended December 31, 2022 slightly contracted by 1.7% at constant exchange rates from those of 2021 (+3.3% at current exchange rates), with a return to growth in the second half of the year. Asia Pacific sales were adversely affected by continuous restrictions imposed by authorities in China following the ongoing Covid-19 emergency. Excluding China, all the other countries in the Asia Pacific region registered double-digit growth, with particularly buoyant markets in South East Asia.

Retail net sales in Europe, driven by domestic consumption and tourism recovery, surged by 63.4% at constant exchange rates against those of 2021 (+58.6% at current exchange rates), with all areas showing double-digit growth except for Russia and Ukraine.

Retail net sales in the Americas increased by 22.1% at constant exchange rates (+36.8% at current exchange rates), compared to 2021.

The Japanese market rebounded mainly due to domestic consumption, with retail net sales up by 30.5% at constant exchange rates (+24.3% at current exchange rates).

Retail net sales in the Middle East increased by 23% at constant exchange rates (+37.7% at current exchange rates), compared to 2021.

BRANDS

Compared with 2021, Prada retail net sales increased by 24.5% at constant exchange rates (+28.2% at current exchange rates). Miu Miu retail net sales rose by 20.3% at constant exchange rates (+24.5% at current exchange rates). At constant exchange rate Church's retail net sales fell by 2.3% (-1.4% at current exchange rate) impacted by the reorganisation process and store closures.

The net revenues by brand amounted to Euro 3,647.8 million for Prada, Euro 488.9 million for Miu Miu, Euro 36.8 million for Church's and Euro 27.2 million for the other brands.

The breakdown of net revenues by brand is shown below:

(amounts in thousands of Euro)	twelve months ended December 31 2022		twelve months ended December 31 2021		% change current exc. rate	% change constant exc. rate
Net revenues by brand						
Prada	3,647,841	86.8%	2,901,887	86.2%	25.7%	22.2%
Miu Miu	488,915	11.6%	406,040	12.1%	20.4%	16.7%
Church's	36,750	0.9%	39,582	1.2%	-7.2%	-7.9%
Other	27,168	0.7%	18,158	0.5%	49.6%	49.4%
Total net revenues	4,200,674	100%	3,365,667	100%	24.8%	21.3%

PRODUCT CATEGORIES

The Group reported double-digit growth across all product categories. Retail net sales of leather goods, which benefitted from growth of both new and classic products, increased at constant exchange rate by 18.5% on 2021 (+21.7% at current exchange rates). Sales of ready to wear, with new Prada and Miu Miu collections highly appreciated by the clientele, showed an increase of 27% versus 2021 (+31.5% at current exchange rates). Thanks to both lifestyle and formal products, sales of footwear rose by 28.9% at constant exchange rates on 2021 (+32.6% at current exchange rates).

ROYALTIES

Royalty income rose by 55.1% on 2021. Both eyewear and fragrances showed double-digit growth: eyewear continued the solid trend experienced in the first half of the year, and fragrances were also supported by the launch of the new fragrance, Prada Paradoxe.

OPERATING RESULTS

Gross margin for the twelve months ended December 31, 2022 was 78.8% on net revenues, up substantially from the 75.7% of 2021. Higher average prices, greater absorption of production overheads, and a better sales mix in terms of distribution channels are behind the improvement, despite the increase in production costs caused by inflationary pressures.

Operating expenses, excluding non-recurring income / (expenses), were Euro 2,467 million, up by Euro 419 million from those of 2021. The increase is primarily attributable to higher variable costs ensuing from higher sales, greater communication activities, higher personnel and other general and administrative expenses, and reduced benefits in terms of rent discounts and subsidies that had been available in 2021 due to Covid-19 emergency.

Recurring operating income for the period, or EBIT Adjusted, was Euro 845.2 million (20.1% of net revenues), compared to Euro 499.5 million (14.8%) in 2021.

For the twelve months ended December 31, 2022, other non-recurring income / (expenses) include a Euro 42 million writedown of tangible fixed assets and right of use assets as a result of the extraordinary market conditions in Russia, a Euro 19.4 million writedown of the Church's brand in context of the reorganisation process, and Euro 7.8 million for settlement of a litigation that can be considered of a non-recurring nature.

The operating income for the period, or EBIT, amounted to Euro 776 million (18.5% of net revenues), compared to Euro 489.5 million (14.5%) in 2021.

FINANCIAL EXPENSES AND TAXATION

Net financial expenses amounted to Euro 65 million, a decrease of Euro 2.8 million on 2021 (Euro 67.8 million). The decrease is largely attributable to lower interest costs associated with the net financial position, which improved from the previous year, and reduced foreign exchange losses, offset in part by higher interest on new (and renewed) leases.

Tax expenses totaled Euro 241.8 million, corresponding to 34% of the pre-tax income; the increase incidence compared to 2021 (30%) results from a different geographical distribution of profits, the prudential non-recognition of the deferred taxes on writedowns of fixed assets in Russia, and the retroactive effects of a bilateral agreement between tax authorities signed during the year.

NET INCOME

Net income for the period amounted to Euro 469.2 million (11.2% of net revenues), compared to Euro 295.1 million (8.8%) in 2021.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NET INVESTED CAPITAL

The following table reclassifies the Statement of Financial Position to provide information on the composition of the net invested capital:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Right of use assets	2,011,474	1,956,289
Non-current assets (excluding deferred tax assets), net	2,517,042	2,490,047
Trade receivables, net	331,915	329,547
Inventories, net	760,457	662,654
Trade payables	(401,799)	(390,163)
Net operating working capital	690,573	602,038
Other current assets (excluding items of financial position)	229,575	186,866
Other current liabilities (excluding items of financial position)	(522,553)	(349,915)
Other current assets/(liabilities), net	(292,978)	(163,049)
Provision for risks	(51,486)	(59,201)
Post-employment benefits	(67,571)	(73,819)
Other long-term liabilities	(65,590)	(73,559)
Deferred taxation, net	332,235	257,656
Other non-current assets/(liabilities), net	147,588	51,077
Net invested capital	5,073,699	4,936,402
Shareholder's equity - Group	(3,482,217)	(3,113,894)
Shareholder's equity - Non-controlling interests	(18,805)	(14,749)
Total consolidated shareholders' equity	(3,501,022)	(3,128,643)
Long-term financial, net surplus/(deficit)	(394,531)	(491,676)
Short-term financial, net surplus/(deficit)	929,431	729,329
Net financial surplus / (deficit)	534,900	237,653
Net financial surplus / (deficit) to consolidated shareholders' equity ratio	-15.3%	-7.6%
Long-term lease liability	(1,715,451)	(1,627,197)
Short-term lease liability	(392,126)	(418,215)
Total lease liability	(2,107,577)	(2,045,412)
Net financial surplus / (deficit), including lease liability	(1,572,677)	(1,807,759)
Shareholders' equity and Net financial surplus / (deficit), including lease liability	(5,073,699)	(4,936,402)

Net invested capital as at December 31, 2022 was Euro 5,074 million, with equity of Euro 3,501 million and lease liability of Euro 2,108 million; the net financial position at the end of the period registered a surplus of Euro 534.9 million.

Right of use assets increased by Euro 55.2 million, mainly as a result of increases for new leases, remeasurements of existing leases, and consolidation perimeter changes totaling Euro 504 million, net of depreciation of Euro 451.5 million and writedowns of Euro 12.3 million regarding leases in Russia.

The non-current assets (net) rose by Euro 27 million (Euro 2,517 million at

December 31, 2022 versus Euro 2,490 million at December 31, 2021).

The capital expenditures of the year amounted to Euro 276.1 million, against depreciation, amortisation and writedowns of Euro 275.4 million, including the Euro 29.7 million writedown of assets in Russia and the Euro 19.4 million writedown of the Church's brand.

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Retail	168,935	85,742
Real estate	-	59,453
Production, Logistics and Corporate	107,161	71,549
Total	276,096	216,744

Capital expenditures primarily relate to store restyling and relocation projects, as well as the advancement of the technological and digital roadmap in the retail, manufacturing and corporate areas and continued investments in the manufacturing facilities to strengthen the supply chain.
In addition to the capital expenditures, there was an investment of Euro 19.8 million for the 43.65% stake in Conceria Superior S.p.A., a long-standing supplier of the Group. The acquisition represents another important step towards vertical integration of the Prada Group's supply chain, with the aim of further increasing industrial know-how and quality control along all manufacturing stages. In addition, the investment will accelerate progress on important issues such as traceability of raw materials and transparency of supply chain.

The net operating working capital at December 31, 2022 totaled Euro 690.6 million, up by approximately Euro 88.5 million from that of 2021. The increase is largely attributable to higher inventories.

The other current liabilities (net) amounted to Euro 293 million at December 31, 2022, up by Euro 130 million from December 31, 2021, essentially due to the higher current tax liability.

The other non-current assets (net) of Euro 147.6 million at December 31, 2022 showed an increase of Euro 96.5 million from the prior year, attributable mainly to the increase in deferred tax assets referring to greater temporary differences on the inventory values.

NET FINANCIAL POSITION

The following table provides details of the net financial position:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Bank borrowing – non-current	(395,656)	(492,801)
Financial payables and bank overdrafts - current	(160,847)	(249,103)
Payables to related parties - current	(3,568)	(3,360)
Total financial payables – current	(164,415)	(252,463)
Total financial payables	(560,071)	(745,264)
Cash and cash equivalents	1,091,622	981,786
Financial receivables from related parties - non-current	1,125	1,125
Financial receivables from related parties - current	2,224	6
Total financial receivables and cash and cash equivalents	1,094,971	982,917
Net financial surplus / (deficit)	534,900	237,653

The net operating cash flow for the twelve-month period, after the payment of the lease liability (Euro 428.2 million), was positive for Euro 695.5 million. After the cash outflows for investing activities (Euro 250.2 million), dividend payments (Euro 179.7 million), and net of the revaluation of the items of the net financial position (Euro 31.6 million) due to the strengthening of the main currencies against the Euro, the net financial surplus reached Euro 534.9 million at the end of the period.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Cash flow from operating activities	1,392,805	1,226,018
Cost of net financial debt: interest paid	(8,533)	(8,556)
Lease liability: interest paid	(40,989)	(36,773)
Tax paid	(219,586)	(37,161)
Net cash flow from operating activities	1,123,697	1,143,528
Repayment of lease liability	(428,170)	(392,805)
Net operating cash flow	695,527	750,723
Net cash flow utilized by investing activities	(250,209)	(137,265)
Free cash flow	445,318	613,458

The total amount of undrawn lines of credit at December 31, 2022 is Euro 807 million, consisting of Euro 400 million of committed lines and Euro 407 million of uncommitted lines.

All financial covenants were fully complied with at December 31, 2022 and they are expected to be complied within the next 12 months as well.

The following table sets forth the lease liability:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Long-term lease liability	1,715,451	1,627,197
Short-term lease liability	392,126	418,215
Total lease liability	2,107,577	2,045,412

The lease liability increased from Euro 2,045 million at December 31, 2021 to Euro 2,108 million at December 31, 2022, primarily as a result of remeasurements for lease extensions or modifications (Euro 496.2 million), net of the payments of the period (Euro 428.2 million).
The lease liability was concentrated mainly in Japan, the U.S.A. and Italy.

The net financial indebtedness, including the lease liability, amounted to Euro 1,573 million at December 31, 2022 (Euro 1,808 million at December 31, 2021).

Further information on the Group's debt maturities and obligations, currency and interest rate risk management, commitments and contingent liabilities is provided in Notes 21, 26 and 28 of the Notes to the Consolidated Financial Statements.

RISK FACTORS

RISK FACTORS REGARDING THE INTERNATIONAL LUXURY GOODS MARKET

ECONOMIC RISKS AND INTERNATIONAL BUSINESS RISKS

The performance of the luxury goods market is influenced by individuals' propensity to consume and by the general economy. Accordingly, the Group's financial and business performance is exposed to global social and macroeconomic risks due to its international scale. An unfavorable economy in one or more of the main

countries where the Group operates, or at a global level, could adversely affect the propensity to spend on luxury goods and have a negative impact on the Group's operations, results, cash flows and financial condition.
Moreover, a substantial portion of sales originates from purchases of products by customers on trips abroad. Therefore, unfavorable economic conditions, economic, health or geopolitical situations leading to instability, social conflicts at home and with other countries, as well as adverse natural events or government restrictions on movement could negatively affect the Group's sales operations, results, cash flows and general financial condition. The Group believes that full control over the value chain, a well-balanced physical retail presence in the global market accompanied by an omnichannel strategy with closely integrated sales and communication channels, and a sufficiently diversified product range enable it to mitigate the risk that adverse conditions such as these could influence significantly the business performance.

RISKS REGARDING IMAGE AND BRAND RECOGNITION

The Group's success in the international luxury goods business is linked to the image and distinct character of its brands. These features depend on many factors, such as the style and design of the products, the quality of the materials used and production techniques, the image and locations of DOS, the careful selection of business partners, the communications activities and the corporate profile in general.
Preserving the image and prestige acquired by its brands is a primary objective of the Prada Group. This is pursued by constantly observing society and the changes therein, in part through close collaborations with the world of art and culture, and by continuously seeking innovation in styles, products and communications in order to convey messages that are always consistent with the strong brand identities. Meanwhile, monitoring meticulously each internal and external phase of the value chain reduces considerably the risk that inappropriate performance could affect the image and therefore the value of the brands.

RISKS REGARDING ABILITY TO ANTICIPATE TRENDS AND REACT TO SHIFTS IN CONSUMER TASTES

The Group's success is reliant on its ability to create and influence fashion and product trends, and to anticipate shifts in consumer tastes and societal trends in a timely manner.

Miuccia Prada, assisted by a qualified team of stylists and designers, is capable of combining intellectual curiosity, the pursuit of new and unconventional ideas, and cultural and social interests with a strong sense of fashion. This has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone who works in the creative process. The appointment of a Creative Co-Director for the Prada brand enables the Group to benefit from cooperation between two designers widely acknowledged as among the most important and influential of our times – Miuccia Prada and Raf Simons – emphasizing the importance and power of creativity.

Approximately one thousand individuals work in the design department and in the development department. In the first one a mix of different nationalities, cultures and talents contribute to creativity, while in the second one craft skills combined with solid manufacturing processes dominate the area. This enables the Group to keep abreast of emerging consumer trends and lifestyles and remain a major player in the industry.

INTELLECTUAL PROPERTY RISKS

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

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

RISKS SPECIFIC TO THE PRADA GROUP

STRATEGIC RISKS

The possibility for the Group to improve its financial and business performance depends on successful implementation of its commercial strategy for each brand, which is achieved through the continuous support and development of retail sales and the constant recognition of the brands as reference points in the industry.

The Group provides support to the retail network by offering leather goods, clothing

and footwear that reflect the brand position, accompanied by a unique buying experience featuring a careful revisiting of the physical and digital store concepts and layouts and constant enrichment of customer services. The performance of the retail channel is supported by marketing initiatives intended to enhance the identity of the brands in the specific markets, emphasizing the unique features that distinguish the style and craftsmanship of the products.
Moreover, the implementation of the omnichannel strategy has paved the way for long-term business development based on product quality, strong innovation and integration of distribution and communication channels in line with the evolving demands of consumers.

RISKS REGARDING THE IMPORTANCE OF KEY PERSONNEL

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business. Its success also depends on Prada's ability to retain people who are qualified in the design, product development, marketing, merchandising and corporate functions, and to train new generations of artisans. The Group considers its management structure to be capable of ensuring managerial continuity, and has recently implemented a long-term incentive plan to retain key employees so that they will continue to cover the roles essential to the achievement of the challenging objectives that the Group constantly sets itself.

RISKS REGARDING THE OUTSOURCING OF MANUFACTURING ACTIVITIES

The Prada Group's products are made at 24 manufacturing facilities owned in Europe (21 in Italy, 1 in France, 1 in the United Kingdom and 1 in Romania) and by contract manufacturers carefully selected on the basis of competence, quality and reliability. Nearly all the prototypes and samples and some finished products are made at the Group's own manufacturing facilities. Most sensitive phases of production, such as the cutting of hides and the controls conducted over all raw materials (including those to be sent to contract manufacturers) and semi-finished goods take place there as well.
All stages of the production process are checked by the Prada Group's technical staff to ensure that the products meet the quality standards and that the entire supply chain complies with Prada S.p.A.'s Code of Ethics, which must be signed before any business relationship is entered into.

A key part of the strategy is to establish long-term business relationships with suppliers based on mutual trust and transparency. The Prada Group works with approximately 1,000 raw material suppliers and contract manufacturers, 80% of which are located in Italy. The Group has implemented a strict quality control process for all outsourced production and contractually requires its contract manufacturers to comply with all regulations on brand ownership and other intellectual property rights. Moreover, the Group demands compliance with the applicable regulations concerning labor law, social security and occupational health and safety, and monitors such compliance with a process that uses document controls and audits conducted at the suppliers' premises.

CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through a control system based on the monitoring of the creditworthiness and solvency of customers, the stipulation of insurance contracts and the use of safe solutions such as advance payments.

Concerning liquid assets, the risk of default substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing surplus operating cash flows. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparties (always investment grade), country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts. The Group considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of independent parties involved is fragmented. However, there is a potential risk related to cash shortages at stores. The Group has equipped itself with various control tools, preventive and deterrent, aimed at improving the efficiency of cash management activities.

LIQUIDITY RISK

Cash flow risk refers to difficulty that the Group could have in meeting its financial

obligations. The Directors are responsible for managing liquidity risk, whereas the Corporate Finance management, which reports to the CFO, is responsible for optimizing financial resources.
The Directors consider the currently available funds and lines of credit, in addition to the funding that will be generated by operating and financing activities, to be sufficient for enabling the Group to meet its requirements in terms of working capital management, investing activities, punctual loan repayment and the payment of any dividends as planned.

TAX RISKS

The Prada Group's tax strategy is based on the prevention of tax risks and on tax certainty, both of which are pursued through ongoing dialogue and long-term, principled interaction with the tax authorities in the countries where it operates.
The Group's tax risks, which could arise from compliance errors or incorrect interpretation of regulations, are constantly monitored within the scope of an extensive internal control system, formalized into the tax control framework.
The effectiveness of the tax risk management system has made Prada S.p.A. eligible to participate in the Cooperative Compliance Tax Regime in Italy (under Italian Legislative Decree 128/2015), enhancing its tax control framework.
Within such regime, the Group has expanded a systematic, open communication channel with the Italian and the foreign tax authorities of the most strategically important countries where it operates, based on reciprocal transparency and trust, with the purpose of minimizing the level of uncertainty about potentially risky situations.

LEGAL AND REGULATORY RISKS

The Prada Group uses centralized models to comply with the rules and regulations ensuing from the complexity of the global context in which it operates. The guidelines, policies and practices established by Prada S.p.A. ensure unequivocal compliance with processes and conduct in order to manage the following legal and regulatory risks:

- risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong S.A.R. that the Company must observe as it is listed on the Stock Exchange of Hong Kong Limited;
- risks associated with occupational health and safety under Italian Legislative

Decree 81/2008 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001, as subsequently amended;
- possible events that could adversely affect the accuracy of the annual financial statements and the protection of assets;
- possible manufacturing compliance risks with respect to Italian and international laws and regulations regarding finished goods distributed and raw materials and consumables used. In 2020 Prada S.p.A. obtained "AEO Full" (Authorized Economic Operator) certification from the Italian Customs Agency for its handling of goods, becoming one of very few taxpayers in Italy to hold simultaneously this qualification and participate in the Cooperative Compliance regime with the Italian Revenue Agency.

The Group involves various divisions and uses external experts as necessary to keep its processes and procedures constantly updated in order to comply with changing rules and regulations in a timely manner, thereby reducing the risk of non-compliance to an acceptable level. Monitoring activities are performed by divisional managers, auditors, special entities and committees such as the Supervisory Body and the Audit and Risk Committee.

FOREIGN EXCHANGE RISK

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

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

INTEREST RATE RISK

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

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

DATA PROTECTION RISKS

The Prada Group is aware of the importance of ensuring adequate safeguards to its stakeholders on the processing of the personal data and information that each Group company carries out in the course of its business activities.

In order to guarantee the right to personal data protection and minimize the risks associated with data processing, the Prada Group has adopted policies, technical and organizational security measures and transparency obligations for data subjects.

Taking into account the technological and regulatory developments and the underlying risk of different probabilities and severity for the rights and freedoms of individuals in each processing activity, the Prada Group has set up an organizational and operational control system consisting of operating procedures, training sessions and periodic risk assessments capable of ensuring that:

- the data are adequately protected against the risk of accidental or unlawful destruction, loss, alteration, unauthorized disclosure or access;
- personal data collected and processed by the Group's companies are handled with the utmost confidentiality and secrecy, may not be used for purposes other than those that justify and permit their collection, processing and storage, and may not be disclosed or transferred to third parties, except in cases and in the manner permitted by applicable law;
- personal data are processed in compliance with the European General Data Protection Regulation (GDPR) and all other applicable privacy laws and regulations of the jurisdictions in which the Group operates.

As part of the measures adopted, the Prada Group has designated a Data Protection Officer (DPO), whose functions include supervising regulatory compliance, reporting and advising on personal data protection matters.

BUSINESS INTERRUPTION RISKS

Business interruption can occur due to a variety of factors, including: property damage caused by an extreme weather event, machinery breakdowns, labor disputes, and cyber attacks ("Cyber attacks"). The resulting losses can be economic (e.g., decreased sales, increased labor costs due to the loss of a key supplier, decreased possible future revenues due to natural disasters) and reputational to

the Group's image.
The Group has an insurance program that includes Business Interruption coverage related to property damages occurring in the sales network.
With reference to cyber security, organizations are becoming more vulnerable to cyber threats due to their increasing reliance on computers, networks, programs, social media and data. An external cyberattack, insider threat or supplier breach could cause service interruption, confidential data breaches and incapacity to perform daily operations, thus affecting the Group and potentially the stakeholders involved. In light of the recent increased threats of cyber security attacks worldwide, the Prada Group has raised the security levels of its information systems while reinforcing the lines of defense and taking the measures needed to ensure business continuity.
The Group recently conducted a testing campaign aimed at simulating dangerous external attacks, which led to setting up a milestone IT security program based on recurring extensive campaigns of cyber-attack simulation and cyber-security training through massive e-learning courses and specific programs for those most exposed.
The Group has planned significant organizational changes to make sure that cyber security risks are addressed and managed effectively across all operations and sites.

ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) RISKS

The Prada Group is mindful of the transparency and accountability demanded by its stakeholders in the rapidly evolving environmental, social and regulatory landscape in which it operates, and it intends to strengthen its control system to ensure more pervasive integration of the ESG aspects into its business strategy and model.
In the past few years, the Group's main ESG risks relating to material sustainability impacts were identified, associated with the Prada Group's value chain. The most significant environmental, social and governance topics that emerged were climate change, human rights, occupational health and safety, diversity and equal opportunity. Strategic, operational, financial and compliance risks are present in such areas, and their assessment is currently underway.
ESG risks were only identified, and an initial assessment (impact and probability) was done in January 2023. This analysis did not reveal any relevant risks for the Group.

HEALTH AND SAFETY RISKS

The Group is exposed to risks related to workers' health and safety, such as injuries, occupational diseases and accidents that could lead to physical harm to people, the environment, litigation, as well as damage to the Group's image.
In order to mitigate these risks, the Group conducts periodic safety training and refresher courses, implemented with a focus on industrial areas.

OTHER INFORMATION

INFORMATION ON RELATED-PARTY TRANSACTIONS

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

NON-IFRS MEASURES

The Group uses certain financial measures ("non-IFRS measures") to measure its business performance and to help readers understand and analyse its financial situation. Although they are used by the Group's management, such measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare these Consolidated Financial Statements. Other companies operating in the luxury goods industry might use the same measures, but with different calculation criteria. For this reason, it is important for non-IFRS measures to always be read in conjunction with the related explanatory notes, and for readers to be aware that such measures may not be directly comparable with those used by other companies.

The Prada Group uses the following non-IFRS measures in this Annual Report:

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

Within the scope of the Prada Group's activities, which consist of the management and development of the brands owned, some transactions may be qualified by the Directors as non-recurring when their nature, materiality or frequency requires separate disclosure in order to give readers additional information of the Group's operating results. In particular, other non-recurring transactions could include, for example, impairment losses or reversal of impairment losses of fixed assets, restructuring costs, litigation costs, and gains and losses on disposals of fixed assets only when they are related to unusual material transactions considered outside the normal course of business.

For this purpose, in 2022 the Group introduced the use of a new non-IFRS measure, "Other non-recurring income / (expenses)", to identify the Non-recurring transactions as defined above. Accordingly, the difference between the "Operating income/(loss) - EBIT" and the "Other non-recurring income / (expenses)" is defined as the "Recurring operating income/(loss) - EBIT Adjusted" and represents the metric with which the Prada Group intends to measure the results of the operating activities. This non-IFRS measure, adopted with consistency and stability over time, will allow to maintain continuity for understanding the business performance.

For the twelve months ended December 31, 2022, the "Other non-recurring income / (expenses)" include a Euro 42 million writedown of tangible fixed assets and right of use assets as a result of the extraordinary market conditions in Russia, a Euro 19.4 million writedown of the Church's brand in context of the reorganisation process, and Euro 7.8 million for settlement of a litigation that can be considered of a non-recurring nature (for more details see the Notes to the Consolidated Financial Statements, Note 16 on Impairment and Note 28 on Provision for risks and charges).

For better comparability, the amount of Euro 10 million in 2021, related to the provision for a legal dispute, has been reclassified in the item "Other non-recurring income / (expenses)".

ALTERNATIVE PERFORMANCE MEASURE NOT FURTHER PRESENTED

In previous period the Group adopted an Alternative Performance Measure ("APM") related to "Selling expenses of the closed stores during the lockdowns" regarding the amount of operating expenses directly related to stores that could not generate revenues due to the restrictions imposed during the pandemic. Due to the reduction of the impacts of the lockdowns in the financial performance, the Group evaluated that this measure no longer provides relevant information and consequently this APM is no longer disclosed.

The reconciliation of Prada Group's EBIT Adjusted and EBIT with the nearest IFRS measure (Net Income/(Loss) for the period) is reported below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	% on net revenues	twelve months ended December 31 2021	% on net revenues
Net Income / (Loss) for the period	469,155	11.2%	295,103	8.8%
Taxation	241,820	5.8%	126,552	3.8%
Total Financial income / (expenses)	65,015	1.5%	67,829	2.0%
Operating Income / (Loss) - EBIT	775,990	18.5%	489,484	14.5%
Other non-recurring income / (expenses)	69,186	1.6%	10,000	0.3%
Recurring Operating Income / (Loss) – EBIT Adjusted	845,176	20.1%	499,484	14.8%

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

Net financial position surplus/(deficit), including lease liability: Net financial position including lease liability.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Net financial position surplus/(deficit)	534,900	237,653
Short-term lease liability	(392,126)	(418,215)
Long-term lease liability	(1,715,451)	(1,627,197)
Total lease liability	(2,107,577)	(2,045,412)
Net financial position surplus/(deficit), including lease liability	(1,572,677)	(1,807,759)

Net Operating Cash Flow: Net Cash Flow generated by operating activities, less the repayment of lease liability.

