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**PRADA spa**  
**(Stock Code: 1913)**

## **ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

- Prada Group reports net revenues of Euro 1.9 billion, up by 22.5% at constant exchange rates on the first six months of 2021 and by 22.2% on those of 2019
- Net sales of the retail channel increased by 26.4% against the first six months of 2021 and by 37.7% versus the same period of 2019, at constant exchange rate
- Gross margin at 77.7%, up from 74.3% in 2021 mainly thanks to more profitable sales mix (71.7% in 2019)
- EBIT Adjusted<sup>1</sup> (Euro 331 million, 17.4% of net revenues) increased considerably from 2021 (Euro 166 million, 11.1%) and 2019 (Euro 150 million, 9.6%)
- Positive net financial position of Euro 179 million, after the payment of Euro 170 million in dividends

<sup>1</sup> EBIT Adjusted excludes Other non-recurring income and expenses that, for the six months ended June 30, 2022, consisted of Euro 26 million write-down of non-current assets in Russia (nil for the six months ended June 30, 2021 and 2019).

## The Prada Group

PRADA spa ("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 business 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 industry with Marchesi 1824, in the most prestigious sailing races with Luna Rossa and in the eyewear and fragrance industries under licensing agreements.

The Prada Group owns 23 manufacturing plants (20 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and its products are sold in 70 countries worldwide, primarily through directly operated stores ("DOS"), of which there were 627 at June 30, 2022. The Prada Group's products are also sold directly through the brands' e-commerce activity and indirectly by selected prestigious department stores, independent retailers in very exclusive locations, and 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 June 30, 2022, 79.98% of the share capital was owned by PRADA Holding spa, a company domiciled in Italy, and the remainder consisted of floating shares on the Main Board of the Hong Kong Stock Exchange.

## Basis of Presentation

The financial information presented herein refers to the group of companies controlled by the Company, the operating parent company of the Prada Group, and it is based on the unaudited Consolidated Financial Statements for the six-month period ended June 30, 2022.

With the exception of the application of the "IAS 29 - Financial Reporting in Hyperinflationary Economies" in the first half of 2022, this report has been prepared consistently with the accounting standards and policies used to prepare the 2021 Annual Report, since none of the new standards and amendments that became effective during the period had a material impact on the figures and disclosures provided. Moreover, at the reporting date, there were no differences between the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU") and applicable to the Prada Group, and those issued by the International Accounting Standard Board ("IASB").

### Application of IAS 29 - Financial Reporting in Hyperinflationary Economies

At June 30, 2022, the Turkish economy was considered to have a hyperinflationary economy 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%.

	31 Dec 2020	30 June 2021	31 Dec 2021	30 June 2022
<b>Three-year cumulative CPI*</b>	54.2%	53.2%	74.4%	136.4%

\*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 terms of the measuring unit current at the end of the reporting period. The financial statement is translated at the closing exchange rate.

The general price index processed from 2009 (Prada Turkey date of establishment) until June 30, 2022 is as follows:

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	931.76
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 June 30, 2022:

(amounts in thousands of Euro)	Opening restatement using CPI at December 31, 2021	Inflation effect of the period	June 30, 2022 restatement
<b>Fixed assets</b>	846	280	1,126
<b>Inventories</b>	185	1,156	1,341
<b>Right-of-use assets</b>	4,716	3,782	8,498
<b>Deferred tax liabilities, net</b>	(1,322)	(138)	(1,460)
<b>Other reserves</b>	(4,425)	(4,619)	(9,044)
<b>Net profit / (loss) impact</b>	-	461	461

Amendments to existing standards issued by 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 date
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

Amendments to existing standards issued by the IASB, endorsed by the European Union, but not yet applicable to the Prada Group.

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

New Standards and Amendments issued by the IASB, but not yet endorsed by the European Union as of June 30, 2022.