Free cash flow: Net Operating Cash Flow after the net cash flows used for the investing activities.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Cash Flow from operating activities	1,392,805	1,226,018
Cost of net financial debt: interest paid	(8,533)	(8,556)
Lease Liability: interest paid	(40,989)	(36,773)
Tax Paid	(219,586)	(37,161)
Net Cash Flow from operating activities	1,123,697	1,143,528
Repayment of Lease Liability	(428,170)	(392,805)
Net Operating Cash Flow	695,527	750,723
Net cash flow utilized by investing activities	(250,209)	(137,265)
Free Cash Flow	445,318	613,458

RESEARCH AND DEVELOPMENT ACTIVITIES

The research and development activities are described in the introductory ("The Prada Group") section of this Annual Report, in the paragraph regarding creativity. The design and product development costs for the twelve months ended December 31, 2022 amount to Euro 137.5 million, as reported in the Consolidated Profit or Loss Statement by destination prepared in accordance with IFRSs.

TREASURY SHARES

As at December 31, 2022 the Group did not own any treasury shares, as reported in the "Corporate Governance" section.

EVENTS AFTER THE REPORTING DATE

No significant events to be reported.

OUTLOOK

The Group's ambition for 2023 is to continue on a path of solid and above-market growth, investing behind brand desirability, in the renovation of the store network, and in the industrial and technological infrastructure. However, the macroeconomic and geopolitical environment remain uncertain. China, among other factors, will play an important role with respect to the Group's ambition, and notwithstanding encouraging developments since the start of the year, the evolution is unpredictable. Therefore, the Group remains vigilant and maintains a disciplined approach to costs and capital allocation.

Milan, March 9, 2023

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of eleven Directors, of whom six are executive Directors, and five are independent non-executive Directors. The Board of Directors is appointed for a term of three years.

CHAIRMAN

ZANNONI, **Paolo**, aged 74, was appointed as the Chairman of the Board on May 27, 2021 and conferred executive role on June 4, 2021. He has been international advisor at Goldman Sachs since 2019, providing advice to the firm's business across Italy and the rest of Europe. He is currently secretary of the Board of Directors of Beretta Holding S.p.A. He served as Chairman of the Board of Autogrill S.p.A., listed on the Italian Stock Exchange, from 2019 to 2022, Chairman of Dolce & Gabbana Holding S.r.l. from 2007 to 2021 and Chairman of the Italian energy and telecommunications Prysmian Group from 2005 to 2012. Prior to this, Mr. Zannoni spent a number of years enhancing the Goldman Sachs investment banking franchise in Italy. He joined Goldman Sachs in 1994, was named managing director in 1997, partner in 2000 and was Chairman of the Italian investment banking business between 2000 and 2013. He also spent a period as co-chief executive officer of Goldman Sachs Russia. Prior to joining Goldman Sachs, Mr. Zannoni was a vice president at Fiat S.p.A. and a lecturer at Yale University. He continues to be an executive fellow at the Yale School of Management, an advisory board member of International Center for Finance (ICF) and a board member of the Jackson Institute for Global Affairs. Mr Zannoni earned an MA and an MPhil in Political Science from Yale University. He also earned a BA from the University of Bologna.

Mr. Zannoni holds directorships in subsidiaries of the Company. Mr. Zannoni is member of the Remuneration Committee. Save as disclosed herein, Mr. Zannoni has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

EXECUTIVE DIRECTORS

GUERRA, Andrea, aged 57, has been appointed as an Executive Director and the Chief Executive Officer of the Company on January 26, 2023. Prior to joining

Prada, Mr. Guerra was the strategic advisor of LVMH, the chief executive officer of Hospitality Excellence at LVMH Moët Hennessy Louis Vuitton SE (September 2020 to May 2022), executive chairman of the high-end food emporium Eataly (September 2015 to May 2019), the chief executive officer of the eyewear giant Luxottica Group S.p.A. (July 2004 to September 2014), and was the chief executive officer of Merloni Elettrodomestici (now Indesit Company) (2000 to 2004). Mr. Guerra obtained a degree in Business Administration from Sapienza University of Rome in 1989. From December 2014 through October 2015, he was appointed as senior strategic advisor for business, finance and industry to the Italian Government's Prime Minister. He was a member of the boards of directors of Bocconi University (November 2014 - October 2018) and Save the Children Italy, and is a shareholder of online newspaper Linkiesta. Over the years, Mr. Guerra was a member of the strategic committee of Italian Strategic Fund (Fondo Strategico Italiano S.p.A.). He was also a member of the board of directors of Amplifon S.p.A., and a member of the strategic committee of Ariston Thermo S.p.A., both companies listed on the Italian Stock Exchange. He held the position of director on the boards of Parmalat S.p.A., and DeA Capital S.p.A., both companies listed on Italian Stock Exchange, and Banca Nazionale del Lavoro S.p.A..
Save as disclosed herein, Mr. Guerra has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

PRADA BIANCHI, **Miuccia**, aged 74, is Executive Director of the Company as well as Prada Co-Creative Director along with Raf Simons and Miu Miu Creative Director. She served as Chairperson of the Board from 2003 to 2014 and later on as Co-chief Executive Officer along her husband Patrizio Bertelli, until January 26, 2023. After obtaining a degree in Political Science from Milan University, Miuccia Prada began designing for the exclusive family business, founded by her grandfather in 1913. At the end of the '70s, she formed a partnership with Patrizio Bertelli, an entrepreneur and owner of two high quality leather goods companies at the time. The combination of the two minds made it possible for Prada to become one of the leading luxury companies worldwide. Miuccia Prada has received several awards for her original vision, innovation, and contribution to international fashion. In 2000, she received an Honorary Doctorate from the Royal College of Art in London. In 2006, Ms. Prada was named Officier dans l'Ordre des Arts et des Lettres by the French Ministry of Culture. In 2015, she was granted the title of Knight of the Grand Cross, the highest Order of Merit of the Italian Republic, in

recognition of her international success and contribution on behalf of Italy to the fields of creativity, fashion and style. Ms. Prada is the wife of Mr. Bertelli, Executive Director, and is the mother of Mr. Lorenzo Bertelli, Executive Director and Group Marketing Director.
Ms. Prada holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.p.A., which are substantial shareholders of the Company. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, **Patrizio**, aged 76, is Executive Director of the Company. He was first appointed to the Board in 2003 and held the role of Co-Chief Executive Officer along with Ms. Miuccia Prada until January 26, 2023. His partnership with Miuccia Prada began at the end of the '70s. To his entrepreneurial activity, he combines cultural and sporting interests that he shares with Miuccia Prada. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in 2000 and the "University Seal" from the University of Bologna in 2021. In 2006, Time Magazine cited him together with Miuccia Prada among the 100 most influential couples in the world and in 2012 he became the first Italian in history to be inducted into the America's Cup Hall of Fame.
Mr. Bertelli holds directorships in subsidiaries of the Company. He holds directorship in PA BE 1 S.r.l., which is a substantial shareholder of the Company. Mr. Bertelli is the husband of Ms. Prada, Executive Director, and is the father of Mr. Lorenzo Bertelli, Executive Director and Group Marketing Director. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BONINI, **Andrea**, aged 43, is the Chief Financial Officer of the Company since May 2, 2022. He was appointed to the Board as Executive Director on November 8, 2022. He holds directorships in subsidiaries of the Company. Mr. Bonini has 19 years of experience in corporate finance and relevant experience in the luxury industry. He started his professional career in Milan-based M&A boutique firm Gallo & C. S.p.A. in 2003. In 2005, Mr. Bonini joined the Investment Banking Division of Goldman Sachs International, based in London, where he held the position of Managing Director since 2015. At Goldman Sachs, he was part of the Italy Coverage team until 2013 and subsequently joined the Consumer Retail Group, with responsibility for Luxury and Brands in Europe. Mr. Bonini graduated

in Business Administration from Bocconi University in Milan in 2003.
Mr. Bonini is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, **Lorenzo**, aged 34, joined the Board of Directors as Executive Director in May 2021. Mr. Bertelli has been Group Marketing Director since 2019 and, from 2020, has been appointed Group's Head of Corporate Social Responsibility. He is responsible, on one side, for the Group's Marketing and Communication strategy and, on the other, for the Group's overall approach to sustainability strategy and initiatives. He joined the Group in 2017 as Head of Digital Communication. Lorenzo Bertelli obtained a degree in Philosophy at San Raffaele University in Milan in 2008. He is the son of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli, Executive Directors of the Company.
He holds directorship in Prada Holding S.p.A., which is a substantial shareholder of the Company, as well as directorships in subsidiaries of the Company. Mr. Lorenzo Bertelli is a member of the Nomination Committee and the Sustainability Committee. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CAPROTTI, **Marina Sylvia**, aged 45, was elected as Independent Non-Executive Director on May 27, 2021. She has been Executive Chairperson of Esselunga S.p.A. since 2019. Prior to this, she was a member of its Board of Directors starting from June 1998 and Vice President from 2016 to 2019. She is currently a director in the Board of Fondazione Accademia Teatro alla Scala of Milan. Ms. Marina Sylvia Caprotti obtained a degree in Law at Università Cattolica del Sacro Cuore in Milan in 2004.
Ms. Caprotti is the Chairwoman of the Remuneration Committee and member of the Audit and Risk Committee and Nomination Committee. Ms. Caprotti is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CEREDA, **Maurizio**, aged 59, has been appointed as Independent Non-Executive Director of the Company first on April 27, 2018 and previously has been a Non-Executive Director. Mr. Cereda's practice focuses on providing consultancy

services to entrepreneurs, family offices, companies and financial institutions. Since 2015, he has also been founding partner and board member of FIEE (Fondo Italiano per l'Efficienza Energetica) Sgr S.p.A.. Mr. Cereda obtained a degree in business economics from L. Bocconi University of Milan in 1989. Mr. Cereda has been serving as board member of various companies listed on the Italian Stock Exchange including NEXI S.p.A. (since December 2021), Technogym S.p.A. (since 2016), and Enervit S.p.A. (since 2007). Mr. Cereda started his career as an analyst in the equity capital markets division in Rasfin S.p.A. and then he worked fifteen years at Mediobanca S.p.A., until his appointment as deputy general manager and head of corporate finance covering large corporate clients, a role that he covered from 2007 to 2015. From 2007 to 2014, he was a board member of Mediobanca S.p.A., and from 2006 to 2014, he was also a board member of Ansaldo STS S.p.A., both companies listed on the Italian Stock Exchange.
Mr. Cereda is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. Save as disclosed herein, Mr. Maurizio Cereda has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

ZAOUI, **Yoël**, aged 62, was elected as an Independent Non-Executive Director on May 27, 2021. He is a co-founder of Zaoui & Co., a firm established in 2013 to advise select clients on mergers, acquisitions and other strategic and financial transactions, as well as major investment decisions. Mr. Zaoui began his investment banking career at Goldman Sachs in 1988, and, over a 24-year career at Goldman Sachs, was responsible for some of Europe's largest and more defining corporate transactions in a period of unprecedented growth. Mr. Zaoui was the first European investment banker to have joined Goldman Sachs's top governing body, the management committee, a position he held from 2008 until his retirement in 2012. Prior to Goldman Sachs, Mr. Zaoui worked at Arthur Andersen in Paris (1983-1986). Mr. Zaoui was educated in France and the US; he obtained a diploma from the Ecole des Hautes Etudes Commerciales (HEC, 1982), a DEA doctoral degree in Finance from Universite Paris-Dauphine (1983) and an MBA from Stanford University (1988). Mr. Zaoui continues to be actively involved with his alma maters, serving as a member of the Cercle des Grands Donateurs de la Fondation HEC. Mr. Zaoui is decorated by His Majesty the King of Morocco Mohamed VI of the Order of Wissam.
Mr. Zaoui is the Chairman of the Audit and Risk committee and a member of the

Remuneration Committee. Mr. Zaoui is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CULPEPPER, **Pamela Yvonne**, aged 58, was elected as Independent Non-Executive Director on January 28, 2022. Ms. Culpepper's former name was JORDAN, Pamela Yvonne. Ms. Culpepper was one of three co-founders of Have Her Back, LLC., a female-owned, female led culture consultancy focused on advancing equity for all. Before that, Ms. Culpepper was the Chief Human Resources Officer at Cboe Global Markets, Inc., one of the world's largest exchange holding companies, offering cutting-edge trading and investment solutions to investors around the world. At Cboe, Ms. Culpepper served as a trusted advisor to the executive team and Board of Directors on talent management, compensation and benefits and Cboe's M&A of a global exchange. As a veteran HR executive, Ms. Culpepper has over 25 years of experience. She joined Cboe from Golin, where she was the company's Chief People Officer. For more than 14 years prior, Ms. Culpepper held various leadership roles with PepsiCo, Inc., including Chief Global Diversity and Inclusion Officer, Vice President, Human Resources for Quaker Foods and Snacks; Vice President, Human Resources for PepsiCo's Beverages Supply Chain; and Vice President, Talent Management and Diversity for Quaker, Tropicana and Gatorade. Before PepsiCo, Ms. Culpepper held progressive roles with McKesson Corporation, Clorox and Wells Fargo. Ms. Culpepper is a former Board Trustee of VSO International, based in the United Kingdom and was a Board member for Navy Pier of Chicago. Ms. Culpepper has a B.A. in Psychology from the University of Arkansas at Little Rock and a Masters of Public Administration in Organizational Change, from California State University, Eastbay.
Ms. Culpepper is the Chairwoman of the Sustainability Committee. Ms. Culpepper is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

RUGARLI, **Anna Maria**, aged 50, was elected as Independent Non-Executive Director on January 28, 2022. Ms. Rugarli is the Corporate Sustainability Vice President of Japan Tobacco International and she is responsible to develop business-integrated strategy at a global level. Ms. Rugarli is a Sustainability & CSR expert with more than twenty years' experience specializing in designing innovative programs and in developing strategies. She initiated and launched Nike's Sustainability & CSR programs in the Europe, Middle East & Africa regions and was with the company for

12 years pioneering this work at industry level. Ms. Rugarli then led VF Corporation's Circular Economy strategy at global level as well as Sustainability, Purpose, and I&D strategy at regional level for 10 years. During this time, she managed broad networks of stakeholders and cross-sector partners and led Sustainability & CSR programs integration across the business. While at VF Corporation she was a Board member and then President of European Outdoor Conservation Association for a total of seven years. Ms. Rugarli is currently a board member of JT International S.A. since February 2022. Ms. Rugarli graduated in Political Sciences and is a certified broker in Cross-Sector Partnerships at Cambridge University.

Ms. Rugarli is member of the Sustainability Committee. Ms. Rugarli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of the business of the Group.

AGOSTINI, **Cristiano**, aged 49, has been Group IT Director since July 2021. He is primarily responsible for overseeing worldwide Transformation and Innovation Technology of IT Department. Mr. Agostini, after earning a degree in Communication Sciences at the University of Turin, has gained many years of experience in the Information Technology sector at prestigious companies and consulting firms. He has managed complex projects of transformation and technological innovation in international contexts, first at the Telecom Italia Research Center and subsequently at Deloitte and Accenture. In 2006 he joined Accenture to cover the role of Managing Director in the Technology Strategy & Advisory area.

BERTONCINI, **Francesca**, aged 52, has been appointed as North Europe Regional Director in December 2019. Ms. Bertoncini is primarily responsible for overseeing the Group's operations in United Kingdom, Ireland, Denmark and Sweden, where she covers several managerial roles at the Company's subsidiaries. She joined the Group in 2001 and covered, until 2018, different managerial roles in product development, collection and retail merchandising, until being appointed as Worldwide Prada Woman Shoes Collection/Retail Merchandising Director. From 2018 to 2019, she worked as Senior Vice President Global Merchandising and Product Development for Stuart Weitzman in New York.

BRINI, Giulio, aged 54, has been Hong Kong, Macau, Taiwan, South Asia, Australia, New Zealand Regional Director since July 2022. He is primarily responsible for overseeing the Group's operations in Asian countries and for the development of Prada and Miu Miu business within the local markets. He has been appointed also as Outlets Division Director in October 2017. Mr. Brini joined our Group in 1995 and before being appointed to his current position, he covered different managerial roles in the commercial and industrial area, including Prada Retail Director and Miu Miu General Manager. Mr. Brini obtained a degree in Economics and Banking from the University of Siena, in 1993.

BUGG, **Christopher Aaron**, aged 39, has been appointed Group Communication Director in 2021. During 2020 he had a strategic communication role in the Asia region. He is responsible for media and communication strategies, public relations and promotional activities of all the Group brands. Mr. Bugg obtained a Bachelor Degree in Mass Communication at University of Evansville in 2004. After the graduation, he worked as Account Executive in different media communication agencies based in New York. From 2008 to 2016, he was Vice President Global Digital Marketing at Calvin Klein. Prior to joining the Prada Group he was Director of Global Digital Communication at Louis Vuitton.

CAROLA, **Pablo**, aged 55, has been Regional Director Middle East since 2017. Mr. Carola is primarily responsible for overseeing the Group's commercial operations in the Middle East area, where he covers several managerial roles at the Company's subsidiaries. Mr. Carola obtained a University degree in Business Administration at Universidad de Politecnica de Catalunya (Spain). He joined the Group in 2011 to manage human resources of both Miu Miu and Prada stores worldwide and from 2013 to 2017, he was Regional Director for Iberian Peninsula and North Africa. Prior to joining our Group, he worked for almost twelve years as human resources director at Louis Vuitton.

CHEN, **Kate**, aged 43, has been Taiwan General Manager since September 2022. She is primarily responsible for overseeing the Group's commercial operations in Taiwan and for the development of Prada and Miu Miu business within the local market. Ms Chen joined our Group in 2011 and before being appointed to her current position, she covered different managerial roles in Retail and Merchandising area for the Taiwan market.

CHOI, **Moonyoung**, aged 60, has been Prada Korea General Manager since 2007. She is primarily responsible for overseeing the Group's commercial operations in Korea. She started her career at Louis Vuitton, as the first Louis Vuitton Store Manager in Korea (1991 - 1999). From 1999 to 2007, Ms. Choi worked at Celine Korea, LVMH Group, as Retail Manager, subsequently becoming Country Manager for Korea.

CLARK, **Sophie**, aged 50, has been Prada Australia General Manager since 2016. She is primarily responsible for overseeing the Group's commercial operations in

Australia and New Zealand. Ms. Clark graduated from Sydney's exclusive Kincoppal-Rose Bay School. Ms. Clark had an extensive career at leading Department store David Jones in Sydney (1999 - 2016) where she most recently held the position of General Manager Womenswear. Ms. Clark was elected as a judge for the prestigious International Woolmark Fashion Awards in Milan 2014, Beijing 2015 and New York 2016.

COVIELLO, **Letizia**, aged 55, has been Group Tax Director since 2016. She is primarily responsible for overseeing all Group strategic tax matters. Ms. Coviello obtained a Degree in Economics from the University La Sapienza in Rome in 1991 followed by a Tax Specialization Master at Ipsoa in Milan. Before joining the Group in 1998, she worked for a Legal Firm, Studio Simonelli e Associati in Milan and afterwards as Tax Senior Assistant in the Fiscal Department at Eni S.p.A., in Milan.

CROSO, **Carlo**, aged 42, joined the Group in July 2019 as Group Retail Innovation and E-Commerce Director and from July 2022 has been appointed as Group Retail Innovation and Commarcial Director. Mr. Croso is responsible for the Group's customer strategy, digital transformation and omnichannel initiatives while also overseeing the development of the e-commerce and wholesale channels. After obtaining a Bachelor's Degree in Industrial Engineering and a Master's Degree in Business Administration from the Politecnico of Milan, Mr. Croso worked several years covering different industries for Bain & Company. Before joining the Group, since 2014 Mr. Croso has been globally in charge of business-to-consumer distribution and digital, holding the position of Senior Vice President of Direct Business for Royal Caribbean Group's luxury cruise company Silversea.

D'ATTIS, Gianfranco, aged 46, has been appointed Prada Chief Executive Officer as of January 2023. In his role, he is primarily responsible for strategic development of Prada Brand in every market. Gianfranco D'Attis holds a bachelor's degree from Zurich Graduate School of Business Administration and completed his education by attending the Senior Executive Program at Columbia Business School in New York. Throughout his career, Gianfranco D'Attis has held senior managerial positions of increasing responsibility. His last role was President for Christian Dior Americas.

HUET, EMMANUEL, aged 46, has been France, Belgium, Monte Carlo Regional Director since February 2022. He is primarily responsible for overseeing the

Group's operations in France, Belgium, Monte Carlo and for the development of Prada and Miu Miu business within the local markets. Emmanuel Huet has gained a solid professional experience with the Louis Vuitton brand, covering several international roles, first at corporate level and then in commercial area, as Director of the Maison Champs Elysées and lately as General Manager BeNeLux & Nordics.

IWATA, **Timothy**, aged 51, has been Prada Jewellery Director since September 2021. He is primarily responsible for overseeing worldwide operations and strategy of Prada Jewellery sector. After gaining his professional experience in the Investment Banking sector in Asia, Timothy Iwata moved to New York where he founded his Consulting agency and innovation studio serving the luxury industry, working for clients such as Cartier, Tiffany and L'Oreal. He returned to Europe in 2018, where he most recently covered the role of Innovation Director at Cartier, Richemont Group.

MALETTO, Diego, aged 44, has been Internal Auditing Director since February 2022. In his role he is responsible for defining and monitoring compliance with rules, procedures and processes within the Prada Group. Diego Maletto obtained a Master Degree in Economics and Business from Turin University. After a multi-faceted experience in consulting, in Italy and USA, at Ernst & Young (2006-2017), has covered relevant roles in several companies. He covered the role of Head of Internal Audit for Italy, Greece, Albania and Malta markets at Vodafone (2017-2020) and of Audit Director at Autostrade per l'Italia (2020-2022).

MALLEY, Katharina, aged 46, has been Central Europe Regional Director since September 2022. She is primarily responsible for overseeing the Group's operations in Germany, Austria, Holland, Czech Republic and for the development of Prada and Miu Miu business within the local markets. She has solid professional experience in the Moncler Group in the management and development of the Wholesale channel for the EMEA market as Wholesale Director. She also held the role of Northern Europe Country Manager for the Theory brand and Wholesale Manager for Prada Germany.

MANZATTO, **Denni**, aged 38, has been appointed as Chief Executive Officer of Church's in January 2022. He is responsible for overseeing the Church brand operations worldwide. Prior to this appointment Mr. Manzatto has been Group

Commercial and License Director with responsibility of the commercial development of the wholesale and marketplace channels of the Prada, Miu Miu and Car Shoe brands. He directly managed Prada wholesale channel as well as the eyewear and fragrance licenses for both Prada and Miu Miu. He was also responsible for leading Group and brand-level business development opportunities, strategic partnerships and collaborations. Mr. Manzatto obtained an Executive Master degree in Business Administration from INSEAD and Tsinghua University in 2018. He is a Business and Management graduate of Bocconi University (2007, 2009) and Fudan University (2009), and participated in an exchange program with the Wharton School of the University of Pennsylvania (2006). Prior to joining our Group in 2013, Mr. Manzatto worked as an Associate at private equity firm Vision Capital and in the Investment Banking division of Goldman Sachs.

MARSICOLA, **Alessandra**, aged 63, has been appointed as Japan, Guam, Saipan and Hawaii Regional Director in May 2022. She is primarily responsible for overseeing the worldwide Prada retail functions and strategy of Prada Brand. Ms. Marsicola joined our Group in 1991 and before being appointed to her current position she covered different managerial roles in the commercial area, including Prada Retail Director, Regional Director North West Europe, Retail Development Director for Japan and Asia, Chief Executive Officer of Prada Fashion Commerce (Shanghai), Prada Worldwide Store Operation Director and Prada Retail Director for Prada Japan. From 2006 to 2009, she worked first as Sales Director for La Rinascente then as Asia Pacific Retail Director for Fendi.

MASSARDI, Roberto, aged 58, has been Chief Business Development Officer since May 2022. He is primarily responsible for the Group's strategic development through the assessment of new business opportunities. He is also responsible for managing Eyewear and Fragrances licenses. After obtaining a degree in Business Economics from the Bocconi University in Milan, Roberto Massardi covered several roles within the Pirelli Group. In 1996 he joined the Prada Group as Business Development Director and later as General Director for Jil Sander. In 2005 he joined Sportswear Company S.p.A. (Stone Island), where he covered the role of General Manager.

NOSCHESE, **Marcelo**, aged 58, has been Latin America Regional Director since 2017 and has been appointed as North America Regional Director in 2020. He is primarily responsible for overseeing the Group's operations in North America, Central America, South America and Caribbean area. Mr. Noschese obtained a master's degree in Business Administration from INSEAD, Fontainebleau, France, in 1992 and graduated in Business Administration in Getúlio Vargas Foundation São Paulo, Brazil. He started his career at L'Oréal, as International Development Manager for the Fine Fragrances Division, and then was appointed as General Manager for the Travel Retail Division in North and South America (1992 - 1998). Prior to joining our Group in 2011 as Regional Director for South America, he worked for LVMH - Moët Hennessy Louis Vuitton as Country Manager for Brazil (2001 - 2004) and for Salvatore Ferragamo S.p.A., as Regional Development Director for South America (2007 - 2011).

PETRUZZO, **Benedetta**, aged 37, has been appointed as Miu Miu General Manager in February 2020. She is responsible for overseeing the worldwide retail and wholesale operations of the brand and for the overall strategy and development of Miu Miu. Before joining the Prada Group, she was Executive Vice President for the North America at Kering Eyewear, where she worked for five years, holding different management positions. After obtaining a degree in Business Administration and a Master of Science in Management at Bocconi University, she started her career first in the finance sector. Afterwards, she joined Bain & Company, where she worked several years in the retail and luxury sector of the management-consulting firm.

RASTRELLI, **Stefano**, aged 60, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He first joined the Prada Group in 2007 to manage the human resources of the Industrial Departments and subsequently extended to the Commercial Departments. Prior to joining our Group, he worked for almost twenty years for the Fiat Group, covering different managerial roles within the Fiat Group for different branches in Italy and abroad (Argentina, Brazil). From 2005 to 2007, Mr. Rastrelli was in Spain as Human Resources Director for GKN Driveline.

SIMONS, **Raf**, aged 55, has been appointed as Prada Co-Creative Director in April 2020, working in partnership with Mrs Miuccia Prada Bianchi. He launched his own menswear label in 1995. He was creative director at Jil Sander from 2005 to 2012, in Christian Dior from 2012 to 2015 and in Calvin Klein from 2016 to 2018. He contributes to the conception, preparation and development of the Prada brand products, coordinating also the image. He participates in the development of creative strategies of marketing, advertising and branding campaigns. Mr. Simons graduated in Industrial Design at SHIVKV in Genk in 1991.

TEO, **Elaine Henling**, aged 48, has been Singapore, Thailand, Malaysia General Manager since June 2022. She is primarily responsible for overseeing the Group's commercial operations in Singapore, Thailand, Malaysia and for the development of Prada and Miu Miu business within the local markets. Elaine Teo, after earning a degree in Science and Commerce at the University of Sydney, has gained many years of experience in the Fashion and Luxury, covering different roles. She was Retail Director Singapore & Malaysia at Coach, General Manager Oceania SEA at Bally (2014-2017) and General Manager SEA at Salvatore Ferragamo (2017-2022).

VIAN, **Massimo**, aged 50, has been appointed Industrial Director in 2020. He is responsible for industrial divisions. Mr. Vian obtained a degree in Engineering Management from the University of Padua in 1999 and an Executive Development Program in 2008 from the Kellogg Business School, North-Western University of Chicago. He gained his professional experience first in the automotive sector, and then he joined the Luxottica Group in 2005 covering several managerial roles, in Italy and abroad (China), where he became C.E.O. Product and Operations. In March 2019, he joined the Calzedonia Group as C.E.O. of the Falconeri brand.

WANG, **Chen-Chen**, aged 50, has been China General Manager since 2019. She is primarily responsible for overseeing the Group's commercial operations in China, where she covers several managerial roles at the Company's subsidiaries. She joined our Group in 2015 as Miu Miu Retail Director. Ms. Wang obtained a Master's Degree in Science from Auburn University. She started her career at Guilford Mills New York (1997-2000); then she worked at SilverStream Software New York (2000- 2002). Before joining our Group, she was Merchandising Director at Christian Dior China (2011 -2015).

ZAMBERNARDI, **Fabio**, aged 59, has been Group Design Director since November 2002. He is responsible for the collection concept development, overseeing all the strategic activities related to the coherence between image and product development of the collection, as well as supporting the strategic brands image communication of both Prada and Miu Miu brands. He has been collaborating with the Group since 1981. He was promoted Shoe Design Director in 1997 and Design Fashion Coordinator in 1999.

ZENKOVSKAYA, **Vera**, aged 46, has been Russian area Regional Director since 2013. Ms. Zenkovskaya is primarily responsible for overseeing the Group operations in Russia and Kazakhstan, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazakhstan. Prior to joining our Group in 2011 as Russia Country Manager, she worked within the beauty sector (L'Oreal, Temtrade) in marketing and retail areas. From 2006 to 2011, she covered several managerial roles in Russia and Ukraine for Louis Vuitton.

None of the Group's senior management listed above is or has been a director of any listed companies in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

YUEN, Ying Kwai, aged 56, first joined the Company as a joint company secretary in May 2011 and was appointed as the Company Secretary on June 30, 2022 and is responsible for corporate secretarial duties. Ms. Yuen has over 25 years of experience in the corporate secretariat and compliance areas of listed companies and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now Lingnan University) in 1988. Ms. Yuen obtained a Master's degree in Business Administration (Executive) from City University of Hong Kong in 2003. Ms. Yuen has been a fellow of both The Hong Kong Chartered Governance Institute (formerly known as "The Hong Kong Institute of Chartered Secretaries" (HKICS)) and The Chartered Governance Institute in the United Kingdom since 2001. Ms. Yuen was the past member of each of the Membership Committee of HKICS (2016 – 2019) and the Company Secretaries Panel of HKICS (2012 – 2015). Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Prada S.p.A. (the "Company"), together with its subsidiaries (the "Group"), is a leading global luxury group in the design, production and distribution of high-end leather goods, handbags, footwear, apparel, accessories, and jewelry, and it operates, under licensing agreements, in the eyewear and fragrance sectors. The Group operates also in the food and beverage sector. Through its Directly Operated Stores network, franchise stores, and a selected number of luxury department stores and independent retailers, the Group operates in all major international markets worldwide.

The Company is a joint-stock company with limited liability, incorporated and domiciled in Italy. Its registered office is at Via Antonio Fogazzaro 28, 20135 Milan (MI), Italy.

Further discussion and analysis of these activities, as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Company, a discussion and analysis of the Group's performance during the year ended December 31, 2022 (the "2022 Year"), and the material factors underlying its economic results, and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, are set out in the Financial Review section of this annual report. Details of material events affecting the Group that have occurred since the end of the reporting period are set out in Note 44 to the 2022 Year Group's consolidated financial statements (the "Consolidated Financial Statement"). These discussions form part of this directors' report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has adopted specific compliance procedures aimed at ensuring compliance with all applicable laws, rules and regulations, in particular those that have a significant impact at a worldwide level, as the Group's products are distributed and sold across more than 70 countries.

To properly address this matter, in 2010 the Group established an Industrial Compliance Committee to oversee the compliance of the Group's products with the international and local legal standards and requirements of all the manufacturing and distribution processes at a worldwide level. A detailed analysis of the legal and regulatory risks to which the Group is exposed is set out in the paragraph headed "Legal and regulatory risks" of the Financial Review section of this annual report, which forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group aims to enhance value creation for its stakeholders by combining economic profitability with employee and customer satisfaction, respecting ethical and environmental values, and ensuring sustainability.

Environmental protection is one of the main commitments of the Group, which is being engaged in implementing and enforcing virtuous behaviors that contribute to its sustainable growth, and that represents examples of good practices within the entire luxury industry.

The Board approved the adoption of the new Code of Ethics of the Group on July 28, 2022, together with the Human Rights Policy of the Group.

Commitment to environmental respect is a key element of the Code of Ethics, applied both within the Group's organization, by implementing staff awareness, and to the third parties working with the Group.

The main direct impact of the Group's business originates from the use of energy for offices, factories, logistics centers and stores worldwide. The objective is to reach ever-higher levels of energy efficiency, waste reduction and responsible use of natural resources.

Further analysis on the environmental policies and performances is set out in " The Prada Group" section to this annual report.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders, such as employees, customers, suppliers and shareholders.

EMPLOYEES

The Group is built on people. The Group has always considered human capital to be the key to its competitive edge, and makes every effort to promote and reward productivity, professional skills and teamwork, with an emphasis on results. The employees' enthusiasm, craft skills and intellectual curiosity are the indispensable elements, which underpin the innovation and quality of the Group's products. The Company searches for people that can combine these outstanding qualities with the values of the Group.

As of December 31, 2022 the Group had 13,768 employees (headcount), of whom 39.3% working in Italy and with women making up 63% of the total workforce.

The Group's remuneration policy aims to attract, reward, and retain skilled personnel and expert managers, while bringing the interests of the management in line with the primary objective of creating value for the Group over the medium and long term.

Further analysis on the value of human resources of the Group is set out in the "The Prada Group" section to this annual report, while further analysis on the remuneration policy of the Group is set out in the "Corporate Governance" section of this annual report, both of which form part of this directors' report.

CUSTOMERS

The Group is a leader in style, maker of outstanding products, and provides excellent customer service.

The distinctive features and the prestige of the Group, which were derived from an original management of the creative and industrial processes, place the Group in a position to offer customers worldwide unique products, representing an inimitable synthesis of creativity, quality and exclusivity. In addition, the Group believes that an effective communication with customers is crucial to build and convey an image of strong and consistent brand identity.

The result of the Group's approach to its customers is the unique relationship between each customer and the Group's brands, its products and its stores.

SUPPLIERS

The Group regards its relationship with its suppliers, built through years of day-to-day collaboration and directed towards continuous improvement, as fundamental to it. The Group has a diverse range of raw materials suppliers and external manufacturers. About 92% of them are located in the European Union, the vast majority of which are in Italy.

Raw materials are a key component of the quality of the Group's products, and therefore constitute a primary focus for the Group. The procurement process, import, use, and export of raw materials, are carried out in full compliance with all the applicable international and local laws, rules, and regulations. Every raw material used in the manufacturing process has a certificate of origin that attests its geographical origin. In addition, raw materials are subject to strict quality controls by the Group's inspectors and experts.

The Group has always intended to act as a stimulus for its suppliers, not only in terms of the excellent quality standards required, but also through the promotion of a culture and a "modus operandi", which comply with the highest ethical standards. The Group thus requires that its suppliers act responsibly, and that each of them undertakes and acknowledges the Group's Code of Ethics, which sets forth the inalienable rights of employees, such as proper working conditions, equal opportunities, freedom of association, health insurance coverage, and protection of the environment in the collection of materials and during the production processes.

In order to achieve the highest quality standards, the Group carries out a strict process for the selection and retention of its suppliers, with the aim to establish long-term business relationships.

SHAREHOLDERS

One of the main corporate goals of the Group is to enhance corporate value to its shareholders by granting dividends payouts, taking into account the liquidity positions and business expansion needs of the Group. Details of the Group's communication with its shareholders are set out in the "Corporate Governance" section of this annual report, which forms part of this directors' report.

An analysis of the Group's environmental policies and performance, as well as of the relationships with the key stakeholders (employees, customers, suppliers and shareholders), will be included in the Group's Sustainability Report, which will be published at the same time of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the 2022 Year are set out in the Consolidated Statement of Profit and Loss.

The Board recommends the distribution of final dividends of Euro 281,470,640 (Euro 0.11 per share) for the 2022 Year.

The final dividends will be subject to the shareholders' approval at the forthcoming shareholders' general meeting of the Company to be held on Thursday, April 27, 2023.

Subject to the shareholders' approval of the recommended final dividends, such dividend will be paid on Friday, May 19, 2023.

The final dividend will be paid to the shareholders recorded on the Company's shareholders register on Friday, May 5, 2023 only, net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is equal to 26%.

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out in Note 41 to the Consolidated Financial Statements.

RESERVES

Details of the movements in the reserves of both the Group and the Company during the 2022 Year are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in the Company's Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's reserves available for distribution to the shareholders in accordance with the Company's by-laws amounted to Euro 1,652 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the 2022 Year are set out in Note 15 to the Consolidated Financial Statements.

DONATION

Donations by the Group mainly related to charities amounted to Euro 3,959,250 (2021: Euro 2,891,906).

PRE-EMPTIVE RIGHTS

The Company's by-laws do not provide for shareholders' pre-emptive rights.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the 2022 Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CAPITAL GAINS TAX IN ITALY

Capital gains realized from the sale of securities in an Italian company by shareholders resident in Hong Kong are not subject to taxation in Italy.

SUBSIDIARIES

Details of the Company's subsidiaries as at December 31, 2022, are set out in Note 42 to the Consolidated Financial Statements.

DIRECTORS

The current Directors of the Company as of the date of this directors' report are:

EXECUTIVE DIRECTORS

Mr. Paolo ZANNONI (Chairman of the Board, elected on May 27, 2021)

Ms. Miuccia PRADA BIANCHI (Chief Executive Officer until January 26, 2023, re-elected on May 27, 2021)

Mr. Patrizio BERTELLI (Chief Executive Officer until January 26, 2023, re-elected on May 27, 2021)

Mr. Andrea Guerra (Chief Executive Officer, appointed on January 26, 2023)

Mr. Andrea BONINI (Chief Financial Officer, appointed on November 8, 2022)

Mr. Lorenzo BERTELLI (elected on May 27, 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Marina Sylvia CAPROTTI (elected on May 27, 2021)
Mr. Yoël ZAOUI (elected on May 27, 2021)
Mr. Maurizio CEREDA (re-elected on May 27, 2021)
Ms. Pamela Yvonne CULPEPPER (elected on January 28, 2022)
Ms. Anna Maria RUGARLI (elected on January 28, 2022)

RESIGNED DIRECTORS
The Directors of the Company resigned during 2022 Year and up to the date of this directors' report are:
Ms. Alessandra COZZANI (former Executive Director and Chief Financial Officer, resigned on September 30, 2022)
Mr. Stefano SIMONTACCHI (former Non-Executive Director, resigned on January 26, 2023)

BIOGRAPHICAL INFORMATION OF DIRECTORS

A brief biography of each current Director of the Company is set out in the "Directors and Senior Management" section of this annual report.

DIRECTORS' PERMITTED INDEMNITY

There is no permitted indemnity provision in any contract entered into by the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") that is or was in force during the 2022 Year and until the date when this directors' report is approved by the Board, which is required to be disclosed under section 470 of the Hong Kong Companies Ordinance.

MANAGEMENT CONTRACT

No contract, other than employment contracts and directors' service contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into, or was effective, during the 2022 Year.

DIRECTORS' SERVICE CONTRACTS

Since the Employment Agreement of Mr. Andrea Guerra contains an express term which provides that, in order to entitle the Company to terminate his Employment

Agreement, the Company may be required to pay compensation or make other payments equivalent to more than one year's emoluments, the Employment Agreement will require the approval of the shareholders at the forthcoming annual general meeting pursuant to Rule 13.68 of the Listing Rules.

Other than the above, none of the Directors of the Company has a service contract with any member of the Group that cannot be terminated within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the 2022 Year, none of the Directors of the Company held any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Company or the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2022, the Directors (including the Chief Executive Officers) of the Company held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

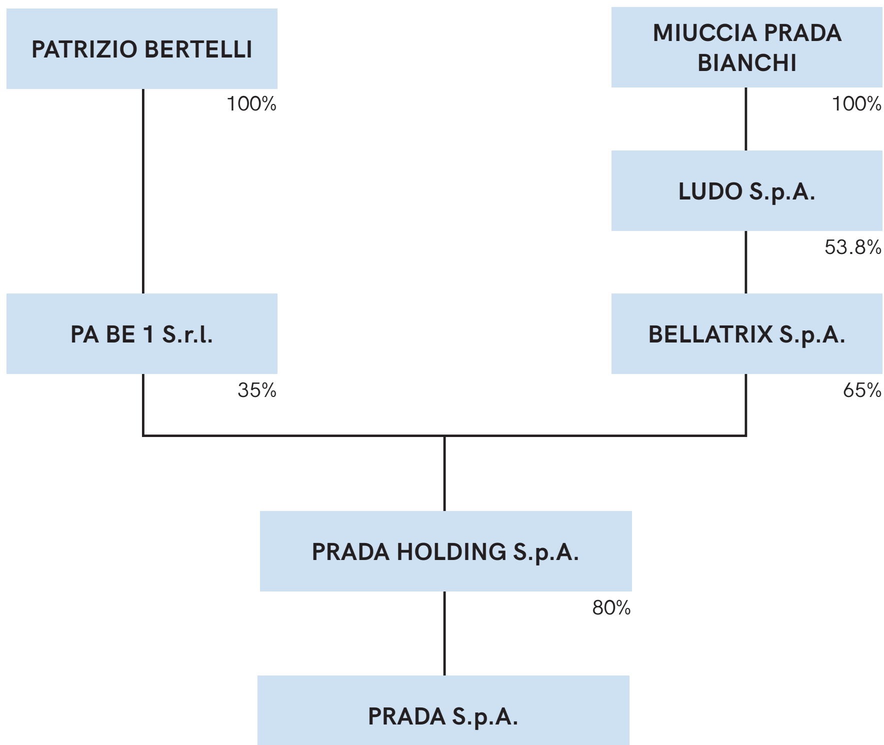
(a) Long positions in shares and underlying shares of the Company

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

Notes:

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

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at December 31, 2022 are summarized in the following chart:



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

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%
	Ludo S.p.A.	Class A shares	5,066,000	Beneficial Owner	100%
	Ludo S.p.A.	Class B shares	4,965,100	Beneficial Owner	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	Controlled Corporation	100%
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%

Save as disclosed above, as at December 31, 2022, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at December 31, 2022, other than the interests of the Directors of the Company as disclosed above, the following persons held interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
Long Positions			
Prada Holding S.p.A.	Legal and beneficial owner	2,046,470,760	80%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80%
Ludo S.p.A.	Interest of controlled corporation	2,046,470,760	80%
PA BE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80%

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

SHARE CAPITAL

Details of the share capital of the Company during the 2022 Year are set out in the Consolidated Statement of Changes in Shareholders' Equity and Note 30 to the Consolidated Financial Statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those contracts disclosed under the section on Continuing Connected Transactions below, and in Consolidated Financial Statements Note 40, Transactions with Related Parties, and Note 39, Remuneration of the Board of Directors, no transaction, arrangement, or contract of significance to the Group's business was entered into or subsisted at any time during the 2022 Year in which the direct or indirect interest of a Director, or an entity connected with a Director, was material.

During the 2022 Year, there were no arrangements to which the Company, or any of the Company's subsidiaries or holding companies or a subsidiary of any of the Company's holding companies is a party, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

DIRECTORS' WAIVER ON EMOLUMENTS

Mr. Lorenzo Bertelli waived Euro 50,000 in respect of his fees as a Director and Euro 10,000 in respect of his fees as a member of the Nomination Committee for the period from January 1, 2022 to December 31, 2022, and Euro 27,500 in respect of his fees as a member of Sustainability Committee for the period from his appointment date on February 4, 2022 to December 31, 2022, with an increase of the same amount in his annual salary.

Ms. Alessandra Cozzani (past director) waived her fee as a Director, in the amount of Euro 37,500 for the period from January 1, 2022 to September 30, 2022, with an increase of the same amount in her annual salary.

ISSUANCE OF DEBT SECURITIES

Neither the Company, nor any members of the Group, issued any debt securities during the 2022 Year.

CONTINUING CONNECTED TRANSACTIONS

During the 2022 Year, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Company's announcements dated July 15, 2015 and May 26, 2017, respectively:

(a) Lease Agreement and Guarantee for Prada Aoyama Building in Japan

On July 15, 2015, PH-RE LLC purchased a building in Minami-Aoyama, Tokyo, Japan (the "Aoyama Building"). Prada Japan Co. Ltd ("Prada Japan"), a wholly owned subsidiary of the Company, has been leasing the Aoyama Building for use as its flagship store in Tokyo since 2004.

On May 25, 2015, Prada Japan, as lessee, and the former lessor, renewed the lease of the Aoyama Building by entering into a lease agreement for a term of 20 years (the "Lease Agreement"). On the same date, the Company granted a guarantee in favour of the former lessor to guarantee the full compliance by Prada Japan with all its obligations under the Lease Agreement (the "Guarantee").

As a result of the purchase of the Aoyama Building, PH-RE LLC, a connected person of the Company, has become the lessor under the Lease Agreement and the beneficiary of the Guarantee granted by the Company in favour of the former lessor. Accordingly, the Lease Agreement and the Guarantee, which were continuing transactions of the Group, have become continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

On April 28, 2017, PH-RE LLC, which was previously a wholly owned subsidiary of PA BE 1 S.r.l., became a wholly owned subsidiary of Prada Holding S.p.A., a substantial shareholder of the Company. Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli - former Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company - are indirect shareholders of Prada Holding S.p.A..

As a consequence of this transaction, the Lease Agreement and the Guarantee remained as subsequent continuing connected transaction of the Group with no variation of their terms.

The annual cap for the 2022 Year for the rent paid to PH-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the Lease Agreement and the Guarantee was JPY 2,040,703,000, as disclosed in the Company's announcement dated May 26, 2017.

(b) Lease Agreement and Guarantee for Miu Miu Aoyama Building in Japan

On May 26, 2017, PH-RE LLC purchased a building in Minami-Aoyama, Tokyo, Japan (the "MM Aoyama Building"). Prada Japan has been leasing the MM Aoyama Building for use as flagship store for the Miu Miu brand in Tokyo since 2015 under a lease agreement entered into with the former owner of the MM Aoyama Building (the "MM Lease Agreement"). In the context of the MM Lease Agreement, the Company granted a guarantee in favour of the former owner to guarantee the full compliance by Prada Japan with of all its obligations under the MM Lease Agreement (the "MM Guarantee").

As a result of the purchase of the MM Aoyama Building, PH-RE LLC has become the lessor under the MM Lease Agreement and the beneficiary of the MM Guarantee granted by the Company in favour of the former owner.

PH-RE LLC is a wholly owned subsidiary of Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company. Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli - former Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company – are indirect shareholders of Prada Holding S.p.A..

In this context, the MM Lease Agreement and the MM Guarantee, being continuing transactions of the Group, have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

The annual cap for the 2022 Year for the rent paid to PH-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the MM Lease Agreement and the MM Guarantee was JPY 630,000,000, as disclosed in the

Company's announcement dated May 26, 2017.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the 2022 Year:

	Continuing Connected Transaction ("CCT")	Accounting adjustment to the CCT following the application of IAS 1 "Presentation of Financial Statements"	Impact on the profit or loss for the year ended December 31, 2022
(a) Lease Agreement and Guarantee for Prada Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the right of use assets and interest expenses on lease liability	2,040.7	87.4	2,128.1
(b) Lease Agreement and Guarantee for Miu Miu Aoyama Building	Japanese Yen million	Japanese Yen million	Japanese Yen million
Depreciation of the right of use assets and interest expenses on lease liability	630	(17.1)	612.9

The Independent Non-Executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that these have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them, on terms that are fair and reasonable, and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to review the above non-exempt continuing connected transactions. Based on the work performed, the auditors have provided a letter to the Directors of the Company (with a copy to the Stock Exchange) to confirm that nothing has come to their attention causing them to believe that the continuing connected transactions:

(i) have not been approved by the Company's Board of Directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group, if the transaction involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have exceeded the relevant annual cap.

Save as disclosed above, none of the transactions disclosed as related party transaction in Note 40 to the Consolidated Financial Statements is a connected transaction or continuing connected transaction, which is subject to the reporting or disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing "connected transactions" or "continuing connected transactions" in accordance with Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at December 31, 2022 are set out in Notes 21 and 26 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's activities is such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is less than 30% of the total sales or purchases, and the Directors do not consider any customer or supplier to have an influence on the Group.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in Note 27 to the Consolidated Financial Statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Having made specific enquiries to all Directors, all of them have confirmed that they have complied with the standard set out in the Model Code throughout the 2022 Year.

EVENTS AFTER THE REPORTING PERIOD – IF APPLICABLE

Details of significant events occurring after the reporting date – if any – are set out in Note 44 to the Consolidated Financial Statements.

COMMITMENTS AND CONTINGENCIES

Details of capital commitments and contingent liabilities of the Group as at December 31, 2022 are set out in Note 28 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

At the time the Company was listed, the Stock Exchange granted a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "Public Float Waiver"). Pursuant to the Public Float Waiver, the Company must at all times maintain a minimum public float of 20%. Based on the information available to the Company and within the knowledge of the Directors, the Company has maintained such minimum public float as at the date of this annual report.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the Consolidated Financial Statements for the year ended December 31, 2022, to ensure such Consolidated Financial Statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated Financial Statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the Consolidated Financial Statements 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. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

AUDITOR

The Consolidated Financial Statements and the Separate financial statements of the Company are audited by Deloitte & Touche S.p.A. Under Italian company law, the auditor is appointed and its remuneration is resolved every three years by the shareholders' general meeting of the Company, on the basis of a proposal made by the Board of statutory auditors.

On April 13, 2012, the Stock Exchange granted to the Company a waiver from strict compliance with Rule 13.88 of the Listing Rules, which requires the appointment of an auditor at each annual general meeting to hold office until the next annual general meeting. Therefore, the Company's auditor is appointed, and its remuneration is determined, every three years at the shareholders' general meeting of the Company under the applicable Italian laws.

On March 14, 2022, the Board resolved, in accordance with the recommendations received from the Board of statutory auditors and the Audit and Risk Committee, to propose a resolution at the shareholders' general meeting of the Company on April 28, 2022 (the "2022 AGM") to reappoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years ending December 31, 2024, and to fix its remuneration.

At the 2022 AGM, it was resolved to appoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years. Accordingly, the auditor's mandate will expire at the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ending December 31, 2024.

By order of the Board

Paolo Zannoni
Chairman

March 9, 2023

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, standards and structured procedures aimed at establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders, to enhance shareholders 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 with the principles set out in the Corporate Governance Code (the "Code") in Appendix 14 of the Listing Rules.

COMPLIANCE WITH THE CODE

The Board has reviewed the Company's corporate governance practices and it is satisfied that such practices have complied with the code provisions set out in the Code, for the year ended December 31, 2022 (the "2022 Year"). This Corporate Governance report summarizes how the Company applied the principles and implemented the code provisions contained in the Code for the 2022 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. In response to specific enquiries 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 2022 Year. There were no incidents of non-compliance during the 2022 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.

Directors' interests as at December 31, 2022, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out in the Directors' Report.

BOARD OF DIRECTORS

A. BOARD COMPOSITION

The Board is currently made up of eleven Directors, of which six are Executive Directors 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. Currently female representation at Board level is about 36%. Gender diversity at workforce levels is disclosed in the Annual Report and gender diversity (including Senior Management) is disclosed in Sustainability Report. The Board believes that diversity should not be limited to gender. The table below shows the structure, skill sets, expertise and competencies of the Board.

					Committees				Skills and Expertise				
Directors	Age	Gender	Eth-nicity *	ED / INED	Audit and Risk	Remuneration	Nomination	Sustainability	Business Management	Strategic Plannign & Risk Management	Financial Reporting / Banking	Legal / ESG	Related Industry Knowledge / Experience
Mr. Paolo ZANNONI (Chairman of the Board)	74	M	I	ED		x			x	x	x		x
Ms. Miuccia PRADA BIANCHI	74	F	I	ED					x	x			x
Mr. Patrizio BERTELLI	76	M	I	ED					x	x			x
Mr. Andrea GUERRA (Chief Executive Officer)	57	M	I	ED					x	x			x
Mr. Andrea BONINI (Chief Financial Officer)	43	M	I	ED					x	x	x		x
Mr. Lorenzo BERTELLI	34	M	I	ED			x	x	x	x		x	x
Ms. Marina Sylvia CAPROTTI	45	F	I	INED	x	x	x		x	x		x	x
Mr. Maurizio CEREDA	59	M	I	INED	x		x		x	x	x		x
Mr. Yoël ZAOUI	62	M	NI	INED	x	x			x	x	x		x
Ms. Pamela Yvonne CULPEPPER	58	F	NI	INED				x	x	x		x	x
Ms. Anna Maria RUGARLI	50	F	I	INED				x	x	x		x	x

* I refers to Italian and NI refers to Non-Italian

Biographical details of the Directors and their relationships, where applicable, are set out in the Directors and Senior Management section of this Annual Report. The Company has maintained both on its own website and on the website of the Stock Exchange an updated list of its Directors, identifying their respective roles and functions.

B. BOARD MEETINGS

During the 2022 Year, the Board held five 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 approve continuing connected transactions and the Group's main investments, corporate reorganization plans, and extraordinary transactions, establish the Sustainability Committee, appoint a new director and grant powers to the same, adopt the new terms of reference for both the Board and the Board Committees. The average attendance rate of the Directors for these five meetings (all held through electronic means) was 90.9%.

Minutes of the Board meetings are kept by the Corporate Affairs Department. Minutes of the Board meetings and all Board Committees 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 2022 Year are set out in the following table:

Directors	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Sustainability Committee	Shareholders' Meeting
Executive Directors						
Mr. Paolo ZANNONI [1] (Chairman)	5/5		2/2			2/2
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer) [2]	1/5					0/2
Mr. Patrizio BERTELLI (Chief Executive Officer) [3]	5/5					0/2
Ms. Alessandra COZZANI [4]	4/4					2/2
Mr. Andrea BONINI (Chief Financial Officer) [5]	1/1					Not Applicable
Mr. Lorenzo BERTELLI [6]	5/5			3/3	3/3	1/2
Non-Executive Director						
Mr. Stefano SIMONTACCHI [7]	5/5					2/2
Independent Non-Executive Directors						
Mr. Maurizio CEREDA [8]	5/5	4/5		3/3		2/2
Ms. Marina Sylvia CAPROTTI [9]	4/5	5/5	2/2	3/3		1/2
Mr. Yoël ZAOUI [10]	5/5	5/5	2/2			0/2
Ms. Pamela Yvonne CULPEPPER [11]	5/5				3/3	1/2
Ms. Anna Maria RUGARLI [12]	5/5				3/3	1/2
Statutory Auditors						
Mr. Antonino PARISI (Chairman)	5/5					1/2
Mr. David TERRACINA	4/5					1/2
Mr. Roberto SPADA	5/5					2/2
Dates of the Meetings	Feb 4, 2022	Feb 23, 2022	Feb 4, 2022	Feb 4, 2022	Apr 22, 2022	Jan 28, 2022
	Mar 14, 2022	Mar 9, 2022	Mar 9, 2022	Mar 14, 2022	Jul 13, 2022	Apr 28, 2022
	May 3, 2022	May 2, 2022		Oct 25, 2022	Nov 18, 2022	
	Jul 28, 2022	Jul 27, 2022				
	Nov 8, 2022	Nov 7, 2022				
Average Attendance Rate of the Directors	90.9%	93.3%	100%	100%	100%	54.5%

Notes:

1. Member of the Remuneration Committee
2. Ceased to serve as Chief Executive Officer from January 26, 2023
3. Ceased to serve as Chief Executive Officer from January 26, 2023
4. Ceased to serve as Chief Financial Officer from May 2, 2022 and as Executive Director on September 30, 2022
5. Started to serve as Chief Financial Officer from May 2, 2022 and as Executive Director from November 8, 2022
6. Member of the Sustainability Committee and Nomination Committee
7. Ceased to serve as Non-Executive Director on January 26, 2023
8. Chairman of the Nomination Committee and Member of the Audit and Risk Committee
9. Chairwoman of the Remuneration Committee and Member of the Audit and Risk Committee and the Nomination Committee
10. Chairman of the Audit and Risk Committee and Member of the Remuneration Committee
11. Appointed as Director on January 28, 2022 and Chairwoman of the Sustainability Committee
12. Appointed as Director on January 28, 2022 and Member of the Sustainability Committee

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 regulations 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 internal control and risk management system.