Amendments to existing standards	Date of possible application	EU endorsement date
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	January 1, 2023	Not endorsed yet
Amendments to IAS 12 Income taxes: deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	Not endorsed yet
Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative information (issued on 9 December 2021)	January 1, 2023	Not endorsed yet

## Key financial information

Key economic figures (amounts in thousands of Euro)	six months ended June 30 2022 (unaudited)	six months ended June 30 2021 (unaudited)	six months ended June 30 2019 (unaudited)
Net Revenues	1,900,942	1,501,006	1,570,123
EBIT Adjusted (*)	330,802	165,904	150,474
% incidence of EBIT Adjusted on Net Revenues	17.4%	11.1%	9.6%
EBIT	304,802	165,904	150,474
% incidence of EBIT on Net Revenues	16.0%	11.1%	9.6%
Net Income/(Loss) of the Group	188,264	97,243	154,894
Earnings/(Losses) per share (Euro)	0.074	0.038	0.061
Net Operating Cash Flow (**)	158,202	315,601	137,334

(\*) non-IFRS measure equal to EBIT less Other non-recurring income and expenses

(\*\*) non-IFRS measure equal to Net Cash Flow from operating activities less repayments of lease liability

Key indicators (amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)	June 30 2021 (unaudited)
Net Operating working capital	679,640	602,038	622,203
Net Invested capital (right of use Assets included)	5,123,469	4,936,402	5,113,568
Net Financial surplus/(deficit)	179,479	237,653	(101,814)
Group shareholders' equity	3,226,538	3,113,894	2,881,081

## Highlights of the first six months of 2022

The global macroeconomic landscape remained highly uncertain for the first six-months of the year, creating a challenge in how companies implemented their strategy over the period. The global economic growth projections of early 2022 were revised downwards as a result of new geopolitical tensions and the continued impact of the pandemic. The conflict in Ukraine also increased inflationary pressures and operational challenges stemming from global supply chain disruption. Meanwhile, the resurgence of virus cases combined with strict safety measures in Mainland China depressed consumer spending.

Despite this uncertain backdrop, the luxury goods sector, supported by strong domestic demand and some recovery of global tourism flows, demonstrated healthy resilience and provided a number of important development opportunities.

In line with what it demonstrated in 2021, Prada Group succeeded in remaining among those companies that best captured recovery in an industry characterised by constantly evolving consumer trends across brand value, quality and design excellence. Investments in artisanal know-how, creative talent, customer centrality and digital made it possible to harness various growth opportunities.

Prada Group's observations on societal changes, research in historical archives and collaborations with new partners have resulted in a range of products that serves an increasingly connected, young and diverse clientele.

The Prada Triangle Bag, distinguished by the essential, universal Prada logo, is clearly one of the articles most symbolic of the trading performance in the period. In addition, the Group has strengthened the brand identities through collections created through collaboration: Prada with Cassius Hirst, Miu Miu with New Balance for the reinterpretation of the 574 sneaker, and Church's with Off-White for the "Off-White™ c/o Church's" genderless capsule collection.

In June a new image of the Timecapsule project was unveiled, in which the exclusive limited edition article was distributed for the first time with a non-fungible token (NFT), marking the Group's debut in Web 3.0. To mark the occasion, Prada also released Prada Crypted, the new Discord server for the brand's community.

In the first six months of 2022 the Group's retail net sales experienced strong double-digit growth against those of the first six months of 2021, which in turn had already exceeded pre-pandemic levels. The sales increase, underpinned by optimisation of the production processes as well as enhancement of retail performance, enabled the Group to increase its operating margins substantially.

The plan to redesign retail space continued with close to 60 renovations, relocations and new openings. Investments in the shopping experience at stores, which remains the main point of contact in the physical-digital ecosystem where customer relations are shaped, were made with nearly 90 special pop-in and pop-up store events. Prada Tropico was undoubtedly one of the most successful pop-up store series. It included colors and atmospheres of distant lands inspiring an original landscape, reinterpreting Prada's visual identity with

contemporary, pop-culture based themes. On the total number of stores, some Church's stores closed in order to continue the right-sizing of the network for the brand. Moreover, in January, the planned roll-out of the client journey began in line with a global project that recast the concept of customer centrality with renewed values based on empathy, warmth, passion and verve.

The Group's ties with the world of culture were revitalised with the reopening to the public of all the permanent projects at Fondazione Prada in Milan, which now includes a new area dedicated to study and reading. During the 75th Cannes Film Festival, Prada presented the third edition of its "The Sound of Prada" musical program, following the successful Paris and London editions. The seventh edition of Prada Mode, an itinerant private club dedicated to contemporary culture, opened in Los Angeles and included leading figures in the world of art and culture.