During the 2022 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 was to provide a balanced and comprehensive assessment of the performance, position and prospects of 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 and by the conflict between Russia and Ukraine, the Board devoted additional time in meetings held during the 2022 Year to discuss the actual impact of such uncertainty on the Group's business as well as the measures adopted by the Group to boost its business.

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the group. The Board sets and promotes company culture and expects and requires employees to follow the Group's procedures and policies. For details, please refer to the Directors' Report and to the Sustainability Report.

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 delegated powers 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

The 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 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 1, 2023. 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 2022 Year, Mr. Paolo Zannoni, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Lorenzo Bertelli, Mr. Andrea Bonini, Mr. Stefano Simontacchi, Ms. Marina Sylvia Caprotti, Mr. Maurizio Cereda, Mr. Yoël Zaoui, Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli 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. Mr. Andrea Guerra also participated in director's training upon his appointment on January 26, 2023.

Directors were required to provide the Company with their training records during the Year 2022. The records are maintained by the Corporate Affairs Department.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Chairman is Mr. Paolo Zannoni and, during the Year 2022, the Chief Executive Officers were Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. Starting from January 26, 2023, Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli ceased to be the Chief Executive Officers and Mr. Andrea Guerra was appointed as the new Chief Executive Officer. The role of the Chairman is separate from that of the Chief Executive Officer. The Chairman is vested with the powers to represent the Company and provides leadership to the Board. He is responsible for ensuring that the Board is functioning effectively and adheres to good corporate governance practices and procedures. The Chief Executive Officer, supported by the other Executive Directors and senior management, is responsible for managing the Company's business, including the implementation of major strategies and other initiatives adopted by the Board.

RELATIONSHIPS BETWEEN DIRECTORS

Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (Executive Directors and former Chief Executive Officers of the Company) are husband and wife. Mr. Lorenzo Bertelli (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 (the "2021 AGM"), the Board (at the time 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 approving the financial statements of the Company for the year ending December 31, 2023. Two additional Independent Non-Executive Directors, Ms. Pamela Yvonne Culpepper and Ms. Anna Maria Rugarli, were appointed at the shareholders' general meeting of the Company held on January 28, 2022, and shall remain in charge for the remaining term of the current Board's mandate. Two Executive Directors, Mr. Andrea Bonini and Mr. Andrea Guerra, were appointed, respectively on November 8, 2022, and January 26, 2023, and – if confirmed by the forthcoming shareholders' general meeting – they shall remain in charge for the remaining term of the current Board's mandate. An Executive Director, Alessandra Cozzani, and a Non-Executive Director, Stefano Simontacchi, resigned, respectively, on September 30, 2022, and January 26, 2023.

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 2022 Year, the Board completed the following activities with respect to corporate governance matters:

(i) reviewed and approved continuing connected transactions of the Company;
(ii) reviewed the level of compliance with the Code;
(iii) reviewed the effectiveness of the internal control, risk management system and ESG performance of the Company through the Internal Audit Department, the Audit and Risk Committee and the Sustainability Committee;
(iv) reviewed and approved the Sustainability Report;
(v) approved the Group's main transactions, including corporate reorganization plans;
(vi) adopted the new terms of reference of the Board and Board Committees and policies; and
(vii) appointed a new Executive Director in substitution of a resigned Executive Director, and granted powers to the same.

BOARD COMMITTEES

The Board has established the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Sustainability Committee, each chaired by an Independent Non-Executive Director, in compliance with the Code. The Terms of Reference and membership of the first three Board Committees are published on the websites of both the Company and the Stock Exchange. The Terms of Reference of the Board Committees are no less exacting than those set out in the Code. The Board Committees are provided with sufficient resources to discharge their duties and upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

A. AUDIT AND RISK COMMITTEE

The Company has established an Audit and Risk 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 and Risk Committee. The membership of the Audit and Risk 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 and Risk Committee are to assist the Board in providing an independent view on the independence, adequacy, effectiveness and efficiency of the internal audit function, Company's financial reporting process and its internal control and risk management system, to oversee the external audit process, the internal audit process and financial controls activity, to implement the Company's risk management functions, to assess the Company's business model and strategies, to examine the work plan of internal audit, to review the relationship with the external auditors by reference to the work performed by the external auditors, as well as their independence, fees and terms of engagement, and to perform any other duties and responsibilities assigned to it by the Board.

During the 2022 Year, the Audit and Risk committee held five meetings (with an attendance rate of 93.3%) 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 and Risk Committee's Terms of Reference and to make relevant recommendations to the Board. The Audit and Risk Committee's review covered the audit plan for the 2022 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 2021, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2021, and the interim financial results as at June 30, 2022), before recommending them to the Board for approval.

The Audit and Risk Committee also held three meetings on January 25, 2023, February 27, and March 8, 2023, to examine and recommend to the Board the approval of the 2023 budget of the Group, to discuss the audit activities for the certification of the 2022 Year Separate Financial Statements and Annual Report of the Company presented by Deloitte & Touche S.p.A., to evaluate the methodology applied to the impairment test, to discuss the status of the major pending litigations, including tax litigations, of the Group, to have an update on the internal audit and risk management activities, to present the 2023 Audit Plan, and to review, for the Year 2022, the annual results, the Sustainability Report, the continuing connected transactions, and the Internal Audit Department and Audit and Risk Committee reports.

AUDITOR'S COMPENSATION

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the financial statements for the 2022 Year and for the year ended December 31, 2021, together with non-audit services, are illustrated below (amounts in thousands of Euro):

Type of service	Audit Firm	Provided to	twelve months ended December 31 2022	twelve months ended December 31 2021
Audit services	Deloitte & Touche S.p.A.	Prada S.p.A.	475	508
Audit services	Deloitte & Touche S.p.A.	Subsidiaries	133	136
Audit services	Deloitte Network	Subsidiaries	1,147	1,129
Total audit fees to Deloitte Network			1,755	1,773
Other advisory services	Deloitte & Touche S.p.A.	Prada S.p.A.	374	24
Other advisory services	Deloitte Network	Subsidiaries	124	69
Total non-audit fees to Deloitte Network			498	93
Total compensation to Deloitte Network			2,253	1,866

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 submitted to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Ms. Marina Sylvia Caprotti (Chairwoman) and Mr. Yoël Zaoui, and of the Executive Director and Chairman of the Board, Mr. Paolo Zannoni.

During the 2022 Year, the Remuneration Committee held two meetings (with an attendance rate of 100%) to recommend the remuneration of the Chairperson and members of the Sustainability Committee and the adoption of the new long-term incentive plan for the Directors and senior management for the three-year period 2022-2024.

The Remuneration Committee also held two meetings on January 25, 2023, and on March 6, 2023, to review the remuneration of Mr. Paolo Zannoni, Ms. Miuccia

Prada Bianchi and Mr. Patrizio Bertelli, before recommending to the Board for approval, as well as to review the overall remuneration for the Board.

REMUNERATION POLICY

The Group's remuneration policy is aimed at attracting, rewarding and retaining its personnel, who is considered as the key to the success of the Group'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 Group 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 Group 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, as well as certain ESG targets, 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 Group 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 comprised a majority of Independent Non-Executive Directors and chaired by an Independent Non-Executive Director, Mr. Maurizio Cereda, and consists of one Independent Non-Executive Director, Ms. Marina Sylvia Caprotti and one Executive Director, Mr. Lorenzo Bertelli.

During the 2022 Year, the Nomination Committee held three meetings (with an average attendance rate of 100%) to perform the annual review of both the independence of the Independent Non-Executive Directors as well as the structure, size and composition of the Board for the 2021 year, to recommend to the Board the establishment of the Sustainability Committee and the membership of the same, including the appointment of the Chairperson, as well as the adoption of the Terms of Reference of the same, the appointment of Mr. Andrea Bonini as Executive Director in replacement of Ms. Alessandra Cozzani, and to perform the annual review of the Board Diversity Policy of the Company.

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") and reviewed during the 2022 Year. According to the principles set out in the Board Diversity Policy, all Board members' 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 discusses any revisions that may be required to ensure the effectiveness of the Board Diversity Policy with access to independent external consultants and recommends any such revisions to the Board for its approval.

On March 15, 2019, the Board adopted the nomination policy for the Directors (the "Director Nomination Policy"), which provides guidance on the proposal for the appointment or re-appointment of the 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 the 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), including the independence of long serving Independent Non-Executive Directors (where applicable).

The Nomination Committee considers 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.

The Nomination Committee also held two meetings on January 18, 2023, and on March 1, 2023, to recommend to the Board the appointment of Mr. Andrea Guerra as Executive Director in replacement of Mr. Stefano Simontacchi as Non-Executive Director, as well as to review the proposal for the appointment of the new Chairman of the Board, to verify the independence of the Independent Non-Executive Directors, the composition and the size of the Board for the Year 2022.

D. SUSTAINABILITY COMMITTEE

The Sustainability Committee comprises two Independent Non-Executive Directors, Ms. Pamela Yvonne Culpepper (Chairwoman) 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 and strategy. 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. The Directors' Report includes the governance of sustainability issues and how the Company approaches and manages the Group's material ESG topics.

During the 2022 Year, the Sustainability Committee held three meetings (with an average attendance rate of 100%) to appoint the Chairwoman, Ms. Pamela Yvonne Culpepper, to introduce the Group ESG strategy, to examine and discuss the Sustainability Report for the 2021 Year, to recommend to the Board the adoption of the Human Rights Policy and the new Ethic Code of the Group, to discuss the new requirements under the Listing Rules for the adoption of the Sustainability Report for the 2022 Year, and to discuss the results of the DE&I survey performed

in Italy by the Company.
The Sustainability Committee also held one meeting on March 2, 2023, to provide updates on progresses and achievements in ESG, approve the Sustainability Report for the Year 2022, and the industrial roadmap for supporting sustainability in Group's operations.

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.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of director's information of the Company since the Company's 2022 Interim Report is as follows:
- With effect from January 1, 2023, the annual remuneration of Mr. Paolo Zannoni has increased to a fixed amount of Euro 2,000,000 gross per year, including fees as a member of the Board, plus a variable amount of 0.25 percent of the Group's consolidated profit before income tax, recorded in the financial year ending December 31, 2023.

DIRECTORS' RESPONSIBILITY AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Consolidated Financial Statements of the Company for the 2022 Year to ensure such Consolidated Financial Statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated Financial Statements, the Directors have selected suitable accounting policies and made prudent and reasonable judgments and estimates. The Consolidated 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 2022 Year.

With respect to the auditor of the Company, its responsibilities are stated in the auditor's reports on the Consolidated 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. The Group has adopted a strict Anti-Corruption Policy and Anti Transactions Policy to support anti-corruption laws and regulations and monitoring the independence of external auditors.

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.

During the 2022 Year, the Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy and the Anti-Corruption Policy are available on the Company's website.

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, during the 2022 year the Internal Audit Department assessed the Company's activities and controls to mitigate the health and safety risk at work as well as the risk of data breach and Cyber attack.

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 and Risk 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 and Risk Committee and submitted to the Board for approval.

The Board has received specific confirmation from the relevant management personnel of the Company on the effectiveness of the Group's internal control and risk management system throughout the 2022 Year.

During the 2022 Year, no significant control failings or weaknesses were identified.

The Board, with the support from the Audit and Risk 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 the risk management system has functioned effectively and has been adequate for the Group as a whole, throughout the 2022 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 2022 Year.

"ORGANISMO DI VIGILANZA"

In compliance with Italian Legislative Decree no. 231 of June 8, 2001 (the "Decree"), the Company established an "Organismo di Vigilanza" 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 "Organismo di Vigilanza" has three members appointed by the Board and selected among qualified and experienced individuals. The "Organismo di Vigilanza" consists of Ms. Stefania Chiaruttini (Chairwoman), Mr. Yoël Zaoui, Independent Non-Executive Director, and Mr. Roberto Spada, Statutory Auditor, who was been appointed by the Board on the meeting held on May 3, 2022.

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 Executive Director and former Chief Executive Officer (Mr. Patrizio Bertelli) and the 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.

COMPANY SECRETARY

The Company has appointed Ms. Stefania Cane and Ms. Yuen Ying Kwai as joint company secretaries. Ms. Cane ceased to serve as the joint company secretary with effect from June 30, 2022 and Ms. Yuen Ying Kwai continues her role as the sole company secretary with effect from June 30, 2022. During the 2022 Year, Ms. Yuen Ying Kwai undertook over 15 hours of relevant professional training to update her skills and knowledge. Her biography is set out in the Directors and Senior Management section of this Annual Report.

SHAREHOLDERS' RIGHTS

A. CONVENING OF SHAREHOLDERS' GENERAL MEETING 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 corporateaffairs@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 email at corporateaffairs@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

During the 2022 year, there was no change to the By-laws of the Company. A copy of the 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 2022 AGM, the shareholders approved the distribution of a final dividend of Euro 0.07 per share for the financial year ended December 31, 2021, representing a total dividend of Euro 179,117,680, which was paid on May 27, 2022.

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-to-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. The Board had adopted a Shareholders Communication Policy and is subject to review annually to ensure the effectiveness and implementation of the Shareholders Communication Policy.

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).

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

In light of the continuing risks posed by the Covid-19 pandemic, to ensure the health and well-being of the shareholders' meetings attendees, both the SGM 2022 and the shareholders' general meeting of the Company held on April 28, 2022 (the "2022 AGM") were held by way of electronic means only. The Directors, including the Chairman of the Board, the Chairman of the Board Committees, the Company Secretary, the auditor of the Company, Deloitte & Touche S.p.A., the statutory auditors and the scrutineer, attended the 2022 AGM.

All resolutions submitted to the shareholders at the 2022 SGM and 2022 AGM were duly passed and the voting results of such resolutions were disclosed in the announcements of the Company dated January 28, 2022 and April 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 2022 SGM and 2022 AGM.

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.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Note	December 31 2022	December 31 2021
Assets			
Current assets			
Cash and cash equivalents	9	1,091,622	981,786
Trade receivables, net	10	331,915	329,547
Inventories, net	11	760,457	662,654
Derivative financial instruments – current	12	22,483	1,762
Receivables due from, and advance payments to, related parties - current	13	2,373	22,866
Other current assets	14	215,917	171,220
Total current assets		2,424,767	2,169,835
Non-current assets			
Property, plant and equipment	15	1,577,125	1,564,853
Intangible assets	16	817,809	829,405
Right of use assets	17	2,011,474	1,956,289
Investments in equity instruments	18	26,974	5,696
Deferred tax assets	36	373,090	287,462
Other non-current assets	19	139,402	144,346
Derivative financial instruments – non-current	12	5,812	-
Receivables due from, and advance payments to, related parties - non-current	13	1,125	1,125
Total non-current assets		4,952,811	4,789,176
Total Assets		7,377,578	6,959,011
Liabilities and shareholders' Equity			
Current liabilities			
Short-term lease liability	20	392,126	418,215
Short-term financial payables and bank overdraft	21	160,847	249,103
Payables due to related parties – current	22	3,568	8,360
Trade payables	23	401,799	390,163
Tax payables	24	277,656	144,159
Derivative financial instruments - current	12	11,565	29,683
Other current liabilities	25	242,306	180,048
Total current liabilities		1,489,867	1,419,731
Non-current liabilities			
Long-term lease liability	20	1,715,451	1,627,197
Long-term financial payables	26	395,656	492,801
Long-term employee benefits	27	67,571	73,819
Provision for risks and charges	28	51,486	59,201
Deferred tax liabilities	36	40,855	29,806
Other non-current liabilities	29	115,670	123,027
Derivative financial instruments - non-current	12	-	4,786
Total non-current liabilities		2,386,689	2,410,637
Total Liabilities		3,876,556	3,830,368
Share capital		255,882	255,882
Total other reserves		2,648,496	2,496,324
Translation reserve		112,646	67,434
Net income / (loss) for the period		465,193	294,254
Net equity attributable to owners of the Group	30	3,482,217	3,113,894
Net equity attributable to Non-controlling interests	31	18,805	14,749
Total net equity		3,501,022	3,128,643
Total liabilities and total net equity		7,377,578	6,959,011
Net current assets		934,900	750,104
Total assets less current liabilities		5,887,711	5,539,280

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	Note	twelve months ended December 31 2022	% on net revenues	twelve months ended December 31 2021	% on net revenues
Net revenues	32	4,200,674	100%	3,365,667	100%
Cost of goods sold	33	(888,580)	-21.2%	(818,309)	-24.3%
Gross margin		3,312,094	78.8%	2,547,358	75.7%
Operating expenses	34	(2,536,104)	-60.3%	(2,057,874)	-61.1%
Operating income / (loss) - EBIT		775,990	18.5%	489,484	14.5%
Interest and other financial income/(expenses), net		(24,498)	-0.6%	(31,216)	-0.9%
Interest expenses on lease liability		(40,990)	-1.0%	(36,773)	-1.1%
Dividends from investments		473	0.0%	160	0.0%
Total financial income/(expenses)	35	(65,015)	-1.5%	(67,829)	-2.0%
Income / (loss) before taxation		710,975	16.9%	421,655	12.5%
Taxation	36	(241,820)	-5.8%	(126,552)	-3.8%
Net income / (loss) for the period		469,155	11.2%	295,103	8.8%
Net income / (loss) - Non-controlling interests	31	3,962	0.1%	849	0.0%
Net income / (loss) - Group	30	465,193	11.1%	294,254	8.8%
Basic and diluted earnings / (losses) per share (in Euro per share)	37	0.182		0.115	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Net income / (loss) for the period	469,155	295,103
A) Items recyclable to P&L:		
Change in Translation reserve	45,876	72,230
Tax impact	-	-
Change in Translation reserve less tax impact	45,876	72,230
Change in Cash Flow Hedge reserve	34,221	(14,331)
Tax impact	(8,283)	4,247
Change in Cash Flow Hedge reserve less tax impact	25,938	(10,084)
B) Items not recyclable to P&L:		
Change in Fair Value in equity instruments reserve	587	845
Tax impact	-	-
Change in Fair Value in equity instruments reserve less tax impact	587	845
Change in Actuarial reserve	(2,027)	4,248
Tax impact	657	(1,734)
Change in Actuarial reserve less tax impact	(1,370)	2,514
Comprehensive income / (loss) for the period - Consolidated	540,186	360,608
Comprehensive income / (loss) for the period - Non-Controlling Interests	4,655	1,717
Comprehensive income / (loss) for the period - Group	535,531	358,891

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Income / (loss) before taxation	710,975	421,655
Profit or loss adjustments		
Depreciation of the right of use assets	451,533	426,221
Depreciation and amortization of property, plant and equipment and intangible assets	210,891	197,997
Impairment of the right of use assets	12,342	-
Impairment of property, plant and equipment and intangible assets	59,486	6,513
Non-monetary financial (income) expenses	24,413	25,267
Interest expenses on lease liability	40,990	36,773
Other non-monetary (income) expenses	12,258	33,848
Balance Sheet changes		
Other non-current assets and liabilities	(33,142)	5,491
Trade receivables, net	(3,578)	(29,790)
Inventories, net	(121,826)	11,502
Trade payables	13,351	90,297
Other current assets and liabilities	15,112	244
Cash flows from operating activities	1,392,805	1,226,018
Interest paid (net), including interest paid on lease liability	(49,522)	(45,329)
Taxes paid	(219,586)	(37,161)
Net cash flows from operating activities	1,123,697	1,143,528
Purchases of property, plant and equipment and intangible assets	(241,495)	(219,628)
Disposals of property, plant and equipment and intangible assets	-	364
Cash from real estate sale to related party	18,000	20,000
Earn-out paid to a related party	(5,000)	-
Dividends from investments	473	103
Disposals of equity instruments	-	76,464
Purchase of equity instruments	(19,549)	-
Acquisition of additional shares from Non-Controlling Interests	-	(7,827)
Business combination	(2,638)	(6,741)
Net cash flow utilised by investing activities	(250,209)	(137,265)
Dividends paid to shareholders of Prada S.p.A.	(179,118)	(89,559)
Dividends paid to Non-Controlling shareholders	(599)	(1,674)
Repayment of lease liability	(428,170)	(392,805)
Repayment of current portion of long-term borrowings - third parties	(187,128)	(217,277)
Arrangement of long-term borrowings – third parties	-	240,000
Change in short-term borrowings – third parties	9,837	(33,412)
Loans to related parties	(2,200)	-
Net cash flows generated/(utilised) by financing activities	(787,378)	(494,727)
Change in cash and cash equivalents, net of bank overdrafts	86,110	511,536
Foreign exchange differences	23,726	27,858
Opening cash and cash equivalents, net of bank overdraft	981,786	442,392
Closing cash and cash equivalents, net of bank overdraft	1,091,622	981,786

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

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Investments in equity instruments Reserve	Other reserves	Total other reserves	Net result for the period	Equity Net Equity attributable to owners of the Group	 Net Equity attributable Non-controlling interests	 Total Net Equity
Balance at December 31, 2020	2,558,824,000	255,882	(3,359)	410,047	(5,794)	(8,151)	(25,188)	2,262,759	2,633,673	(54,139)	2,832,057	19,663	2,851,720
Allocation of 2020 net loss	-	-	-	-	-	-	-	(54,139)	(54,139)	54,139	-	-	-
Dividends	-	-	-	-	-	-	-	(89,559)	(89,559)	-	(89,559)	(1,674)	(91,233)
Capital reduction in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(141)	(141)
Gains/(losses) on sales of Investments in equity instruments	-	-	-	-	-	-	13,351	922	14,273	-	14,273	-	14,273
Acquisition of additional shares from Non-Controlling Interests	-	-	(574)	-	-	(66)	-	-	(66)	-	(640)	(4,816)	(5,456)
Acquisition of Luna Rossa Challenge S.r.l.	-	-	-	-	-	-	-	(1,128)	(1,128)	-	(1,128)	-	(1,128)
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	71,367	-	(10,084)	-	-	-	(10,084)	294,254	355,537	1,712	357,249
Comprehensive income/(loss) for the period (not recyclable to P&L	-	-	-	-	-	2,509	845	-	3,354	-	3,354	5	3,359
Balance at December 31, 2021	2,558,824,000	255,882	67,434	410,047	(15,878)	(5,708)	(10,992)	2,118,855	2,496,324	294,254	3,113,894	14,749	3,128,643
Allocation of 2021 net profit	-	-	-	-	-	-	-	294,254	294,254	(294,254)	-	-	-
Dividends	-	-	-	-	-	-	-	(179,118)	(179,118)	-	(179,118)	(599)	(179,717)
Monetary revaluation IAS 29	-	-	-	-	-	-	-	11,910	11,910	-	11,910	-	11,910
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	45,212	-	25,938	-	-	-	25,938	465,193	536,343	4,626	540,969
Comprehensive income/(loss) for the period (not recyclable to P&L	-	-	-	-	-	(1,399)	587	-	(812)	-	(812)	29	(783)
Balance at December 31, 2022	2,558,824,000	255,882	112,646	410,047	10,060	(7,107)	(10,405)	2,245,901	2,648,496	465,193	3,482,217	18,805	3,501,022

PRADA S.P.A. SEPARATE FINANCIAL STATEMENTS

PRADA S.P.A. STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Assets		
Current assets		
Cash and cash equivalents	520,888	396,777
Trade receivables, net	929,699	683,087
Inventories, net	301,566	269,947
Derivative financial instruments - current	22,483	3,058
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - current	261,736	415,146
Other current assets	119,246	95,509
Total current assets	2,155,618	1,863,524
Non-current assets		
Property, plant and equipment	796,669	788,786
Intangible assets	226,335	205,587
Right of use assets	337,102	343,835
Investments	797,146	907,468
Deferred tax assets	53,705	43,324
Other non-current assets	72,539	70,304
Derivative financial instruments - non-current	5,812	3,518
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties - non-current	186,301	72,525
Total non-current assets	2,475,609	2,435,347
Total assets	4,631,227	4,298,871
Liabilities and shareholders' equity		
Current liabilities		
Short-term lease liability	51,085	50,507
Short-term financial payables and bank overdraft	90,541	171,973
Financial payables and other payables to parent company, subsidiaries, associates and related parties - current	112,570	86,000
Trade payables	548,026	635,780
Tax payables	208,435	84,781
Derivative financial instruments - current	12,318	29,683
Other current liabilities	218,669	145,298
Total current liabilities	1,241,644	1,204,022
Non-current liabilities		
Long-term lease liability	305,073	312,767
Long-term financial payables	351,200	441,013
Long-term employee benefits	38,176	39,810
Provisions for risks and charges	3,376	16,051
Deferred tax liabilities	5,054	1,960
Other non-current liabilities	107,687	116,661
Derivative financial instruments - non-current	1,713	4,786
Financial payables and other payables to parent company, subsidiaries, associates and related parties - non-current	13,878	-
Total non-current liabilities	826,157	933,048
Total liabilities	2,067,801	2,137,070
Share capital	255,882	255,882
Total other reserves	1,735,861	1,595,269
Net income / (loss) for the period	571,683	310,650
Total net equity	2,563,426	2,161,801
Total liabilities and total net equity	4,631,227	4,298,871

PRADA S.P.A. STATEMENT OF PROFIT OR LOSS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Net revenues	2,509,323	1,854,692
Cost of goods sold	(829,231)	(719,202)
Gross Margin	1,680,092	1,135,490
Operating expenses	(711,350)	(675,067)
Operating income / (loss) - EBIT	968,742	460,423
Interest and other financial income / (expenses), net	(155,333)	(45,679)
Interest expenses on lease liability	(4,125)	(3,420)
Dividends from investments	49,594	23,785
Total financial income/(expenses)	(109,864)	(25,314)
Income / (loss) before taxation	858,878	435,109
Taxation	(287,195)	(124,459)
Net income / (loss) for the period	571,683	310,650

PRADA S.P.A. STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Net income / (loss) for the period	571,683	310,650
A) Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	27,200	(17,695)
Tax impact	(6,528)	4,247
Change in Cash Flow Hedge reserve less tax impact	20,672	(13,448)
B) Items not recyclable to P&L:		
Change in Fair Value in equity instruments reserve	587	845
Tax impact	-	-
Change in Fair Value in equity instruments reserve less tax impact	587	845
Change in Actuarial reserve	2,730	634
Tax impact	(655)	(152)
Change in Actuarial reserve less tax impact	2,075	482
Comprehensive income / (loss) for the period	595,017	298,529

PRADA S.P.A. STATEMENT OF CASH FLOWS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Income / (loss) before taxation	858,878	435,109
Profit or loss adjustments		
Depreciation of the right of use assets	50,812	48,354
Depreciation and amortization of property, plant and equipment and intangible assets	76,377	71,479
Impairment of property, plant and equipment and intangible assets	120	1,030
Losses/(gains) on disposal of non-current assets	256	(18)
Impairment of investments	146,406	39,216
Interest expenses on lease liability	4,125	3,420
Non-monetary financial (income) expenses	(58,976)	(27,321)
Other non-monetary (income) expenses	45,875	31,278
Balance sheet changes		
Trade receivables, net	(254,823)	(162,624)
Inventories, net	(37,039)	13,663
Trade payables	(87,755)	1,138
Other current assets and liabilities	(2,036)	4,628
Other non-current assets and liabilities	(16,720)	(6,010)
Cash flows from operating activities	725,500	453,342
Interest received/(paid) net, including interest paid of lease liability	5,363	(1,714)
Taxes paid	(183,079)	8,560
Net cash flows from operating activities	547,784	460,187
Purchase of property, plant and equipment and intangible assets	(88,904)	(74,901)
Cash from real estate sale to related party	18,000	20,000
Investments in subsidiaries and associates	(32,956)	(92,826)
Financial investments	-	76,363
Dividends received from investments	49,594	23,785
Net cash flow utilised by investing activities	(54,266)	(47,579)
Dividends paid to shareholders	(179,118)	(89,559)
Change in intercompany loans	45,068	(4,447)
Loans repaid by subsidiaries	23,471	23,537
Repayment of lease liability	(54,799)	(56,132)
Loans made to subsidiaries	(31,983)	(42,640)
Repayment of short-term portion of long-term borrowings - third parties	(172,044)	(189,889)
Arrangement of long-term borrowings - third parties	-	240,000
Net cash flows utilised by financing activities	(369,405)	(119,130)
Change in cash and cash equivalents, net of bank overdraft	124,113	293,478
Opening cash and cash equivalents, net of bank overdraft	396,771	103,293
Closing cash and cash equivalents, net of bank overdraft	520,884	396,771

PRADA S.P.A. 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 Invest-ments in equity in-struments Reserve	Total other reserves	Net result for the period	Total equity
Balance at December 31 2020	2,558,824,000	**255,882**	410,047	51,176	234,075	1,028,031	704	(25,188)	**1,698,845**	**(16,176)**	**1,938,551**
Allocation of 2020 net loss	-	**-**	-	-	-	(16,176)	-	-	**(16,176)**	**16,176**	**-**
Other movements	-	**-**	-	-	-	929	-	13,351	**14,280**	**-**	**14,280**
Dividends	-	**-**	-	-	(51,176)	(38,382)	-	-	**(89,558)**	**-**	**(89,558)**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	**-**	-	-	-	-	(13,448)	-	**(13,448)**	**310,650**	**297,202**
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	**-**	-	-	-	482	-	845	**1,327**	**-**	**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)	**1,595,270**	**310,650**	**2,161,802**
Allocation of 2021 net profit	-	**-**	-	-	-	310,650	-	-	**310,650**	**(310,650)**	**-**
Other movements	-	**-**	-	-	-	(14,275)	-	-	**(14,275)**	**-**	**(14,275)**
Dividends	-	**-**	-	-	-	(179,118)	-	-	**(179,118)**	**-**	**(179,118)**
Comprehensive income/(loss) for the period (recyclable to P&L)	-	**-**	-	-	-	-	20,671	-	**20,671**	**571,683**	**592,354**
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	**-**	-	-	-	2,075	-	588	**2,663**	**-**	**2,663**
Balance at December 31 2022	2,558,824,000	**255,882**	410,047	51,176	182,899	1,094,216	7,927	(10,404)	**1,735,861**	**571,683**	**2,563,426**

1. GENERAL INFORMATION

Prada S.p.A. ("Prada" or the "Company"), together with its subsidiaries (collectively the "Group" or the "Prada Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). The Prada Group is a leading player in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands producing and distributing leather goods, footwear and apparel. It also operates in the food sector with the Marchesi 1824 brand, in the most prestigious sailing races with Luna Rossa and in the eyewear and fragrance industries under licensing agreements.
The Group owns 24 production facilities (21 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and its products are sold in 70 countries worldwide mainly through its directly operated stores, which numbered 612 at December 31, 2022. The Prada Group's products are also sold directly through the brands' e-commerce activity and indirectly in selected high-end department stores, by independent retailers in very exclusive locations and by important e-tailers.

The Company is a joint-stock company with limited liability, registered and domiciled in Italy. Its registered office is at via Fogazzaro 28, Milan. At December 31, 2022 (the reporting date of these Consolidated Financial Statements), 79.98% of the share capital was owned by Prada Holding S.p.A., a company domiciled in Italy, and the remainder consisted of floating shares listed on the Main Board of the Hong Kong Stock Exchange.

The Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of Prada S.p.A. on March 9, 2023.

2. BASIS OF PREPARATION

The Consolidated Financial Statements of the Prada Group as at December 31, 2022, which consist of the "Consolidated Statement of Financial Position", the "Consolidated Statement of Profit or Loss for the twelve months ended December 31, 2022", the "Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2022", the "Consolidated Statement of Cash Flows for the twelve months ended December 31, 2022", the "Consolidated Statement of Changes in Shareholders' Equity" and the "Notes to the Consolidated Financial

Statements", have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

IAS 29 - Financial Reporting in Hyperinflationary Economies

Since June 30, 2022, the Turkish economy has been considered hyperinflationary according to the definition and criteria set out in "IAS 29 - Financial Reporting in Hyperinflationary Economies". In fact, inflation in Turkey has risen exponentially, with a cumulative inflation rate over three years that exceeds 100%.

	Dec 31, 2020	June 30, 2021	Dec 31, 2021	June 30, 2022	Dec. 31, 2022
Three-year cumulative CPI	54.2%	53.2%	74.4%	136.4%	156.2%
source: Turkish Statistical Institute					

This condition is one of the indicators stated in IAS 29, which requires, in order to take into account the loss of the general purchasing power of the functional currency, the restatement of the non-monetary items of the Statement of Financial Position and of all the items of the Statement of Profit or Loss by applying the change in the general price index (in this case the consumer price index or "CPI") from the date of acquisition and/or transaction to the end of the reporting period. Monetary items are not restated because they are already presented in the measuring unit current at the end of the reporting period. The financial statements are translated at the closing exchange rate.

The general price index processed from 2009 (when Prada Bosporus Deri Mamuller Ltd Sirketi was founded) until December 31, 2022 is as follows:

Year	CPI	Year	CPI	Year	CPI	Year	CPI	Year	CPI
2009	170.91	2012	213.23	2015	269.54	2018	393.88	2021	686.95
2010	181.85	2013	229.01	2016	292.54	2019	440.50	2022	1,128.45
2011	200.85	2014	247.72	2017	327.41	2020	504.81		
source: Turkish Statistical Institute									

The following table reports the main impacts of the restatements of the non-monetary items at December 31, 2022:

(amounts in thousands of Euro)	Opening restatement using CPI at December 31, 2021	Exchange rates differences	Inflation effect of the period	December 31, 2022 restated
Fixed assets	846	(191)	236	891
Inventories	185	(331)	2,260	2,114
Right of use assets	4,716	(1,608)	5,494	8,602
Deferred tax liabilities, net	(1,322)	256	(49)	(1,115)
Other reserves	(4,425)	293	(7,778)	(11,910)
Translation reserve	-	1,581	-	1,581
Net profit / (loss) impact	-	-	163	163

At the date of presentation of these Consolidated Financial Statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the Prada Group and those issued by the IASB, excluding the two amendments not endorsed yet as explained in the Note 3.
IFRSs also refer to all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The Group has prepared the Consolidated Statement of Financial Position presenting separately the current and non-current assets and liabilities. All details needed for accurate and complete disclosure are provided in the Notes to the Consolidated Financial Statements. Consolidated Statement of Profit or Loss items are classified by destination. The Consolidated Statement of Cash Flows has been prepared with the indirect method. The Consolidated Financial Statements are presented in Euro, the functional currency of Prada S.p.A..
The Consolidated Financial Statements have been prepared on a going concern basis.

3. NEW IFRS AND AMENDMENTS TO IFRS

Amendments to existing standards issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2022.

Amendments to existing standards	Effective date for Prada Group	EU endorsement dates
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

The introduction of these amendments did not have any effect on these Consolidated Financial Statements.

New standards and amendments to existing standards issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada Group because they are effective for annual periods beginning on or after January 1, 2023.

New standards and amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 17 Insurance contracts	January 1, 2023	Endorsed in November 2021
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	January 1, 2023	Endorsed in March 2022
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 1, 2023	Endorsed in March 2022
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	Endorsed in August 2022
Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information (issued on 9 December 2021)	January 1, 2023	Endorsed in September 2022

Amendments issued by the IASB, but not yet endorsed by the European Union at December 31, 2022.

New IFRS Standards and Amendments to existing standards	Date of possible application	EU endorsement status
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – Non-current Liabilities with Covenants	January 1, 2024	Not endorsed yet
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	January 1, 2024	Not endorsed yet

At the date of the Consolidated 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 Prada Group, in terms of both those already endorsed by the European Union and those undergoing the endorsement process.

4. SCOPE OF CONSOLIDATION

The consolidated financial information comprises the accounts of Prada S.p.A. and the Italian and foreign companies over which such the Company has the right to exercise control either directly or indirectly. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use that power to affect its returns from the investee.
The companies in which the Group has more than 50% of the voting rights or that are controlled by the Group in some other way are consolidated using the full consolidation method from the date on which the Group gains control until the date on which that control ceases.

Associated undertakings ("associates") are consolidated using the equity method. Associates are companies in which the Group has significant influence but does not exercise control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee without having control or joint control.

The companies included in the Consolidated Financial Statements are listed in Note 42.

5. BASIS OF CONSOLIDATION

The main consolidation procedures used to prepare the Consolidated Financial Statements are explained below:

- the separate financial statements of Prada S.p.A. are prepared in accordance with IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information all have the same reporting date;
- the financial statements of subsidiaries are consolidated using the full consolidation method, incorporating the entire amount of the assets, liabilities,

revenues and expenses of each company irrespective of the percentage of ownership held, and eliminating the carrying amount of the consolidated equity interests owned directly or indirectly by the Company against the corresponding portion of the related equity;

- for fully consolidated companies that are not wholly owned by the Parent Company, the portions of equity and annual profit or loss belonging to third parties are shown separately as "Net equity attributable to Non-controlling interests" in the Consolidated Statement of Financial Position and "Net income/(loss) - Non-controlling interests" in the Consolidated Statement of Profit or Loss;
- for business combinations, the difference between the purchase price of the equity interest acquired and the corresponding portion of equity at the acquisition date is allocated, if positive, to the identifiable assets acquired and liabilities assumed measured at their fair value. Any residual amount, if positive, is recognized as goodwill, and if negative is recognized immediately in the Statement of Profit or Loss. The difference between the cost of acquisition of an additional controlling interest and the related value of the interest acquired is recognized directly in equity reserves. If the business combination is achieved in stages (a step acquisition), the previous held interest owned in the company acquired is remeasured at fair value at the date on which control is acquired. Differences identified in this manner are recognized in profit or loss. In business combinations under common control, the difference between the purchase price of the equity interest acquired and the corresponding portion of equity is recognized directly in equity.
- the acquisition cost of an equity interest or an activity that does not constitute a business, and which therefore does not originate a business combination, is allocated to the individual assets acquired and liabilities assumed measured at their fair value at the acquisition date;
- the resulting profits, losses, assets and liabilities of associates are accounted for using the equity method. Under such method, the investments in associates are recognized in the Statement of Financial Position at cost, subsequently adjusted to reflect post-acquisition changes and any impairment losses. Losses exceeding the Parent Company's owners' interest in the associate are not recognized, unless the Group has taken on an obligation to cover such losses. An excess of the cost of acquisition over the Company's share of the fair value of the assets acquired and liabilities assumed at the acquisition date is accounted

for as goodwill. Goodwill is included in the carrying amount of the investment and is tested for impairment. A deficit between the cost of acquisition and the Company's share of the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date is recognized in the Statement of Profit or Loss of the period of acquisition;

- during the consolidation process, all payables, receivables, expenses and revenues deriving from transactions between the consolidated companies are eliminated in full. Any unrealized profits and losses deriving from transactions between the Group's consolidated companies and included in the inventory valuation at the reporting date are eliminated. Unrealized losses are eliminated except where the transaction provides evidence of impairment of the asset transferred, in which case the value of the transferred asset is written down;
- dividends distributed by the consolidated companies are eliminated from the Profit or Loss Statement and added to the retained earnings if and to the extent that they were extracted from them;
- the financial statements of subsidiaries are prepared in their respective local currency. Assets and liabilities are translated into Euro using the end-of-period exchange rate, and income and expenses are translated using the average exchange rate of the period. If translation at the average exchange rate does not present the transaction fairly, the exchange rate prevailing at the date of the transaction is used to translate its effect on the consolidated profit or loss. Differences arising on translating Statement of Financial Position balances at the beginning and at the end of the period, and differences arising on translating Statement of Profit or Loss items at the average exchange rate for the period (or another exchange rate, as mentioned above) and at the end of the period, are recognized in a translation reserve in consolidated equity until the disposal of the investee. The translation reserve includes the accumulated translation differences generated since first-time consolidation (January 1, 2004). In the preparation of the Consolidated Statement of Cash Flows, the cash flows of subsidiaries are translated using the average exchange rate for the period. Exchange differences arising on a monetary item qualified as a net investment in a foreign operation are initially recognized in the translation reserve and subsequently released to profit or loss upon disposal of the investment;
- the reporting currency of the Consolidated Financial Statements is the Euro. All amounts are expressed in thousands of Euro unless stated otherwise.

6. MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognized at their nominal value. Cash equivalents include all highly liquid investments originally with a short-term maturity.
Solely for the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand, bank accounts and deposit accounts. Bank overdrafts and the current portions due to banks on medium and long-term loans are recognized as short-term financial payables and bank overdrafts.

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 accounts payable are recognized at nominal amount.
Transactions denominated in foreign currency are recognized 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.

INVENTORIES

Raw materials, work in progress and finished products are recognized at the lower of acquisition cost, production cost and net realizable value. Cost comprises direct production costs and those indirect 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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized 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 the 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 works carried out on premises, mainly commercial, not owned by the Group.

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 Equipment	Depreciation rate or period
Land	not depreciated
Buildings and construction	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	Shorter of lease term (*) and useful life
Improvements to leased industrial and corporate premises	Shorter of lease term (*) and useful life
Furniture and fixture retail	Shorter of lease term (*) and useful life
Furniture and fixture corporate and industrial	7% - 20%
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, the useful life of fixed assets related to such premise 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 Group and capable of producing future economic benefits, are included in intangible assets.

Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.
Trademarks are recognized at cost or at the value attributed upon acquisition and include the cost of trademark registration in the various countries in which the Group operates. The Directors estimate a useful life of between 20 and 40 years for trademarks. This assumes there are no risks or limitations on control over their use. Every trademark is tested for impairment whenever indicators of impairment emerge. The useful life of trademark registration costs is estimated to be 10 years. The caption trademark also includes other intellectual property rights which useful life is determinated in accordance with the relevant contracts.

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.

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
Trademarks and other intellectual property rights	2.5% - 25%
Store lease acquisition costs	Shorter of lease term (*) and useful life
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

Goodwill, 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.

For impairment test purposes, goodwill acquired in a business combination shall be, from the acquisition date, allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets. The Prada Group's Cash Generating Units include trademarks, sales channels and geographical areas.
The cash generating units to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication of impairment, the carrying value of the cash generating unit is compared with their recoverable amount.
The carrying amount of CGUs tested for impairment for consolidation purposes is represented by the net invested capital, which means the net equity adjusted by the net financial position including the lease liability.
Recoverable amount is the higher of fair value less costs to sell and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Estimated cash flow is based on budget, forecast and on long-term projections (generally no longer than five years) prepared by the management.
An impairment loss is recognized in the profit or loss for the period whenever the recoverable amount of the cash generating unit is lower than its book value. An impairment loss recognized for goodwill is never reversed in subsequent years.

RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of use 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 Group 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 Group determines the lease term as the non-cancellable period of a lease, together with the periods covered by an option to extend or to terminate the lease under the control of the Company. The management evaluates the exercise of the option if it's considered "reasonably

certain" based on several factors and circumstances that create an incentive for the lessee to exercise, or not to exercise the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.
The lease term begins on the 'commencement date' of the lease. This is defined as the date on which the lessor makes an underlying asset available for use by a lessee. It is the date on which the lessee initially recognises and measures right of use assets and lease liabilities.
The commencement date is not necessarily the date on which the depreciation of the right of use starts. 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 (consistently with the IAS 16 requirements).

The right of use assets are 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 incremental costs incurred to conclude the contract) or by any dismantling cost necessary to bring back the premises to its original condition. The right of use assets are 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 calculated at Group level. The profit or loss caption "Interest expenses IFRS 16" represents the adjustment to the present value of the Lease Liability. Since most leases stipulated by the Group do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments is determined as the risk-free rate of each contract currency in which the leases are stipulated, with payment dates based on the terms of the specific lease, increased by the parent 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 Group. As a result, in the Group'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 Group and in the industry as a whole.

INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT VENTURES

The initial recognition of Investments in equity instruments (previously "available

for sale") is at purchase cost, increased by any directly attributable transaction costs. The Group evaluates these instruments at fair value and the related changes are recognized 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 Group. 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 FVOCI) 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 Consolidated 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.

Associated undertakings ("associates") are recognised in the Consolidated Financial Statement using the equity method. Associates are companies in which the Group has significant influence but does not exercise control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee without having control or joint control.

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 carried-forward and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible temporary 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.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recognized at the fair value based on hedge accounting rules.
According to these rules, within the framework of IFRS 9, future cash flow hedging contracts such as those listed above are qualified 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 which could affect profit or loss. In this case, the change in fair value of 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.

NON-CURRENT FINANCIAL LIABILITIES

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

EMPLOYEE BENEFITS

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 Group's obligations.

The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.

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

Other long-term employee benefits are recognized 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 Group, and their payment, deferred over time to keep the beneficiaries in the organization, is remeasured using indices relating to the Group's profitability or market value. Like defined benefit plans, other long-term benefits are also valued using the Projected Unit Credit Method. Unlike defined benefits plans, the actuarial gains and losses of other long-term benefits are recognized through profit or loss rather than through net equity.

Long-term employee benefits in the form of share-based payments ("phantom shares") are cash-settled and fall within the scope of IFRS 2. These benefits are measured at fair value, the estimation of which follows a risk neutral approach. In the model, the risk free rate curve is deducted from the Euro Area rates at the valuation date; in addition, the expected dividend rate of the underlying was taken into account. Until the liability is settled, the fair value is restated at the date of each year and at the settlement date. Changes in fair value are recognized through profit or loss.

PROVISIONS FOR RISKS AND CHARGES AND CONTINGENT ASSETS

The Prada Group 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 Group. 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 Group 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 at the reporting date.
Deferred tax liabilities are not discounted.
Deferred tax liabilities 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.

ACCOUNTING IN HYPERINFLATIONARY ECONOMIES

Non-monetary assets and liabilities and gains and losses of entities whose functional currency is the currency of a hyperinflationary economy are restated to reflect the changes in the general pricing power of their functional currency, in accordance with IAS 29, by applying the change in the general price index between the date those items were acquired or incurred and the end of the reporting period.
Therefore, for non-monetary items recognized at their historical cost, the opening Statement of Financial Position is restated to reflect the effect of inflation from the date on which the assets were acquired and the liabilities were incurred or assumed to the date of the previous year closing Statement of Financial Position.

This effect is recognized in equity.
Afterward, all the corresponding restated data in the subsequent financial statements and the Statement of Profit or Loss items are restated by applying the change in the general price index for the current reporting period, thereby generating a gain or loss, charged to the income statement in a specific item called "net monetary position gain or loss".
Moreover, IAS 21 states that the financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy must be translated into a different presentation currency, i.e., all the amounts (assets, liabilities, items of equity, income and expenses) must be translated at the closing rate of the reporting period, except for comparative amounts that are translated into a currency of a non-hyperinflationary economy.

REVENUE RECOGNITION AND COST 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.
Financial discounts are recognized as financial expenses.
Costs are recognized 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 recognized.

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 and 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 -, annual interest maturing on the present value of post-employment benefits and interests on late payments.

TAXATION

The provision for taxation is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates (and tax laws) that have been enacted or substantially enacted in each country at the reporting date.
Current taxes are recognized 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.

EARNINGS OR LOSSES PER SHARE

Earnings or losses per share are calculated by dividing the net result attributable to the holding company by the weighted average number of ordinary shares in issue.

CHANGES OF ACCOUNTING POLICIES, ERRORS AND CHANGES OF ESTIMATES

The accounting policies adopted change from one year to the next only if the change is required by an accounting standard or if it helps provide more reliable and meaningful information on the impact of operations on the entity's statement of financial position, profit or loss or cash flows.
Changes of accounting policy are accounted for retroactively with the effect allocated to the opening equity of the earliest of the periods presented. The other

comparative amounts reported for each prior period are also adjusted as if the new policy had been applied from the outset. A prospective approach is adopted only when it would be impracticable to restate the comparative information.
The application of a new or amended accounting standard is accounted for as requested by the standard itself. If the standard does not regulate the transition method, the change is accounted for on a retroactive basis or, if impracticable, on a prospective basis.
Material errors are treated on the same basis as changes of accounting policy as described above. Non-material errors are corrected through the profit or loss for the period in which the error was identified.
Changes of accounting estimates are accounted for prospectively in the profit or loss for the year in which the change is made if it only affects the profit or loss for that year, or in the profit or loss for the year in which the change is made and in subsequent periods if they are also affected by the change.

USE OF ESTIMATES

In accordance with IFRS, preparation of these consolidated financial statements requires the use of estimates and assumptions when determining certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.
These assumptions refer, first of all, to operations and events not settled at the end of the period. Therefore, upon payment, the actual outcome may differ from the estimated amounts. Estimates and assumptions are reviewed periodically and the effects of each change are immediately recognized in the profit or loss.
Estimates are used also for impairment tests, for equity method accounting, when determining provisions for risks and charges, the provision for bad debts, the inventory obsolescence provision, the post-employment benefits, the tax computation, the measurement of derivatives, the lease term of contracts with renewal or early termination options (in accordance with IFRS 16) and the useful life of property, plant and equipment and intangible assets.

IMPACT OF CLIMATE CHANGE-RELATED MATTERS ON FINANCIAL STATEMENTS

The Group has defined a climate strategy with the objective of reducing greenhouse gases (GHG) emissions, positively contributing to the global goal of fighting climate change. The strategy includes medium term carbon reduction targets related to direct GHG emission (scope 1), indirect GHG energy emissions (scope 2) and other indirect GHG emissions from sources not owned or controlled by the company itself (scope 3).

The main action on going to reach the targets for scope 1 and scope 2 are:

- electrification of industrial sites heating/cooling systems;
- green company car fleet;
- increase in self-produced energy from owned photovoltaic systems;
- investment in renewable energy procurement and in LEED Gold or Platinum certifications.

The management has evaluated the effects of climate change and of the action in place to follow the climate strategy on the criteria for the preparation of these consolidated financial statements, with particular reference to the estimates and assumptions as defined in the above section "Use of Estimates".

The management has assessed as negligible the effects on the consolidated financial statements, 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.

IMPACT OF THE OUTBREAK OF WAR IN UKRAINE ON FINANCIAL STATEMENTS

The effects of the ongoing conflict have been considered in the preparation of the financial statements as of December 31, 2022. In particular, the only relevant impact on the financial statement as of December 31, 2022 is related to the impairment of assets held in Russia as disclosed in Note 16 Impairment Test.

The net revenues realised in Russia in 2021 accounted for approximately 2% of the consolidated net revenues as of December 31, 2021.

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 recognised in the consolidated financial statements of the Group.

7. MERGERS AND ACQUISITIONS

On September 1, 2022, Prada S.p.A. established the company Prada Norway As with the aim of developing the commercial activities in Norway.

On November 18, 2022, Prada S.p.A. purchased the entire share capital of Caffè Principe S.r.l., which operates the eponymous "Caffè Principe", the historic, most prestigious bar in Forte dei Marmi.

(amounts in thousands of Euro)	Fair value of net assets/(liabilities) acquired
Cash	88
Right of use assets	1,674
Other current assets/(liabilities)	(73)
Other non-current assets/(liabilities)	(355)
Lease liabilities	(1,591)
Carrying amount of net assets acquired	(257)
Consideration paid	(3,405)
Allocation to right of use assets	4,684
Allocation to deferred tax liabilities	(1,022)

The inclusion of Caffè Principe S.r.l. in the consolidation perimeter did not have a material effect on the Group's consolidated statement of profit or loss for the year ended December 31, 2022.

8. OPERATING SEGMENTS

IFRS 8, "Operating Segments", requires detailed information to be provided for each operating segment that makes up the business. An operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to adopt decisions to allocate appropriate resources to the segment and assess its performance.
Because of the Group's matrix-based organizational structure (whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas), the complementary nature of the various brands' production processes and the many relationships between the different business divisions, it is not possible to designate operating segments as defined by IFRS 8 since the top management is provided with the financial performance solely on a Group-wide level. For this reason, the business is considered a single operating segment, as it better represents the specific characteristics of the Prada Group business model.

NET REVENUES

Detailed information on the net revenues by distribution channel and brand are provided in the Financial Review together with the related comments.

GEOGRAPHICAL INFORMATION

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Europe	3,008,806	3,005,722
Americas	628,828	471,229
Asia Pacific	504,942	536,218
Japan	349,099	417,887
Middle East and Africa	81,617	57,344
Total	4,573,292	4,488,400

The total amount of Euro 4,573 million (Euro 4,488 million at December 31, 2021) refers to the Group's non-current assets excluding, as per IFRS 8, those relating to derivatives, deferred tax assets and the pension fund surplus.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

9. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are detailed as follow:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Cash on hand and other cash equivalents	53,804	36,636
Bank deposit accounts	781,358	189,306
Bank current accounts	256,460	755,844
Total	1,091,622	981,786

At December 31, 2022, the bank accounts and deposits accruing interest income had yields in the range of 0.1% and 12% annually (0% and 5.1% at December 31, 2021). As for bank deposits, interest income has average yields of 2.6%.

10. TRADE RECEIVABLES, NET

The trade receivables, net are detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade receivables - third parties	342,110	338,931
Allowance for bad and doubtful debts	(11,595)	(10,990)
Trade receivables - related parties	1,400	1,606
Total	331,915	329,547

The change in the allowance for bad and doubtful debts is set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Opening balance	10,990	11,979
Exchange differences	90	546
Increases	741	581
Reversals	(136)	(1,129)
Utilization	(90)	(987)
Closing balance	11,595	10,990

11. INVENTORIES, NET

The inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Raw materials	108,450	99,837
Work in progress	30,109	29,938
Finished products	699,849	585,547
Return assets	10,493	7,246
Allowance for obsolete and slow-moving inventories	(88,444)	(59,914)
Total	760,457	662,654

The increase is attributable primarily to more products in stock to support the revenue growth. In 2022, the inventory allowance was increased, net of the utilisations and reversal, by Euro 28.5 million with allocations mainly for slow-moving products.

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total allowance for obsolete and slow-moving inventories
Opening balance	30,735	29,179	59,914
Exchange differences	(3)	135	132
Increases	1,588	28,449	30,037
Utilisation	(98)	(896)	(994)
Reversal	-	(645)	(645)
Closing balance	32,222	56,222	88,444

12. DERIVATIVE FINANCIAL INSTRUMENTS: ASSETS AND LIABILITIES

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial assets regarding derivative instruments - current	22,483	1,762
Financial assets regarding derivative instruments - non-current	5,812	-
Total Financial Assets - Derivative financial instruments	28,295	1,762
Financial liabilities regarding derivative instruments – current	(11,565)	(29,683)
Financial liabilities regarding derivative instruments – non-current	-	(4,786)
Total Financial Liabilities - Derivative financial instruments	(11,565)	(34,469)
Net carrying amount – current and non-current portion	16,730	(32,707)

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021	IFRS7 Category
Forward contracts	12,673	1,394	Level II
Options	6,361	368	Level II
Interest rate swaps	9,261	-	Level II
Positive fair value	28,295	1,762	
Forward contracts	(10,425)	(10,139)	Level II
Options	(1,140)	(17,486)	Level II
Interest rate swaps	-	(6,844)	Level II
Negative fair value	(11,565)	(34,469)	
Net carrying amount – current and non-current	16,730	(32,707)	

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

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

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

FOREIGN EXCHANGE RATE TRANSACTIONS

The cash flows of the Group are exposed to exchange rate volatility because it operates on an international scale. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements, so as to guarantee the value of identified cash flows in Euro (or in other currencies used locally). The expected future cash flows mainly regard the collection of trade receivables, the settlement of trade payables and financial cash flows.

The notional amounts of the derivative contracts (translated at the December 31, 2022 exchange rates reported in Note 38) designated as foreign exchange risk hedges are as stated below.

Contracts in effect at December 31, 2022 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2022
Currency			
US Dollar	87,193	211,888	299,081
Chinese Renminbi	65,233	152,891	218,124
Korean Won	74,400	77,376	151,776
Japanese Yen	17,062	88,156	105,218
GB Pound	-	71,031	71,031
Canadian Dollar	9,972	18,283	28,255
Taiwan Dollar	-	23,712	23,712
Swiss Franc	-	20,209	20,209
Hong Kong Dollar	5,531	10,401	15,932
Malaysia Ringgit	-	12,877	12,877
Other currencies	6,644	96,783	103,427
Total	266,035	783,607	1,049,642

Contracts in effect at December 31, 2022 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts	December 31 2022
Currency		
GB Pound	75,541	75,541
Swiss Franc	31,177	31,177
US Dollar	30,658	30,658
Malaysia Ringgit	5,321	5,321
Other currencies	17,913	17,913
Total	160,610	160,610

Contracts in effect at 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 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

All contracts in place at December 31, 2022 have a maturity shorter than twelve months.

All contracts in place at the reporting date were entered into with major financial institutions, and no counterparties are expected to default. A liquidity analysis of the derivative contracts maturities is provided in the financial risks section of these Notes.

INTEREST RATE TRANSACTIONS

The Group enters into interest rate swaps ("IRS") in order to hedge the risk of interest rate fluctuations on bank loans. The key features of the IRS agreements in place as at December 31, 2022 and December 31, 2021 are summarized below:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2022	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	27,500	1.46%	May-2030	1,688	EUR	Term Loan	27,500	May-2030
IRS	Euro/000	100,000	1.33%	Apr-2025	4,280	EUR	Term Loan	100,000	Apr-2025
IRS	Euro/000	77,400	2.65%	Feb-2026	731	EUR	Term Loan	77,400	Feb-2026
IRS	GBP/000	42,825	2.78%	Jan-2029	2,562	GBP	Term Loan	42,825	Jan-2029
Total fair value (amounts in thousands of Euro)					9,261				

Interest Rate Swap (IRS) Agreement						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
IRS	GBP/000	46,050	2.778%	Jan-2029	(4,676)	GBP/000	Term Loan	46,050	Jan-2029
Total fair value (amounts in thousands of Euro)					(6,844)				

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

INFORMATION ON FINANCIAL RISKS

CAPITAL MANAGEMENT

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IFRS 7

FINANCIAL ASSETS

(amounts in thousands of Euro)	Financial receivables, trade receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	1,091,622	-	1,091,622	9
Trade receivables, net	331,915	-	331,915	10
Derivative financial instruments	-	28,295	28,295	12
Investments in equity instruments	3,551	-	3,551	18
Other Investments	23,423	-	23,423	18
Total at December 31, 2022	1,450,511	28,295	1,478,806	

(amounts in thousands of Euro)	Financial receivables, trade receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	981,786	-	981,786	9
Trade receivables, net	329,547	-	329,547	10
Derivative financial instruments	-	1,762	1,762	12
Investments in equity instruments	2,964	-	2,964	18
Other Investments	2,732	-	2,732	18
Total at December 31, 2021	1,317,029	1,762	1,318,791	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	560,071	-	560,071	21,22,26
Trade payables	401,799	-	401,799	23
Derivative financial instruments	-	11,565	11,565	12
Lease liabilities	2,107,577	-	2,107,577	20
Total at December 31, 2022	3,069,447	11,565	3,081,012	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	745,264	-	745,264	21,22,26
Trade payables	390,163	-	390,163	23
Derivative financial instruments	-	34,469	34,469	12
Lease liabilities	2,045,412	-	2,045,412	20
Total at December 31, 2021	3,180,839	34,469	3,215,308	

FAIR VALUE

The reported amount of derivative instruments, whether assets or liabilities, reflects their fair value, as explained in this Note 12.

The carrying amount of cash and cash equivalents, financial receivables and trade receivables, as adjusted for impairment where necessary in accordance with IFRS 9, approximates their estimated realizable value and, hence, their fair value.
The amount of the investments in equity instruments corresponds to its fair value (Level I), as explained in Note 18.
The lease liability is reported at its present value, while all other financial liabilities are stated 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 to which an entity is exposed is represented by all the financial assets recognized in the financial statements. However, according to management, the Group's credit risk regards essentially the trade receivables generated in the wholesale channel and the cash holdings. The Group has implemented specific control systems to manage such risk, as explained in the section describing risk factors in the Financial Review.

TRADE RECEIVABLES

The table below provides an aging analysis of the trade receivables before accounting for the allowance for bad and doubtful debts:

(amounts in thousands of Euro)	December 31, 2022	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	343,510	288,400	28,803	4,109	3,902	1,185	17,111
Total at December 31, 2022	343,510	288,400	28,803	4,109	3,902	1,185	17,111

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	340,537	284,762	11,103	15,126	4,187	3,759	21,600
Total at December 31, 2021	340,537	284,762	11,103	15,126	4,187	3,759	21,600

The following table provides an aging analysis of the trade receivables after accounting the allowance for bad and doubtful debts:

(amounts in thousands of Euro)	December 31, 2022	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	331,915	286,800	28,731	3,645	3,896	1,182	7,661
Total at December 31, 2022	331,915	286,800	28,731	3,645	3,896	1,182	7,661

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	329,547	283,363	10,968	15,045	4,146	3,751	12,274
Total at December 31, 2021	329,547	283,363	10,968	15,045	4,146	3,751	12,274

BANK CURRENT ACCOUNTS AND DEPOSITS

The bank deposits are broken down by currency below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Currency		
Euro	473,021	-
US Dollar	131,258	-
Hong Kong Dollar	123,010	120,469
Other Currencies	54,069	68,837
Total bank deposit accounts	781,358	189,306

The Group aims to reduce the default risk on bank deposits by allocating the available funds to multiple accounts that differ by currency, country and bank (always investment grade); such investments are always short-term.

The bank current accounts are broken down by currency as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Currency		
US Dollar	65,427	202,107
Euro	56,977	404,164
GB Pound	14,299	13,965
Korean Won	5,136	16,288
Hong Kong Dollar	3,615	4,023
Other currencies	111,006	115,297
Total bank current accounts	256,460	755,844

The management considers no significant risk to exist on bank accounts given that their use is strictly related to operating activities and business processes and they are present in a large number of countries.

LIQUIDITY RISK

Liquidity risk refers to the difficulty the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, while the Chief Financial Officer (CFO) is in charge of optimizing the management of 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 Group to meet its financial requirements arising from investing activities, working capital management, punctual loan repayment and dividend payment in the foreseeable period.

At December 31, 2022, the Group had undrawn cash credit lines of Euro 807 million available at banks (Euro 808 million at December 31, 2021), of which Euro 400 million were committed credit lines and Euro 407 million were uncommitted ones.

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

(amounts in thousands of Euro)	December 31, 2022	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	401,799	374,150	9,666	5,057	136	1,836	10,954
Total at December 31, 2022	401,799	374,150	9,666	5,057	136	1,836	10,954

(amounts in thousands of Euro)	December 31, 2021	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	390,163	348,256	14,226	5,854	3,450	2,580	15,797
Total at December 31, 2021	390,163	348,256	14,226	5,854	3,450	2,580	15,797

FINANCIAL LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS (FORWARD CONTRACTS AND OPTIONS)

The maturities of the financial liabilities according to the earliest date on which the Group could be required to pay (worst-case scenario) are presented in the following tables.

As required by IFRS 7, the following tables show the financial liabilities under forward contracts and options designated as cash flow hedges where a negative cash flow is expected at the reporting date:

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2022	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Net cash flows (outflows/inflows) of forward contracts	(10,425)	(4,008)	(6,417)	-	-	-	-
Net cash flows (outflows/inflows) of options	(1,140)	(427)	(623)	(12)	(39)	(39)	-
Net amount	(11,565)	(4,435)	(7,040)	(12)	(39)	(39)	-

(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	3 to 4 years	more than 4 years
Net cash flows (outflows/inflows) of forward contracts	(10,139)	(5,492)	(4,647)	-	-	-	-
Net cash flows (outflows/inflows) of options	(17,486)	(9,783)	(6,851)	(305)	(214)	(187)	(146)
Net amount	(27,625)	(15,275)	(11,498)	(305)	(214)	(187)	(146)

FINANCIAL LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS (INTEREST RATE SWAPS)

As required by IFRS 7, the following tables show interest rate swaps where a negative cash flow is expected at the reporting date:

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2022	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	-	-	-	-	-	-	-
Net amount	-	-	-	-	-	-	-

(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	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(6,844)	(1,123)	(756)	(1,132)	(946)	(850)	(2,037)
Net amount	(6,844)	(1,123)	(756)	(1,132)	(946)	(850)	(2,037)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2022	Future contractual cash flows at Dec. 31, 2022	on demand	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 Liability	2,107,577	2,296,740	-	224,801	210,249	378,651	312,037	259,895	911,107
Financial liabilities - third parties (without deferred costs on loans)	557,487	606,990	-	120,084	56,598	99,558	144,575	140,038	46,137
Financial liabilities - related parties	3,568	3,568	-	-	3,568	-	-	-	-
Total	2,668,632	2,907,298	-	344,885	270,415	478,209	456,612	399,933	957,244

(amounts in thousands of Euro)	Carrying amount at Dec. 31, 2021	Future contractual cash flows at Dec. 31, 2021	on demand	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 Liability	2,045,412	2,170,899	-	232,498	217,379	347,633	303,106	246,392	823,891
Financial liabilities - third parties (without deferred costs on loans)	742,983	763,745	-	202,228	51,019	99,175	88,465	138,681	184,177
Financial liabilities - related parties	3,360	3,360	-	-	3,360	-	-	-	-
Total	2,791,755	2,938,004	-	434,726	271,758	446,808	391,571	385,073	1,008,068

Some of the above financial liabilities contain loan covenants, as described in Note 26.

SENSITIVITY ON EXCHANGE RATE RISK

The exchange rate risk to which the Group is exposed is concentrated largely with Prada S.p.A. and it results from fluctuation of foreign currencies against the Euro.

For Prada S.p.A., the foreign exchange risk substantially consists of the risk that cash flows from retail and distribution activities could fluctuate as a result of changes in exchange rates. In terms of exposure, the most important currencies for the Group are the British Pound, Hong Kong Dollar, Japanese Yen, US Dollar, Chinese Renminbi and Korean Won.

The following table shows the sensitivity of the consolidated net income and equity to a range of hypothetical fluctuations in the main foreign currencies against the Euro, based on the statement of financial position of the Group's companies as of December 31, 2022:

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
GP Pound	(733)	1,990	2,028	(1,022)
Hong Kong Dollar	3,363	3,937	(3,680)	(4,249)
Japanese Yen	(332)	3,436	421	(1,919)
US Dollar	428	11,680	(307)	(12,161)
Chinese Renminbi	(3,986)	59	5,466	885
Korean Won	(1,656)	2,790	1,475	(2,567)
Other currencies	(10,214)	310	10,028	(4,545)
Total	(13,130)	24,202	15,431	(25,578)

The total impact on equity (positive for Euro 24.2 million and negative for Euro 25.6 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical strengthening or weakening of the Euro against the other currencies.

The effects on the financial statement items are presented above before taxes. The sensitivity analysis is based on currency exposure at the end of the period, which might not reflect the actual exposure during the period. For this reason it is purely indicative.

SENSITIVITY ON INTEREST RATE RISK

The Prada Group is exposed to interest rate fluctuations mainly with regard to interest expense on the medium/long-term debt of the parent company, Prada S.p.A., and of some of its subsidiaries. Managing this risk falls within the scope of the risk management activities carried out by the CFO.

The following table shows the sensitivity of the consolidated net income and equity to a hypothetical shift in the interest rate curve based on the financial position of the Group's companies at December 31, 2022:

(amounts in thousands of Euro)	Interest rate curve shift			
	+0.50%		-0.50%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
Euro	332	961	(395)	(912)
GB Pound	(168)	692	168	(717)
Hong Kong Dollar	633	633	(633)	(633)
Japanese Yen	(248)	(248)	248	248
US Dollar	967	967	(967)	(967)
Other currencies	767	767	(767)	(767)
Total	2,283	3,772	(2,346)	(3,748)

The total impact on equity (positive and negative for Euro 3.7 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical shift in the interest rate curve.

The effects on the financial statement items are presented above before taxes.

The sensitivity analysis is based on the net financial position at the end of the period, which might not reflect the actual exposure to interest rate risk during the period. For this reason it is purely indicative.

OTHER RISKS

Risks factors affecting the international luxury goods market and those specific to the Prada Group are described in the Financial Review.

13. RECEIVABLES DUE FROM, AND ADVANCE PAYMENTS TO, RELATED PARTIES – CURRENT AND NON-CURRENT

The current receivables due from, and advances payments to, related parties are detailed as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial receivables	2,200	-
Other receivables and advances	173	22,866
Receivables due from, and advance payments to, related parties - current	2,373	22,866

The decrease in the amount of other receivables and advances is attributable mainly to the collection of the receivable due on the 2020 sale of the Via della Spiga 18, Milan property.

The non-current receivables due from, and advances payments to, related parties are detailed as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial receivables	1,125	1,125
Receivables due from, and advance payments to, related parties - non-current	1,125	1,125

Additional information on related party transactions is provided in Note 40.

14. OTHER CURRENT ASSETS

The other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
VAT	39,627	31,121
Taxation and other tax receivables	70,775	56,864
Other assets	9,230	11,937
Prepayments	86,617	63,068
Guarantee deposits	9,668	8,230
Total	215,917	171,220

OTHER ASSETS

The other assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Advances to suppliers	4,079	3,005
Incentives for retail investments	1,204	5,804
Other receivables	3,947	3,128
Total	9,230	11,937

PREPAYMENTS

The prepayments are detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Rental costs	3,031	3,394
Insurance	2,831	2,199
Design costs	29,210	25,836
Fashion shows and advances on advertising campaigns	26,013	15,063
Other	25,532	16,576
Total	86,617	63,068

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

DEPOSITS

The guarantee deposit refers primarily to security deposits paid under retail leases.

15. PROPERTY, PLANT AND EQUIPMENT

The historical cost and accumulated depreciation of the past two years are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	1,006,801	241,686	1,355,364	639,481	212,361	51,027	3,506,720
Accumulated depreciation	(176,517)	(184,977)	(1,065,208)	(370,561)	(144,604)	-	(1,941,867)
Net carrying amount at December 31, 2021	830,284	56,709	290,156	268,920	67,757	51,027	1,564,853
Historical cost	1,008,485	254,845	1,388,822	683,552	221,358	61,981	3,619,043
Accumulated depreciation	(196,886)	(194,367)	(1,095,843)	(394,854)	(159,968)	-	(2,041,918)
Net carrying amount at December 31, 2022	811,599	60,478	292,979	288,698	61,390	61,981	1,577,125

The changes in the net carrying amount for the year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Opening balance	830,284	56,709	290,156	268,920	67,757	51,027	1,564,853
Additions	15,553	11,727	77,202	58,892	12,294	48,844	224,512
Depreciation	(19,765)	(12,058)	(82,363)	(40,393)	(15,611)	-	(170,190)
Disposals	(161)	(97)	(3,132)	(1,267)	499	(311)	(4,469)
Exchange differences	(2,825)	(100)	658	2,441	24	588	786
Other movements	12,885	4,373	15,328	3,232	100	(36,020)	(102)
Impairment	(24,372)	(76)	(6,038)	(3,439)	(3,796)	(2,147)	(39,868)
Revaluation IAS 29	-	-	1,168	312	123	-	1,603
Closing balance	811,599	60,478	292,979	288,698	61,390	61,981	1,577,125

The increase in leasehold improvements and furniture & fittings regarded primarily restyling and relocation projects for the retail premises.

The impairment for the period refers substantially to the writedown of assets allocated to stores closed early or renovated in the period, and includes the impairment loss of Euro 29.7 million ensuing from the exceptional market conditions in Russia (see Note 16 – Impairment).

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

16. INTANGIBLE ASSETS

The historical cost and accumulated amortization of the past two years are set forth below:

(amounts in thousands of Euro)	Trade-marks and intellectual property rightss	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	427,371	580,721	49,793	220,958	65,968	13,936	1,358,747
Accumulated amortization	(210,141)	(67,235)	(49,324)	(141,484)	(61,158)	-	(529,342)
Net carrying amount at December 31, 2021	217,230	513,486	469	79,474	4,810	13,936	829,405
Historical cost	405,287	578,003	49,637	252,227	65,415	30,799	1,381,368
Accumulated amortization	(219,544)	(64,322)	(49,502)	(166,424)	(63,767)	-	(563,559)
Net carrying amount at December 31, 2022	185,743	513,681	135	85,803	1,648	30,799	817,809

The changes in the net carrying amount for the year are as follows:

(amounts in thousands of Euro)	Trade-marks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
Opening balance	217,230	513,486	469	79,474	4,810	13,936	829,405
Additions	1,398	195	17	19,953	75	29,946	51,584
Amortization	(11,639)	-	(343)	(25,572)	(3,147)	-	(40,701)
Disposals	-	-	-	(284)	-	(5)	(289)
Exchange differences	(1,846)	-	4	(13)	-	1	(1,854)
Other movements	-	-	90	12,269	(73)	(13,009)	(723)
Impairment	(19,400)	-	(102)	(29)	(17)	(70)	(19,618)
Revaluation IAS 29	-	-	-	5	-	-	5
Closing balance	185,743	513,681	135	85,803	1,648	30,799	817,809

The net carrying amount of trademarks and intellectual property rights at the reporting date is broken down in the following table:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Miu Miu	116,160	121,789
Church's	44,270	69,385
Prada	5,336	5,095
Other trademarks and other intellectual property rights	19,977	20,961
Total	185,743	217,230

No impairment was recognized during the year for the Group's trademarks, except for Church's; more information thereon is provided in the section on Impairment Test.

The capital expenditures for software refer to technological and digital evolution projects in the retail, manufacturing and corporate areas.
The total capital expenditure for tangible and intangible assets in the twelve months ended December 31, 2022 was Euro 276.1 million, as broken down below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Retail	168,935	85,742
Real Estate	-	59,453
Production, Logistics and Corporate	107,161	71,549
Total	276,096	216,744

IMPAIRMENT TEST

As required by IAS 36 "Impairment of Assets", intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least once per year. The Group does not report intangible assets with indefinite useful lives other than goodwill. At December 31, 2022, the goodwill recognised in the consolidated financial statements is Euro 513.7 million, and it is allocated to the following cash generating units ("CGUs"):

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail and Pasticceria Marchesi 1824	33,825	33,825
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Montecarlo Retail	11,700	11,700
North America Retail and wholesale	48,000	48,000
Production Division	14,101	13,906
Total	513,681	513,486

The impairment tests did not identify any impairment losses for the CGUs listed above or for other CGUs of the Group, except for the Russia and Church's CGUs, as described herein.

The Discounted Cash Flow method used to identify the recoverable amount (value in use) of the CGUs consists of discounting the projected cash flows generated by the activities directly attributable to the segment to which the intangible asset or net invested capital has been assigned. Value in use is the sum of the present value of the future cash flows expected from the business plan projections prepared for each CGU and the present value of the related operating activities at the end of the 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 2023 budget prepared by management. The business plans do not take into account either significant improvements in the performance of the assets existing at December 31, 2022 or future developments of new activities, except for the investments planned in the 2023 budget for the retail premises' restyling and renovation projects and any new openings that the Group has already substantially committed to make.

For each CGU tested, the weighted average cost of capital ("WACC") was determined by taking into due consideration the risk profile of the CGU's activities, as well as the parameters specific to the geographical area to which it belongs, i.e. the market risk premium and the sovereign bond yield.

The "g" rate of growth used to calculate the terminal value ranged between 1.5% (Asia Pacific) and 11.8% (Turkey), in light of the diverging inflation prospects and GDP growth outlooks of the various countries and of the long-term growth expected for the luxury goods market. 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 sector in general, as backed up by industry studies and other external sources.

The WACC and g-rates used for impairment tests of CGUs that include significant goodwill (accounting for approximately 90% of the entire goodwill recognized) are reported below (compared with the same parameters used for the impairment tests conducted at the close of the previous year):

	2022		2021	
CGU	**WACC**	**g-rate**	**WACC**	**g-rate**
Italy Wholesale	8.3%	1.5%	6.2%	1.5%
Asia Pacific and Japan Retail	10.5%	1.5%	5.4%	1.5%
Italy Retail and Pasticceria Marchesi 1824	8.3%	1.5%	6.2%	1.5%
North America Retail and wholesale	8.2%	1.5%	4.9%	1.5%

Concerning such CGUs, management believes that any reasonable change in the main assumptions used for the impairment tests would not generate a reduction in the recoverable amount to the extent of constituting an impairment loss. 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 and intangible assets will not be subject to impairment in the future.
IAS 36 requires an entity to assess at each annual reporting date whether there are indications of impairment for any other asset (excluding goodwill) recognized in the Statement of Financial Position. In this respect, the impairment testing of the Russia and Church's CGUs revealed impairment losses, as described hereunder.

Prada Russia CGU

In view of the extraordinary market conditions in Russia, the Prada Russia CGU was tested for impairment at December 31, 2022 (as it had been at June 30, 2022).
The method used to estimate the recoverable amount of the Prada Russia CGU consisted of a multi-scenario approach based on two hypothetical cases that were each assigned a likelihood of occurrence calibrated according to the assumptions made by the Directors, taking into account the information available at the reporting date.
The first scenario assumes the recovery of business in mid-2024, whereas the second one assumes the impossibility of returning to normal market conditions in the medium term and the consequential realisation of the assets through liquidation of the subsidiary.
The business plan used for the impairment test in the scenario of business recovery in 2024 covers an explicit period of five years. The rate used to discount the cash flows is the weighted average cost of capital (WACC). For the year ended December 31, 2022, the WACC used to discount the future cash flows of the Russia CGU was 21%, and it was determined by taking into due consideration the risk profile of the CGU's activities. The "g" rate of growth used to calculate the terminal value was 6%, in light of the inflation and GDP growth outlooks in the local market.
In the second scenario (impossibility of returning to normal market conditions), precise assumptions were made for each of the assets recognised, and an independent expert was employed to assist in estimating the fair values of the buildings owned by the Russian subsidiary.
The results of the impairment test, using the multi-scenario approach, led Directors to write down the fixed assets of the CGU by Euro 43.5 million. Euro 29.7 million

of the impairment loss was allocated to reduce the value of the properties owned in Moscow and St. Petersburg, Euro 12.3 million to fully write down the value of the right of use assets referring to leases, and Euro 1.5 million to fully write down the deferred tax assets. The impairment loss of the properties owned was backed up by an appraisal conducted by a leading independent firm of the sector, which estimated the fair value of the two buildings using the Comparative Method of valuation, which compares the real estate being appraised to other comparable assets recently sold or offered on the same market.

The net invested capital of the CGU following the writedown was Euro 29.9 million (translated at the December 31, 2022 exchange rate), of which Euro 27.9 million refers to the two buildings owned and the remainder to items of net working capital.

With respect to the estimated recoverable amount of the buildings, the current volatility characterising the Russian financial system has created significant uncertainty in the real estate industry; in particular, the scarce liquidity in capital markets means, in the case of realising assets through a sale in the short term, more difficulties than those present in normal market conditions. This circumstance entailed using a high level of judgment to estimate the recoverable amount of the assets tested; therefore, management cannot guarantee that the value of the buildings owned in Russia will not be subject to additional fluctuations (impairment losses or writedown reversals) in the future.

Church's CGU

The impairment test of the Church's CGU - taking into account the reorganisation process that led to the closure of 24 stores deemed no longer strategic by management – revealed the presence of impairment losses.

The Discounted Cash Flow method used to identify the recoverable amount (value in use) of the CGU consisted of discounting the projected cash flows generated by the net invested capital of the Church's Group. The recoverable amount was estimated with the assistance of a leading consulting firm and with reference to key valuation parameters. The cash flow projections used for the impairment test were based on the business plan drawn up by management, which covers an explicit period of five years. The rate used to discount the cash flows is the weighted average cost of capital (WACC). For the year ended December 31, 2022, the WACC used to discount the cash flows generated by the Church's CGU was 10.6%, and it was determined taking into due consideration the risk profile of the

CGU's activities. The "g" rate of growth used to calculate the terminal value was 2.5%, in light of the prospective inflation in the main countries where the Church's Group operates and of the growth outlook for the luxury goods market.

The results of the impairment test led Directors to write down the assets of the CGU by Euro 19.4 million. The impairment loss was allocated entirely to the value of the brand, which was accordingly written down to Euro 44.3 million at December 31, 2022. The brand is amortised and the remaining useful life is 17 years.

Given the high sensitivity of the CGU's recoverable amount to potential changes in the main assumptions used, the potential effects on the carrying amount (in terms of larger or smaller writedowns) that could result from the increase and decrease (up to 100 basis points) in the discount rate (WACC) and from the reduction (up to 100 basis points) of the (g) growth rate are set forth below (amounts in Euro/ million):

		WACC				
		9.6%	**10.1%**	**10.6% (base case)**	**11.1%**	**11.6%**
g-rate	**1.5%**	3.7	(1.5)	(6.1)	(10.2)	(13.9)
	2.0%	7.6	1.8	(3.2)	(7.7)	(11.7)
	2.5% (base case)	12.0	5.6	-	(4.9)	(9.3)

17. RIGHT OF USE ASSETS

The changes in the net carrying amount of the right of use assets for the year ended December 31, 2022 are shown below:

(amounts in thousands of Euro)	**Real Estate**	**Other**	**Total net carrying amount**
Opening balance	1,952,834	3,455	1,956,289
Change in the consolidation area	6,293	-	6,293
New contracts, initial direct costs and remeasurements	495,069	2,671	497,740
Depreciation	(449,532)	(2,001)	(451,533)
Contracts termination	(1,596)	(316)	(1,912)
Exchange differences	4,999	5	5,004
Impairment	(12,342)	-	(12,342)
Revaluation IAS 29	11,935	-	11,935
Closing balance	2,007,660	3,814	2,011,474

Right of use assets increased by Euro 55.2 million, mainly as a result of increases for new leases, remeasurements of existing leases, and consolidation perimeter changes totaling Euro 504 million, net of depreciation of Euro 451.5 million and writedowns of Euro 12.3 million regarding leases in Russia as disclosed in Note 16.

The increase for new leases, initial direct costs and remeasurements is attributable to lease renewals (largely in America and Europe) and the remeasurement of the liability to adjust it to indexes commonly used in the real estate industry (mainly the consumer price index).
"Other", amounting to Euro 3.8 million, includes plant, machinery, vehicles and hardware.

18. INVESTMENTS IN EQUITY INSTRUMENTS, ASSOCIATES AND JOINT VENTURES

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Investments in equity instruments	3,551	2,964
Associates and joint ventures	23,423	2,732
Total	26,974	5,696

The increase in "Associates and joint ventures" refers prevalently to the acquisition of a 43.65% stake in Conceria Superior S.p.A. for Euro 19.8 million.

19. OTHER NON-CURRENT ASSETS

The other non-current assets are detailed as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Guarantee deposits	64,216	61,842
Prepayments for commercial agreements	50,080	54,253
Pension fund surplus (Note 27)	6,426	13,309
Deferred rental income	231	383
Other long-term assets	18,449	14,559
Total	139,402	144,346

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Nature:		
Stores	55,130	56,003
Offices	5,669	3,982
Warehouses	163	158
Other	3,254	1,699
Total	64,216	61,842

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Maturity		
between one to two years	8,593	13,417
between two to five years	26,971	23,251
After more than five years	28,652	25,174
Total	64,216	61,842

The guarantee deposits refer primarily to security deposits paid under retail leases.

20. LEASE LIABILITY

The following table sets forth the lease liability:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Long-term Lease Liability	1,715,451	1,627,197
Short-term Lease Liability	392,126	418,215
Total	2,107,577	2,045,412

The lease liability increased from Euro 2,045 million at December 31, 2021 to Euro 2,108 million at December 31, 2022, primarily as a result of remeasurements for lease extensions or modifications (Euro 496.2 million) net of the payments of the period (Euro 428.2 million).
The lease liability is mainly concentrated in Japan, the U.S.A. and Italy.

21. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Short-term bank loans	66,541	61,578
Current portion of long-term loans	94,704	187,887
Deferred costs on loans	(398)	(362)
Total	160,847	249,103

In the second half of 2022, Prada Japan co ltd stipulated a revolving line of credit with a bank syndicate for a total amount of JPY 10 billion, of which JPY 8.2 billion (Euro 58.3 million) had been used at December 31, 2022. The credit line is subject to financial covenants based on the financial statements of Prada Japan co ltd, which were fully complied with at December 31, 2022.

The remaining short-term financial payables at December 31, 2022 consist of the use of uncommitted credit lines by Prada Japan co ltd and Prada Fashion (Shanghai) ltd.

The short-term bank loans are broken down by currency below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Japanese Yen	59,081	61,578
Other currencies	7,460	-
Total	66,541	61,578

The Group generally borrows at variable interest rates, as explained in Note 26, and manages the risk of interest rate fluctuations by using hedging contracts, as explained in Note 12.

22. PAYABLES DUE TO RELATED PARTIES – CURRENT

The current payables due to related parties are shown below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial payables	3,568	3,360
Other payables	-	5,000
Payables to related parties - current	3,568	8,360

The current financial payables due to related parties regard two interest-free loans granted by non-controlling shareholders of the Group's subsidiaries in the Middle East.
Additional information on related party transactions is provided in Note 40.

23. TRADE PAYABLES

The trade payables are detailed as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade payables - third parties	396,159	382,208
Trade payables - related parties	5,640	7,955
Total	401,799	390,163

24. TAX PAYABLES

The tax payables are detailed hereunder:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Current taxation	192,048	77,466
VAT and other taxes	85,608	66,693
Total	277,656	144,159

The Group recognizes current tax liabilities of Euro 192 million at December 31, 2022 (Euro 77.5 million at December 31, 2021) against tax receivables (shown among the current assets) of Euro 70.8 million (Euro 56.9 million at December 31, 2021), as reported in Note 14.

25. OTHER CURRENT LIABILITIES

The other current liabilities are as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Payables for capital expenditure	73,249	43,575
Accrued expenses and deferred income	28,971	30,308
Other payables	140,086	106,165
Total	242,306	180,048

The other payables are detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Short-term benefits for employees and other personnel	91,844	70,397
Customer advances	21,918	17,290
Provision for returns from customers	24,805	16,118
Other	1,519	2,360
Total	140,086	106,165

26. LONG-TERM FINANCIAL PAYABLES

The long-term financial payables are as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Long-term bank borrowings	396,242	493,518
Deferred costs on loans	(586)	(717)
Total	395,656	492,801

Prada S.p.A.'s loan covenants were fully complied with at December 31, 2022 and they are expected to be complied within the next 12 months as well.

The long-term bank borrowings at December 31, 2022, excluding amortized costs, are set forth below:

Borrower	Amount in thousands of Euro	Type of loan	Currency	Expiry date	Interest rate (1)	Current Portion (Euro thousands)	Non-current Portion (Euro thousands)	Pledge
Prada S.p.A.	27,500	Term-loan	EUR	05/2030	2.737%	3,667	23,833	-
Prada S.p.A.	20,000	Term-loan	EUR	10/2024	2.718%	10,000	10,000	-
Prada S.p.A.	100,000	Term-loan	EUR	04/2025	2.000%	-	100,000	Mortgage loan
Prada S.p.A.	100,000	Term-loan	EUR	07/2026	3.332%	-	100,000	-
Prada S.p.A.	77,400	Term-loan	EUR	02/2026	3.599%	25,200	52,200	-
Prada S.p.A.	33,333	Term-loan	EUR	06/2024	3.402%	22,222	11,111	-
Prada S.p.A.	39,000	Term-loan	EUR	01/2025	2.332%	18,000	21,000	-
Prada S.p.A.	44,444	Term-loan	EUR	11/2026	2.704%	11,111	33,333	-
Kenon Ltd	48,285	Term-loan	GBP	01/2029	4.477%	3,974	44,311	Mortgage loan
Tannerie Limoges Sas	875	Term-loan	EUR	07/2024	2.373%	500	375	Mortgage loan
Caffè Principe S.r.l.	109	Term-loan	EUR	12/2026	1.750%	30	79	-
Total	490,946					94,704	396,242	

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

In 2022, the current portions of long-term loans were repaid for a total amount of Euro 187.2 million; no new medium/long-term loans were stipulated.

Prada S.p.A.'s mortgage loan is secured by the building in Milan used for the Group's headquarters, and Kenon ltd's mortgage loan is secured by the building on Old Bond Street, London, used for one of the most prestigious Prada stores in Europe. The mortgage loan to Tannerie Limoges Sas is secured by that company's factory building in France.

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements, as described in Note 12.

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

	December 31, 2022		December 31, 2021	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	80%	20%	77%	23%
Long-term financial payables	44%	56%	84%	16%

27. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Post-employment benefits	41,870	49,293
Other long-term employee benefits	25,701	24,526
Total liabilities for long-term benefits	67,571	73,819
Pension plan surplus (Note 19)	(6,426)	(13,309)
Net liabilities for long-term benefits	61,145	60,510

POST-EMPLOYMENT BENEFITS

The net balance of long-term employee benefits as at December 31, 2022 is a liability of Euro 61.1 million (Euro 60.5 million at December 31, 2021) and all the benefits fall within the scope of defined benefit plans.

The post-employment benefits consist of Euro 20.1 million (Euro 25.8 million at December 31, 2021) in liabilities accounted for by Italian companies and Euro 21.8 million by the foreign subsidiaries (Euro 23.4 million at December 31, 2021). The Italian liabilities regard the "Trattamento di Fine Rapporto" ("TFR", or staff leaving indemnities), a deferred benefit for employees that is mandatory for Italian businesses and is based on the employees' length of service and salary. The present value of the liability recognized was determined by projecting the amount accrued at December 31, 2022 as per Italian law to the estimated future date of employment termination, and then discounting it to the present value at the same reporting date using the projected unit credit method ("PUCM").
The following table presents the changes in long-term employee benefits as at December 31, 2022:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other Countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Opening balance	25,845	23,448	(13,309)	24,526	60,510
Current service cost	(70)	3,265	337	7,281	10,813
Financial charges (income)	(107)	88	(239)	(29)	(287)
Actuarial (gains)/losses	(3,847)	(611)	6,486	(107)	1,921
Benefits paid	(1,738)	(3,050)	-	(6,023)	(10,811)
Contributions	-	-	(149)	-	(149)
Exchange differences	-	(1,353)	448	53	(852)
Closing balance	20,083	21,787	(6,426)	25,701	61,145

The actuarial gains and losses are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Other Countries (including Japan)	Pension Funds in UK
Actuarial adjustments due to			
(a) Changes in financial assumptions	(5,637)	(719)	26,562
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	1,790	108	(20,076)
Actuarial (gains)/losses	(3,847)	(611)	6,486

The current service cost and financial charges/(income) are recognized in the statement of profit or loss. For the item other long-term employee benefits only, the actuarial differences are also recognized in the statement of profit or loss.

The TFR liability was measured on the basis of an independent appraisal by Federica Zappari, an Italian actuary, member (n. 1134) of the Ordine Nazionale degli Attuari (Italian Society of Actuaries). The technical basis was processed using statistical data, whereas the demographic assumptions involved variables such as the probabilities of death, retirement, resignations and dismissals; contract expiration; leaving indemnity advances; and supplementary pension schemes.

In the Consolidated Statement of Financial Position the post-employment benefits are stated gross of the pension plan surplus for the Group companies operating in the United Kingdom that supply pension services to their employees. At December 31, 2022, the fair value of such pension plans was a surplus of Euro 6.4 million (Euro 13.3 million as of December 31, 2021). The fair value of the plan assets was determined by the independent actuary Mercer Limited. It is detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Fair value of plan assets	44,064	73,190
Fair value of plan liabilities	(37,638)	(59,881)
Pension plan surplus	6,426	13,309

The composition of the main plan assets on the reporting date is as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Equities	8,966	21,385
Alternatives	10,277	15,967
Bonds	18,081	27,318
Cash	6,740	8,520
Total	44,064	73,190

The main actuarial assumptions used as at December 31, 2022 are as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	10.1	11	10.6
Average increase in remuneration	1.10%	2.76%	2.61%
Rate of inflation	2.5%	2.76%	N/A

The main actuarial assumptions used as of December 31, 2021 are as follows:

	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.7	15	11
Average increase in remuneration	1.10%	3.07%	2.61%
Rate of inflation	1.50%	3.07%	N/A

The discount rate used to measure 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.

With respect to the December 31, 2022 liability, a sensitivity analysis was performed on the main actuarial variables such as the discount rate, salary changes and inflation rate. The analysis did not lead to significant changes in the liability, except for the sensitivity analysis conducted on the interest rate curve, according to which a 50 basis point increase or decrease would cause an increase or decrease in the Group's total defined benefit obligation ("DBO") up to approximately Euro 4 million (or 4% of the current debt on the balance sheet).

OTHER LONG-TERM EMPLOYEE BENEFITS

The other long-term employee benefits meet the IAS 19 and IFRS 2 definition of long-term employee benefits for the Group's key management personnel. Their actuarial valuation at December 31, 2022, calculated using PUCM and fair value methodologies, resulted in Euro 25.7 million (Euro 24.5 million as at December 31, 2021), according to an independent actuarial appraisal.

28. PROVISIONS FOR RISKS AND CHARGES

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

(amounts in thousands of Euro)	Provision for legal disputes	Provision for tax disputes	Other provisions	Total
Opening balance	10,899	2,306	45,996	59,201
Exchange differences	(8)	80	82	154
Reversals	(232)	(112)	(414)	(758)
Utilised	(10,067)	(68)	(2,390)	(12,525)
Increases	292	2,395	2,727	5,414
Closing balance	884	4,601	46,001	51,486

The provisions for risks and charges represent Directors' best estimate of the maximum outflow of resources needed to settle liabilities deemed to be probable. In the Directors' opinion, based on the information available to them, the total amount accrued for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

LEGAL DISPUTES

In relation to the provision for litigation, considering the execution on November 15, 2022, of a settlement agreement between the parties to terminate the dispute, Prada S.p.A. paid to Chora S.r.l. an all-inclusive amount of Euro 17.8 million. Prada S.p.A. utilised the Euro 10 million provision allocated in 2021 and recognised costs for Euro 7.8 million in the profit or loss.

TAX DISPUTES

The Group's main tax disputes at the reporting date are described hereunder.
The dispute filed by Prada S.p.A. 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 pursuant to appeals filed by the Company in 2019 and 2020, and for which the Company has already paid the amount due while the cases are pending.

Meanwhile, the Company established an appropriate method for measuring the value of imported products starting from May 2020, with retroactive effectiveness for the assessable years, in agreement with the Italian Customs Agency. The application of such method led to the estimate, for the previous years, of an end-of-period liability of approximately Euro 0.4 million.
Other liabilities for customs duty risks are recognized at the reporting date in an amount of Euro 3.2 million, consisting of Euro 1 million for a mistaken customs classification of footwear imported into the United States and Euro 2.2 million for risks of assessments regarding price adjustments, split among various non-EU countries.

OTHER RISK PROVISIONS

The Other risk provisions amount to Euro 46 million as at December 31, 2022 and refer primarily to contractual obligations to restore leased commercial properties to their original condition.

29. OTHER NON-CURRENT LIABILITIES

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Deferred income for commercial agreements	107,687	116,661
Accrued costs for lease payments (out of scope for IFRS 16)	7,410	6,143
Other non-current liabilities	573	223
Total	115,670	123,027

30. EQUITY ATTRIBUTABLE TO THE OWNERS OF THE GROUP

The equity attributable to the owners of the Group is set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,245,901	2,118,855
Actuarial reserve	(7,107)	(5,708)
Fair value Investments in equity instruments reserve	(10,405)	(10,992)
Cash flow hedge reserve	10,060	(15,878)
Translation reserve	112,646	67,434
Net income/(loss) for the period	465,193	294,254
Total	3,482,217	3,113,894

SHARE CAPITAL

At December 31, 2022, approximately 80% of Prada S.p.A.'s share capital was owned by Prada Holding S.p.A. and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

SHARE PREMIUM RESERVE

The share premium reserve of Euro 410 million is the same as that of December 31, 2021.

OTHER RESERVES

The other reserves amount to Euro 2,245.9 million at December 31, 2022, up by Euro 127 million compared to December 31, 2021. Euro 294.3 million of the increase is attributable to the allocation of the previous year's profit, offset in part by the distribution of dividends totaling Euro 179.1 million to Prada S.p.A. shareholders.

TRANSLATION RESERVE

Changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve increased from Euro 67.4 million at December 31, 2021 to Euro 112.6 million.

NET INCOME / (LOSS) FOR THE PERIOD

The Group's net result for the twelve months ended December 31, 2022 is a profit of Euro 465.2 million (versus a profit of Euro 294.3 million for the twelve months ended December 31, 2021).

31. EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

The following table shows the changes in the non-controlling interests during the years ended December 31, 2022 and December 31, 2021:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Opening balance	14,749	19,663
Translation differences	664	863
Dividends	(599)	(1,674)
Net income/(loss) for the period	3,962	849
Actuarial reserve	29	5
Capital reduction in subsidiaries	-	(141)
Sale of shares to the Group	-	(4,816)
Closing balance	18,805	14,749

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For a detail explanation of the financial and business performances of 2022, refer to the Financial Review.

32. NET REVENUES

The consolidated net revenues are generated primarily from sales of finished products and are stated net of returns and discounts.

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Net sales	4,124,592	3,316,620
Royalties	76,082	49,047
Total	4,200,674	3,365,667

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

33. COST OF GOODS SOLD

The cost of goods sold has the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Purchases of raw materials and manufactoring services	624,787	497,841
Depreciation, amortization and impairment on tangible and intangible fixed assets	18,138	17,967
Depreciation and writedowns of the right of use assets	3,398	3,178
Labor cost	145,536	131,219
Short-term and low value lease (IFRS 16)	130	58
Logistics costs, duties and insurance	190,997	154,966
Change in inventories	(94,406)	13,080
Total	888,580	818,309

The incidence of the cost of goods sold on net revenues for the twelve months ended December 31, 2022 was 21.2%, a substantial decrease from the 24.3% of 2021. Higher average price, greater absorption of production overheads, and a better sales mix in terms of distribution channels are behind the improvement, despite the increase in production costs caused by inflationary pressures.

34. OPERATING EXPENSES

The operating expenses are detailed below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	% of net revenues	twelve months ended December 31 2021	% of net revenues
Product design and development costs	137,469	3.3%	115,319	3.4%
Advertising and communications costs	359,114	8.5%	294,251	8.8%
Selling costs	1,746,349	41.6%	1,421,169	42.2%
General and administrative costs	293,172	7.0%	227,135	6.7%
Total	2,536,104	60.4%	2,057,874	61.1%

The total operating expenses were Euro 2,536.1 million, up by Euro 478.2 million from those of 2021. The increase is primarily attributable to higher variable costs ensuing from higher sales, greater communication activities, higher personnel and other general and administrative expenses, and reduced benefits in terms of the rent discounts and subsidies that had been available in 2021 due to Covid-19 emergency.

The following table sets forth depreciation, amortization, impairment, personnel cost (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)	twelve months ended December 31 2022	twelve months ended December 31 2021
Depreciation, amortization and impairment on tangible and intangible fixed assets	252,239	186,543
Depreciation and writedowns of the right of use assets (*)	460,477	423,043
Labor cost	739,574	617,862
Pure variable lease (IFRS 16)	223,787	173,730
Short term and low value lease (IFRS 16)	12,708	12,676

(*) shown without the impact of Covid-related discounts

35. FINANCIAL INCOME / (EXPENSE)

The net interest and other financial income / (expenses) are presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Interest expenses on borrowings	(6,116)	(9,239)
Interest income	6,625	2,591
Interest income / (expenses) IAS 19	271	151
Exchange gains / (losses) - realized	(18,274)	(4,117)
Exchange gains / (losses) - unrealized	(1,414)	(18,696)
Other financial income / (expenses)	(5,590)	(1,906)
Interest and other financial income / (expenses), net	(24,498)	(31,216)
Interest expenses on Lease Liability	(40,990)	(36,773)
Dividends from investments	473	160
Total financial expenses	(65,015)	(67,829)

Net financial expenses amounted to Euro 65 million, a decrease of Euro 2.8 million on 2021 (Euro 67.8 million). The decrease is largely attributable to lower interest costs associated with the net financial position, which improved from the previous year, and reduced foreign exchange losses, offset in part by higher interest on new (and renewed) leases.

36. TAXATION

Income taxes have the following composition:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Current taxation	327,187	151,210
Deferred taxation	(85,367)	(24,658)
Total	241,820	126,552

Tax expenses totaled Euro 241.8 million, corresponding to 34% of the pre-tax income; the increase incidence compared to 2021 (30%) results from a different geographical distribution of profits, the prudential non-recognition of the deferred taxes on writedowns of fixed assets in Russia, and the retroactive effects of a bilateral agreement between tax authorities signed during the year.

The reconciliation between the Group's theoretical tax rate and its effective tax rate is presented in the table below:

(amounts in thousands of Euro)	twelve months ended December 31 2022
Group's weighted theoretical tax rate (calculated in absolute values on the basis of subsidiaries' pre-taxable income/loss)	28.1%
Non deductible expenses, net of not taxable income	4.2%
Tax losses generated in the year on which no deferred tax assets were recognized	-0.1%
Prior years taxes adjustments	1.4%
Withholding and other income taxes	0.4%
Effective tax rate of the Group	34.0%

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

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Opening balance	257,656	222,638
Exchange differences	(941)	8,185
Deferred taxes on acquisition	(1,022)	-
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	(8,283)	4,247
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	667	(1,740)
Deferred taxes on revaluation IAS 29	(1,234)	-
Other movements	25	(331)
Deferred taxes for the period in profit or loss	85,367	24,657
Closing balance	332,235	257,656

The deferred tax assets and liabilities are classified by nature hereunder:

(amounts in thousands of Euro)	December 31, 2022		December 31, 2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	242,795	4,790	159,548	-
Receivables and other assets	1,996	1,559	1,767	1,510
Useful life of non-current assets	29,345	8,292	36,832	7,587
Deferred taxes due to acquisitions	-	6,590	-	12,462
Provision for risks / accrued expenses	24,123	1,111	16,465	394
Non-deductible / taxable charges/income	7,267	6,636	5,394	2,246
Deferred tax assets on rental contracts	42,924	3,176	43,515	423
Tax loss carryforwards	10,741	-	4,961	-
Derivative financial instruments	-	3,185	5,095	-
Long term employee benefits	8,811	1,606	10,421	3,327
Other	5,088	3,910	3,464	1,857
Total	373,090	40,855	287,462	29,806

The tax loss carryforwards as of December 31, 2022, including those already recognized in the Group's financial statements, are detailed below:

(amounts in thousands of Euro)	December 31 2022
Expiring within 5 years	9,856
Expiring after 5 years	11,635
Available for carryforward with no time limit	139,508
Total tax loss carryforwards	160,999

The Directors updated the deferred tax assets recognized on tax loss carryforwards taking into consideration, for their recoverability, the macroeconomic scenario and the business developments of each of the Group's companies.

37. EARNINGS AND DIVIDENDS PER SHARE

EARNINGS PER SHARE BASIC AND DILUTED

Earnings/(losses) per share are calculated by dividing the net profit (or net loss) attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding.

	twelve months ended December 31 2022	twelve months ended December 31 2021
Group net income / (loss) in Euro	465,192,638	294,253,615
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and diluted earnings / (losses) per share in Euro, calculated on weighted average number of shares	0.182	0.115

DIVIDENDS PER SHARE

The Board of Directors of the Company has proposed a final dividend of Euro 281,470,640 (Euro 0.11 per share) for the twelve months ended December 31, 2022.

During 2022, the Company distributed dividends of Euro 179,117,680 (Euro 0.07 per share), as approved at the General Meeting held on April 28, 2022 to approve the December 31, 2021 financial statements.

The dividends and the related Italian withholding tax due (Euro 9.3 million), determined by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, were fully paid during the year.

The dividends paid in the past three years are detailed hereunder:

	Financial statements ended December 31 2021	Financial statements ended December 31 2020	Financial statements ended December 31 2019
Total dividends paid (Euro)	179,117,680	89,558,840	-
Dividends per Share (Euro)	0.070	0.035	-
Date of approval by Shareholders' Meeting	28/04/2022	27/05/2021	26/05/2020
Date of payment	May 2022	June 2021	-

38. ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES

The average number of full-time equivalent ("FTE") employees (calculated by dividing the number of actual hours worked by the total number of scheduled hours), by business division, is presented below:

(number of employees)	twelve months ended December 31 2022	twelve months ended December 31 2021
Production	3,074	2,829
Product design and development	945	936
Advertising and Communications	207	180
Selling	7,969	7,696
General and administrative services	991	931
Total	13,186	12,572

EMPLOYEE REMUNERATION

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

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Production	145,411	126,692
Product design and development	66,362	60,618
Advertising and Communications	31,146	19,682
Selling	524,062	440,189
General and administrative services	118,004	97,373
Total	884,985	744,554

The classification by type of employee remuneration is presented below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Wages and salaries	668,356	558,616
Post-employment benefits and other long-term benefits	37,801	37,804
Social contributions	135,934	116,067
Other	42,894	32,067
Total	884,985	744,554

DISTRIBUTABLE RESERVES OF THE PARENT COMPANY, PRADA S.P.A.

(amounts in thousands of Euro)	December 31 2022	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882	-	-	-	-
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	1,094,216	A, B, C	1,059,261	16,176	243,088
Fair Value reserve	(10,404)	-	-	-	-
Time Value reserve	(4,035)	-	-	-	-
Intrinsic Value reserve	11,962	-	-	-	-
Distributable amount			1,652,207	16,176	243,088

A share capital increase
B coverage of losses
C distributable to shareholders

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable since the amount of the legal reserve is equal to or exceeds 20% of the share capital.

Under Italian Legislative Decree 38/2005, Article 7, Euro 20.5 million of the retained earnings is not distributable.

EXCHANGE RATES

The exchange rates against the Euro used for consolidation of the Statements of Financial Position and Statements of Profit or Loss whose presentation currency differed from that of the Consolidated Financial Statements as at December 31, 2022 and December 31, 2021 are listed hereunder.

(amounts in thousands of Euro)	Average rate December 31 2022	Average rate December 31 2021	Closing rate December 31 2022	Closing rate December 31 2021
UAE Dirham	3.873	4.348	3.918	4.160
Australian Dollar	1.518	1.575	1.569	1.562
Brazilian Real	5.450	6.379	5.639	6.310
Canadian Dollar	1.370	1.484	1.444	1.439
Swiss Franc	1.005	1.082	0.985	1.033
Czech Koruna	24.563	25.646	24.116	24.858
Danish Kronor	7.440	7.437	7.437	7.436
GB Pound	0.852	0.860	0.887	0.840
Hong Kong Dollar	8.255	9.200	8.316	8.833
Japanese Yen	137.935	129.837	140.660	130.380
Korean Won	1,358.078	1,353.833	1,344.090	1,346.380
Kuwait Dinar	0.323	0.357	0.327	0.343
Kazakhstani Tenge	484.949	503.806	492.860	489.100
Moroccan Dirham	10.679	10.626	11.156	10.518
Macau Pataca	8.499	9.471	8.578	9.113
Mexican Peso	21.221	23.987	20.856	23.144
Malaysian Ringgit	4.629	4.903	4.698	4.718
New Zealand Dollar	1.659	1.673	1.680	1.658
Norwegian Krone	10.100	10.164	10.514	9.989
Qatari Riyal	3.867	4.363	3.918	4.158
Chinese Renminbi	7.077	7.637	7.358	7.195
Romanian Leu	4.931	4.921	4.950	4.949
Russian Ruble	73.258	87.248	77.900	85.300
Saudi Riyal	3.959	4.440	4.012	4.254
Swedish Kronor	10.623	10.144	11.122	10.250
Singapore Dollar	1.453	1.590	1.430	1.528
Thai Baht	36.860	37.802	36.835	37.653
Turkish Lira	17.350	10.421	19.965	15.234
Taiwan Dollar	31.325	33.070	32.810	31.342
Ukrainian Hryvna	33.902	32.294	39.037	30.923
US Dollar	1.054	1.184	1.067	1.133
Vietnamese Dong	24,525.672	27,415.961	25,171.000	26,212.000
South African Rand	17.209	17.463	18.099	18.063

AUDITOR'S COMPENSATION

The total fees and expenses recognized to Deloitte & Touche S.p.A. and its network for auditing the financial statements of the years ended December 31, 2022 and December 31, 2021 and for providing non-audit services are presented below (amounts in thousands of Euro):

Type of service	Audit Firm	Provided to	twelve months ended December 31 2022	twelve months ended December 31 2021
Audit services	Deloitte & Touche S.p.A.	Prada S.p.A.	475	508
Audit services	Deloitte & Touche S.p.A.	Subsidiaries	133	136
Audit services	Deloitte Network	Subsidiaries	1,147	1,129
Total audit fees to Deloitte Network			1,755	1,773
Other advisory services	Deloitte & Touche S.p.A.	Prada S.p.A.	374	24
Other advisory services	Deloitte Network	Subsidiaries	124	69
Total non-audit fees to Deloitte Network			498	93
Total compensation to Deloitte Network			2,253	1,866

39. REMUNERATION OF BOARD OF DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGERS

Remuneration of Prada S.p.A. Board of Directors for the year ended December 31, 2022

(amounts in thousands of Euro)	Directors' fees	Remuneration	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Paolo Zannoni	1,500	24	-	-	4	1,528
Miuccia Prada Bianchi	18,120	-	-	-	25	18,145
Patrizio Bertelli	18,120	-	-	-	25	18,145
Lorenzo Bertelli	-	236	141	11	61	449
Andrea Bonini	8	1,176	682	14	234	2,114
Stefano Simontacchi	54	-	-	-	2	56
Marina Sylvia Caprotti	89	-	-	-	(8)	81
Yoël Zaoui	110	-	-	-	13	123
Maurizio Cereda	80	-	-	-	3	83
Pamela Yvonne Culpepper	92	-	-	-	21	113
Anna Maria Rugarli	73	-	-	-	12	85
Total	38,246	1,436	823	25	392	40,922

The Board remuneration includes the allocation of the amounts decided at the General Meetings held on May 27, 2021 and January 28, 2022, and the additional remuneration approved by the Board of Directors, with the agreement of the Board of Statutory Auditors, in view of the specific duties carried out by each Director.

During the year, Ms. Alessandra Cozzani, past Director of the Company, received a remuneration of Euro 1,565,426, benefits in kind of Euro 20,406, pension, healthcare and TFR contribution of Euro 75,828. Bonuses and other incentives for the year 2021 were over-accrued for the amount of Euro 102,600.

Remuneration of Prada S.p.A. Board of Directors for fiscal year ended December 31, 2021

(amounts in thousands of Euro)	Directors' fees	Remuneration	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Paolo Zannoni	875	33	-	-	-	908
Miuccia Prada Bianchi	14,975	-	-	-	24	14,999
Patrizio Bertelli	14,975	-	-	-	24	14,999
Alessandra Cozzani	-	388	452	13	262	1,115
Lorenzo Bertelli	-	216	99	3	70	388
Stefano Simontacchi	50	-	-	-	2	52
Marina Sylvia Caprotti	53	-	-	-	8	61
Yoël Zaoui	64	-	-	-	10	74
Maurizio Cereda	70	-	-	-	3	73
Total	31,062	637	551	16	403	32,669

REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Group's five highest paid individuals included two Board of Director members for 2022 and two Board Members for 2021. The total remuneration of the remaining three highest paid individuals for the twelve months ended December 31, 2022 and the remaining three highest paid individuals for the twelve months ended December 31, 2021 is set forth below:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Remuneration and other benefits	21,230	20,916
Bonuses and other incentives	8,205	12,099
Non-monetary benefits	263	593
Pension/social security, healthcare and TFR contributions	137	63
Total	29,835	33,671

Excluding the remuneration of the Board of Directors' members, the remuneration of the highest paid individuals by range of amount is as follows:

	twelve months ended December 31 2022	twelve months ended December 31 2021
Less than HKD 8,000,000	-	-
Between HKD 8,000,000 and HKD 20,000,000	1	1
Between HKD 20,000,000 and HKD 50,000,000	-	-
More than HKD 50,000,000	2	2
Total individuals	3	3

SENIOR MANAGERS REMUNERATION

The remuneration of the Senior Managers is as follows:

(amounts in thousands of Euro)	twelve months ended December 31 2022	twelve months ended December 31 2021
Remuneration and other benefits	28,629	27,290
Bonuses and other incentives	13,395	16,978
Non-monetary benefits	1,985	2,197
Pension/social security, healthcare and TFR contributions	2,874	1,980
Total	46,883	48,445

There were 26 Senior Managers as of December 31, 2022, and 24 Senior Managers as of December 31, 2021.

The remuneration range of the Senior Managers is as follows:

	twelve months ended December 31 2022	twelve months ended December 31 2021
Less than HKD 4,000,000	6	9
between HKD 4,000,000 and HKD 8,000,000	12	6
between HKD 8,000,000 and HKD 16,000,000	5	5
between HKD 16,000,000 and HKD 50,000,000	1	2
more than HKD 50,000,000	2	2
Total individuals	26	24

The amounts reported in the tables setting forth the remuneration of the Board of Directors, five highest paid individuals and Senior Managers are those recognized in the Statement of Profit or Loss.

40. RELATED PARTY TRANSACTIONS

The Group carries out transactions with companies classifiable as related parties according to IAS 24, "Related Party Disclosures". In the twelve months ended December 31, 2022, these transactions referred primarily to the purchase or sale of finished and semi-finished products and raw materials, the supply of services, loans, sponsorships, leases and the sale of real estate property.

The following tables present the effect of related-party transactions on the Consolidated Financial Statements in terms of end-of-year Statement of Financial Position balances and total transactions affecting the Statement of Profit or Loss.

STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2022

(amounts in thousands of Euro)	Trade receivable, net	Receivables from, and advances to, related parties - current	Receivables from, and advances to, related parties - non-current	Right of use assets	Trade payables	Payables to related parties - current	Lease Liability	Other Liabilities
Les Femmes S.r.l.	599	6	1,125	-	1,944	-	-	-
Filati Biagioli Modesto S.r.l.	27	2,218	-	-	67	-	-	-
Spelm Sa	-	-	-	3,795	-	-	3,858	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	-	1,055	-	-
Ludo Due S.r.l.	-	-	-	9,282	-	-	10,242	-
Peschiera Immobiliare S.r.l.	-	-	-	2,882	45	-	3,460	-
Premiata S.r.l.	-	-	-	-	195	-	-	-
Conceria Superior S.p.A.	-	-	-	-	3,056	-	-	-
Perseo S.r.l.	-	-	-	-	225	-	-	-
Al Tayer Insignia Llc	736	-	-	-	12	2,513	-	-
Danzas Llc	-	-	-	-	93	-	-	61
Al Sanam Rent a Car Llc	-	-	-	-	1	-	-	-
Prada Holding S.p.A.	18	-	-	73	-	-	73	-
PH-RE	-	149	-	196,766	-	-	221,687	-
Others	2	-	-	-	2	-	-	-
Members of the Board of Directors of Prada S.p.A.	-	-	-	-	-	-	-	4,405
Total at December 31, 2022	1,382	2,373	1,125	212,798	5,640	3,568	239,320	4,466

STATEMENT OF FINANCIAL POSITION BALANCES AS OF DECEMBER 31, 2021

(amounts in thousands of Euro)	Trade receivable, net	Receivables from, and advances to, related parties - current	Receivables from, and advances to, related parties - non-current	Right of use assets	Trade payables	Payables to related parties - current	Lease Liability	Other Liabilities
Les Femmes S.r.l.	569	6	1,125	-	2,676	-	-	-
Filati Biagioli Modesto S.r.l.	-	-	-	-	2,877	-	-	-
Spelm Sa	-	-	-	4,174	-	-	4,225	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	-	994	-	-
Ludo Due S.r.l.	-	-	-	9,972	-	-	10,942	-
Chora S.r.l.	-	4,711	-	-	433	-	-	-
Peschiera Immobiliare S.r.l.	-	-	-	3,294	41	-	3,869	-
Premiata S.r.l.	2	-	-	-	234	-	-	-
Conceria Superior S.p.A.	1	-	-	-	1,351	-	-	-
Perseo S.r.l.	2	-	-	-	288	-	-	-
PA BE 1 S.r.l.	-	-	-	-	-	5,000	-	-
Al Tayer Group Llc	-	-	-	-	2	-	-	-
Al Tayer Insignia Llc	995	-	-	-	12	2,366	-	-
Danzas Llc	-	-	-	-	38	-	-	133
Al Sanam Rent a Car Llc	-	-	-	-	1	-	-	-
Prada Holding S.p.A.	11	-	-	-	-	-	-	-
Orexis S.r.l.	-	18,000	-	74	-	-	81	-
PH-RE	-	149	-	231,046	-	-	256,219	-
Others	3	-	-	-	2	-	-	-
Members of the Board of Directors of Prada S.p.A.	-	-	-	-	-	-	-	1,702
Total at December 31, 2021	1,583	22,866	1,125	248,560	7,955	8,360	275,336	1,835

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Interest income	Interest expenses
Les Femmes S.r.l.	-	7,479	47	11	-
Filati Biagioli Modesto S.r.l.	-	4,150	48	36	-
Spelm Sa	-	-	572	-	34
Ludo Due S.r.l.	-	-	1,119	-	131
Peschiera Immobiliare S.r.l.	-	44	559	-	31
Premiata S.r.l.	-	131	724	-	-
Conceria Superior S.p.A.	-	14,837	39	-	-
Perseo S.r.l.	-	817	-	-	-
Al Tayer Group Llc	-	-	92	-	-
Al Tayer Insignia Llc	2,523	-	135	-	-
Danzas Llc	-	116	142	-	-
Al Sanam Rent a Car Llc	-	-	11	-	-
Prada Holding S.p.A.	-	-	68	-	1
PH-RE	-	-	17,739	-	2,133
Total at December 31, 2022	2,523	27,574	21,295	47	2,330

STATEMENT OF PROFIT OR LOSS TRANSACTIONS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Interest income	Interest expenses
Les Femmes S.r.l.	-	5,455	-	11	-
Cecco Bruna 2011 S.r.l.	-	2	-	-	-
Filati Biagioli Modesto S.r.l.	-	3,777	36	-	-
Spelm Sa	-	-	531	-	36
Ludo Due S.r.l.	-	-	1,121	-	56
Ludo Tre S.r.l.	-	-	(1)	-	-
Chora S.r.l.	-	-	856	-	-
Peschiera Immobiliare S.r.l.	-	42	530	-	35
Premiata S.r.l.	-	70	707	-	-
Conceria Superior S.p.A.	-	11,972	64	-	-
Perseo S.r.l.	-	723	-	-	-
Al Tayer Group Llc	-	-	32	-	-
Al Tayer Insignia Llc	1,956	-	136	-	-
Danzas Llc	-	44	64	-	-
Al Sanam Rent a Car Llc	-	-	10	-	-
Luna Rossa Challenge NZ Ltd	-	-	(12)	-	-
COR 36 New Zeland Branch Ltd	(275)	-	189	-	-
Luna Rossa Challenge S.r.l.	4	-	(4)	-	-
Luna Rossa Challenge S.r.l. (sponsorship)	-	-	21,232	-	-
COR 36 S.r.l.	1	13	(2)	-	-
COR 36 S.r.l. (sponsorship)	-	-	11,500	-	-
Prada Holding S.p.A.	-	-	(4)	-	-
Orexis S.r.l.	-	-	74	-	1
PH-RE	-	-	18,845	-	2,414
Others	(10)	-	79	-	-
Total at December 31, 2021	1,676	22,098	55,983	11	2,542

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

The transactions with related party PH-RE llc (formerly PABE-RE llc) refer to the transaction between such company and Prada Japan co ltd in relation to the lease of two buildings in Aoyama, Tokyo for Prada and Miu Miu stores. The transactions reported for the twelve months ended December 31, 2022 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 S.p.A.'s Announcements dated, respectively, July 15, 2015 ("Prada Aoyama") and May 26, 2017 ("Miu Miu Aoyama").

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported above, no other transaction reported in the 2022 consolidated financial statements meets the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of "connected transaction" or "continuing connected transaction" according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders' approval requirements laid down in Chapter 14A.

41. FINANCIAL TREND

(amounts in thousands of Euro)	December 31 2022	December 31 2021	December 31 2020	December 31 2019	December 31 2018
Net revenues	4,200,674	3,365,667	2,422,739	3,225,594	3,142,148
Gross margin	3,312,094	2,547,358	1,743,378	2,319,612	2,262,594
Operating income / (loss) - (EBIT)	775,990	489,484	20,061	306,779	323,846
Net income / (loss) - Group	465,193	294,254	(54,139)	255,788	205,443
Total assets	7,377,578	6,959,011	6,527,927	7,038,439	4,678,812
Total liabilities	3,876,556	3,830,368	3,676,207	4,049,864	1,781,743
Net equity attributable to owners of the Group	3,482,217	3,113,894	2,832,057	2,967,158	2,877,986

42. CONSOLIDATED COMPANIES

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Italy							
Prada S.p.A.	EUR	255,882		Milan	Italy		Group Holding/ Manufacturing/ Distribution/ Retail
Artisans Shoes S.r.l. (*)	EUR	1,000	66.7	Montegranaro	Italy	02/09/1977	Manufacturing
IPI Logistica S.r.l. (*)	EUR	600	100	Milan	Italy	01/26/1999	Services
Pelletteria Ennepì S.r.l. (*)	EUR	93	100	Figline e Incisa Valdarno	Italy	12/01/2016	Manufacturing
Church Italia S.r.l.	EUR	51	100	Milan	Italy	01/31/1992	Retail/Services
Marchesi 1824 S.r.l. (*)	EUR	1,000	100	Milan	Italy	07/10/2013	Food&Beverage
Figline S.r.l. (*)	EUR	10	100	Milan	Italy	07/24/2019	Manufacturing
Pelletteria Figline S.r.l.	EUR	20	100	Figline e Incisa Valdarno	Italy	09/30/2020	Manufacturing
Luna Rossa Challenge S.r.l. (*)	EUR	10	100	Grosseto	Italy	12/01/2021	Management sailing team
COR 36 S.r.l.	EUR	10	100	Milan	Italy	12/01/2021	Under liquidation
Caffè Principe S.r.l. (*)	EUR	52	100	Forte dei Marmi	Italy	12/01/2022	Food&Bevrage
Europe							
Prada Retail UK Ltd (*)	GBP	5,000	100	London	U.K.	01/07/1997	Retail
Prada Germany Gmbh (*)	EUR	215	100	Munich	Germany	03/20/1995	Retail/Services
Prada Austria Gmbh (*)	EUR	40	100	Wien	Austria	03/14/1996	Retail
Prada Spain Sl (*)	EUR	240	100	Madrid	Spain	05/14/1986	Retail
Prada Retail France Sas (*)	EUR	4,000	100	Paris	France	10/10/1984	Retail
Prada Hellas Sole Partner Llc (*)	EUR	4,350	100	Athens	Greece	12/19/2007	Retail
Prada Monte-Carlo Sam (*)	EUR	2,000	100	Monaco	Principality of Monaco	05/25/1999	Retail
Prada Sa (*)	EUR	31	100	Luxembourg	Switzerland	07/29/1994	Trademarks/ Services
Prada Company Sa	EUR	3,204	100	Luxembourg	Luxembourg	04/12/1999	Services
Prada Netherlands Bv (*)	EUR	20	100	Amsterdam	Netherlands	03/27/2000	Retail
Church Denmark Aps	DKK	50	100	Copenhagen	Denmark	03/13/2014	Retail
Church France Sas (*)	EUR	2,856	100	Paris	France	06/01/1955	Retail
Church UK Retail Ltd	GBP	1,021	100	Northampton	U.K.	07/16/1987	Retail
Church's English Shoes Switzerland Sa (*)	CHF	100	100	Lugano	Switzerland	12/29/2000	Retail
Church & Co. Ltd (*)	GBP	2,811	100	Northampton	U.K.	01/16/1926	Sub-Holding/ Manufacturing/ Distribution
Church & Co. (Footwear) Ltd	GBP	44	100	Northampton	U.K.	03/06/1954	Trademarks
Church English Shoes Sa (*)	EUR	75	100	Brussels	Belgium	02/25/1963	Retail
Prada Czech Republic Sro (*)	CZK	2,500	100	Prague	Czech Republic	06/25/2008	Retail
Prada Portugal Unipessoal Lda (*)	EUR	5	100	Lisbon	Portugal	08/07/2008	Retail
Prada Rus Llc (*)	RUB	250	100	Moscow	Russian Federation	11/07/2008	Retail
Church Spain Sl	EUR	3	100	Madrid	Spain	05/06/2009	Retail
Prada Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	73,000	100	Istanbul	Turkey	02/26/2009	Retail
Prada Ukraine Llc (*)	UAH	240,000	100	Kiev	Ukraine	10/14/2011	Retail
Church Netherlands Bv	EUR	18	100	Amsterdam	Netherlands	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100	Dublin	Ireland	11/20/2011	Under liquidation
Church Austria Gmbh	EUR	35	100	Wien	Austria	01/17/2012	Retail
Prada Sweden Ab (*)	SEK	500	100	Stockholm	Sweden	12/18/2012	Retail
Church Footwear Ab	SEK	100	100	Stockholm	Sweden	12/18/2012	Retail
Prada Switzerland Sa (*)	CHF	24,000	100	Lugano	Switzerland	09/28/2012	Retail
Prada Kazakhstan Llp (*)	KZT	500,000	100	Almaty	Kazakhstan	06/24/2013	Retail
Kenon Ltd (*)	GBP	84,000	100	London	U.K.	02/07/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	600	60	Isle	France	08/19/2014	Manufacturing

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Prada Denmark Aps (*)	DKK	26,000	100	Copenhagen	Denmark	05/19/2015	Retail
Prada Belgium Sprl (*)	EUR	4,000	100	Brussels	Belgium	12/04/2015	Retail
Hipic Prod Impex Srl (*)	RON	25,471	100	Sibiu	Romania	04/15/2016	Manufacturing
Church Germany Gmbh	EUR	200	100	Munich	Germany	09/18/2018	Retail
Prada San Marino (*)	EUR	26	100	Falciano	San.Marino	04/15/2021	Retail
Prada Norway As (*)	NOK	30	100	Oslo	Norway	09/01/2022	Retail
Americas							
Prada USA Corp. (*)	USD	152,211	100	New York	U.S.A.	10/25/1993	Distribution/ Services/ Retail
Prada Canada Corp. (*)	CAD	300	100	Toronto	Canada	05/01/1998	Distribution/ Retail
Church & Co. (USA) Ltd	USD	85	100	New York	U.S.A.	09/08/1930	Retail
Post Development Corp (*)	USD	86,592	100	New York	U.S.A.	02/18/1997	Real Estate
Prada Retail Mexico, S. de R.L. de C.V.	MXN	269,140	100	Mexico City	Mexico	07/12/2011	Retail
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	340,000	100	Sao Paulo	Brazil	04/12/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100	Mexico City	Mexico	02/27/2014	Dormant
Prada Panama Sa (*)	USD	30	100	Panama	Panama	09/15/2014	Dormant
Prada Retail Aruba Nv (*)	USD	2,011	100	Oranjestad	Aruba	09/25/2014	Retail
Prada St. Barthelemy Sarl (*)	EUR	1,600	100	Gustavia	St. Barthelemy	04/01/2016	Retail
Asia-Pacific and Japan							
Prada Asia Pacific Ltd (*)	HKD	3,000	100	Hong Kong	Hong Kong S.A.R., P.R.C.	09/12/1997	Retail/Services
Prada Taiwan Ltd	TWD	3,800	100	Hong Kong	Taiwan P.R.C.	09/16/1993	Retail
Prada Retail Malaysia Sdn. Bhd. (*)	MYR	1,000	100	Kuala Lumpur	Malaysia	01/23/2002	Retail
Prada Singapore Pte Ltd (*)	SGD	1,000	100	Singapore	Singapore	10/31/1992	Retail
Prada Korea Llc (*)	KRW	8,125,000	100	Seoul	South Korea	11/27/1995	Retail
Prada (Thailand) Co. Ltd (*)	THB	372,000	100	Bangkok	Thailand	06/19/1997	Retail
Prada Japan Co. Ltd (*)	JPY	1,200,000	100	Tokyo	Japan	03/01/1991	Retail
Prada Guam Llc	USD	0.001	100	Guam	Guam	02/04/2021	Retail
Prada Saipan Llc (*)	USD	1,405	100	Northern Marianas Islands	Saipan	01/20/2021	Duty-Free Stores
Prada Australia Pty Ltd (*)	AUD	13,500	100	Sydney	Australia	04/21/1997	Retail
Prada Trading (Shanghai) Co. Ltd (***)	RMB	1,653	100	Shanghai	P.R.C.	02/09/2004	Dormant
Prada Fashion Commerce (Shanghai) Co. Ltd (***)	RMB	624,950	100	Shanghai	P.R.C.	10/31/2005	Retail
Church Japan Company Ltd (*)	JPY	100,000	100	Tokyo	Japan	04/17/1992	Retail
Church Hong Kong Retail Ltd	HKD	29,004	100	Hong Kong	Hong Kong S.A.R., P.R.C.	06/04/2004	Retail
Church Singapore Pte Ltd	SGD	7,752	100	Singapore	Singapore	08/18/2009	Retail
Prada Dongguan Trading Co. Ltd (***)	RMB	8,500	100	Dongguan	P.R.C.	11/28/2012	Services
Church Footwear (Shanghai) Co. Ltd (***)	RMB	31,900	100	Shanghai	P.R.C.	12/05/2012	Retail
Prada New Zealand Ltd (*)	NZD	3,500	100	Wellington	New Zealand	07/05/2013	Retail
Prada Vietnam Limited Liability Company (*)	VND	146,246,570	100	Hanoi	Vietnam	09/09/2014	Retail
Prada Macau Co. Ltd	MOP	25	100	Macau	Macau S.A.R., P.R.C.	01/22/2015	Retail
Church Korea Llc	KRW	650,000	100	Seoul	South Korea	09/03/2018	Retail
Middle East							
Prada Middle East Fzco (*)	AED	18,000	60	Jebel Ali Free Zone	U.A.E.	05/25/2011	Distribution/ Services
Prada Emirates Llc (**)	AED	300	29.4	Dubai	U.A.E.	08/04/2011	Retail
Prada Kuwait Wll (**)	KWD	50	29.4	Kuwait City	Kuwait	09/18/2012	Retail
Prada Retail Wll (*)	QAR	15,000	100	Doha	Qatar	02/03/2013	Retail
Prada Saudi Arabia Ltd (*)	SAR	26,666	75	Jeddah	Saudi Arabia	07/02/2014	Retail

Company	Local currency	Share capital (000s of local currency)	% Interest	Registered office	Principal place of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Other countries							
Prada Maroc Sarlau (*)	MAD	95,000	100	Casablanca	Morocco	11/11/2011	Under liquidation
Prada Retail South Africa (pty) Ltd (*)	ZAR	50,000	100	Sandton	South Africa	06/09/2014	Dormant

(*) Company owned directly by Prada S.p.A.
(**) Company consolidated based on definition of control per IFRS 10
(***) Wholly foreign owned enterprises

43. DISCLOSURES REGARDING NON-CONTROLLING INTERESTS

The financial information of companies not entirely controlled by the Group is provided below, as required by IFRS 12. The amounts are stated before the consolidation adjustments.

December 31, 2022 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss)	Dividends paid to non-controlling shareholders
Artisans Shoes S.r.l.	66.7	EUR	28,256	6,494	61,781	425	(599)
Prada Emirates Llc	29.4	AED	92,773	(6,960)	109,213	6,650	-
Prada Middle East Fzco	60	AED	128,875	53,698	104,884	6,914	-
Prada Kuwait Wll	29.4	KWD	34,537	4,315	22,760	1,241	-
Prada Saudi Arabia Ltd	75	SAR	25,600	5,467	14,301	54	-
Tannerie Limoges Sas	60	EUR	9,051	155	8,927	34	-

December 31, 2021 financial statements (amounts in thousands of Euro):

Company	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss)	Dividends paid to non-controlling shareholders
Artisans Shoes S.r.l.	66.7	EUR	38,215	7,869	53,720	118	-
Prada Emirates Llc	29.4	AED	74,096	(12,746)	68,296	2,771	-
Prada Middle East Fzco	60	AED	102,841	44,133	66,641	724	-
Prada Kuwait Wll	29.4	KWD	17,919	2,945	23,314	993	-
Prada Saudi Arabia Ltd	75	SAR	18,832	5,106	14,832	351	-
Tannerie Limoges Sas	60	EUR	9,158	123	5,926	(23)	-

There were no significant restrictions on the Group's ability to access or use assets or to settle liabilities at the end of the reporting period.

In 2011, Prada S.p.A. 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 llc. At the date of approval of these Consolidated 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 the Prada Group can acquire 19% of the shares owned by Al Tayer, bringing the stake in Prada Middle East to 79%, upon the payment of an amount that does not exceed the corresponding non-controlling interest in equity stated in the financial statements.

44. EVENTS AFTER THE REPORTING DATE

No significant events to be reported.

INDEPENDENT AUDITORS' REPORTS

The Independent Auditor's Reports included in this Annual Report are in two different formats taking into account the differences between the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB) and the auditing standards adopted in the Italian jurisdiction (ISA Italia). Specifically, 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, while 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.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prada S.p.A.

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Note 16 to the consolidated financial statements, the Group accounts for goodwill of Euro 513.7 million, allocated to the cash generating units ("CGUs") identified by Management. In accordance with IAS 36 - Impairment of assets, goodwill is not amortized, but tested for impairment at least annually by comparing the recoverable amount of the CGUs to their carrying amount. Furthermore, considering the requirement of IAS 36 to assess at each reporting date the presence of any impairment indicator, some CGUs other than those which include goodwill were also tested for impairment. In order to measure the recoverable amount of the tested CGUs, Management determined the value in use using present value techniques, based on estimates and assumptions using, among other, projected cash flows of the CGUs, appropriate discount rates ("WACC") and long-term growth rates ("g-rate"). For all the CGUs which include goodwill, no impairment losses have been identified and Management believes that such conclusion would be confirmed for any reasonable change in the main assumptions used for the purpose of the impairment tests. Despite the absence of any allocated goodwill, also the Prada Russia and Church's CGUs have been tested for impairment, in light respectively of the extraordinary market conditions in Russia and of the reorganization process underway involving the Church's Group. For the Prada Russia CGU, the recoverable amount has been estimated based on two hypothetical scenarios to which Management assigned a likelihood of occurrence: the first one assumes the recovery of business in Russia in mid-2024, whereas the second one assumes the impossibility of returning to normal market conditions in the medium term and the realisation of the assets through liquidation of the subsidiary. In the latter scenario, the recoverable amount mainly relates to the buildings owned in Russia whose related fair value was estimated with the support of an independent expert, also considering the significant uncertainty currently characterizing the real estate industry in Russia and the Russian financial system in general. As a result of the test performed, the Group recognized an impairment loss for the Prada Russia CGU for a total amount of Euro 43.5 million; the net invested capital of the Russia CGU following the write down is Euro 29.9 million, mainly related to the estimated fair value of the buildings.

Also for the Church's CGU, for which the recoverable amount was estimated with the support of an independent expert, the test performed resulted in the recognition of an impairment loss of Euro 19.4 million, allocated to the Church's brand. Furthermore, Management performed a sensitivity analysis for the Church's CGU, in order to disclose the effects of changes to the main assumptions (WACC and g-rate) on the impairment test result.

Given the materiality of the carrying amount of goodwill and other assets allocated to the CGUs, the complexity of the estimates of the CGUs 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 have evaluated the methods used by Management to determine the recoverable amount of the CGUs and analyzed these methods and the related 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 the CGUs; • Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts, through sector data analysis (luxury goods market studies) 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 correct determination of the carrying amount of each tested CGU; • Analysis of the reasonableness of the approach and assumptions used for the estimate of the Prada Russia CGU's recoverable amount; • Verification of the mathematical accuracy of the models used to determine the recoverable amount of each tested CGU; • 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 consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2022 but does not include the consolidated financial statements and our auditor's report thereon.

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

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, action taken to eliminate threats and safeguards applied.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated 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 9, 2023

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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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of Prada S.p.A. (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 Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the Group as at December 31, 2022, including its consistency with the related consolidated 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 consolidated financial statements of the Group as at December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned financial review is consistent with the consolidated financial statements of the Group as at December 31, 2022 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 9, 2023

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.