The Group's connections with high-profile sports and the most advanced frontiers of innovation will be further developed during the campaign around the 37<sup>th</sup> America's Cup, to be held in Barcelona in 2024. The Group will participate in the competition through its subsidiary, Luna Rossa Challenge srl.

From a manufacturing stand point, investments in Group's factories continued along with the definition of new industrial verticalisation projects, which will soon be implemented. Important steps were identified also in starting leather tracing in order to increase supply chain transparency and to lay the foundations also with a view to reducing CO<sub>2</sub> Scope 3 emissions.

To foster the Group's development, the work force was strengthened both at managerial and technical level, especially in the core business areas, while the Compensation & Benefit processes and methods were revised; this, for example, led to targeted welfare initiatives to help employees deal with the considerably higher cost of living. The commitment to diversity, equity and inclusion continued in the first half with the introduction of numerous initiatives, including the Dorchester Industries Experimental Design Lab, a three-year program started up by Theaster Gates and the Prada Group to support and promote talents of color working in various sectors. In addition, through the Drivers of Change project, the Group has an ambitious plan to raise employees' awareness about environmental sustainability and social responsibility in the 40 countries where it operates directly.

## Consolidated statement of Profit or Loss for the six months closed at June 30, 2022 (includes Non-IFRS Measures)

(amounts in thousands of Euro)	six months ended % on net June 30 revenues 2022 (unaudited)		six months ended % on net June 30 revenues 2021 (unaudited)		six months ended % on net June 30 revenues 2019 (unaudited)	
<b>Net Sales</b>	<b>1,872,418</b>	<b>98.5%</b>	<b>1,477,656</b>	<b>98.4%</b>	<b>1,546,378</b>	<b>98.5%</b>
<b>Royalties</b>	<b>28,524</b>	<b>1.5%</b>	<b>23,350</b>	<b>1.6%</b>	<b>23,745</b>	<b>1.5%</b>
<b>Net Revenues</b>	<b>1,900,942</b>	<b>100.0%</b>	<b>1,501,006</b>	<b>100%</b>	<b>1,570,123</b>	<b>100%</b>
<b>Cost of goods sold</b>	<b>(423,451)</b>	<b>-22.3%</b>	<b>(386,021)</b>	<b>-25.7%</b>	<b>(444,374)</b>	<b>-28.3%</b>
<b>Gross margin</b>	<b>1,477,491</b>	<b>77.7%</b>	<b>1,114,985</b>	<b>74.3%</b>	<b>1,125,749</b>	<b>71.7%</b>
Product design and development costs	(68,581)	-3.6%	(63,736)	-4.2%	(65,053)	-4.1%
Advertising and communications costs	(155,168)	-8.2%	(126,892)	-8.5%	(101,477)	-6.5%
Selling costs	(795,510)	-41.8%	(651,139)	-43.4%	(706,565)	-45.0%
General and administrative costs	(127,430)	-6.7%	(107,314)	-7.1%	(102,180)	-6.5%
<b>Total operating expenses</b>	<b>(1,146,689)</b>	<b>-60.3%</b>	<b>(949,081)</b>	<b>-63.2%</b>	<b>(975,275)</b>	<b>-62.1%</b>
<b>Recurring Operating income / (loss) - EBIT Adjusted</b>	<b>330,802</b>	<b>17.4%</b>	<b>165,904</b>	<b>11.1%</b>	<b>150,474</b>	<b>9.6%</b>
Other non-recurring income and expense	(26,000)	-1.4%	-	-	-	-
<b>Operating income / (loss) - EBIT</b>	<b>304,802</b>	<b>16.0%</b>	<b>165,904</b>	<b>11.1%</b>	<b>150,474</b>	<b>9.6%</b>
Interest and other financial income / (expenses), net	(8,584)	-0.5%	(9,019)	-0.6%	(7,749)	-0.4%
Interest expenses on lease liability	(18,887)	-1.0%	(18,827)	-1.3%	(24,735)	-1.6%
Dividends from investments	119	0.0%	103	-0.0%	2,023	0.1%
<b>Total Financial income/(expenses)</b>	<b>(27,352)</b>	<b>-1.4%</b>	<b>(27,743)</b>	<b>-1.9%</b>	<b>(30,461)</b>	<b>-1.9%</b>
<b>Income/(loss) before taxation</b>	<b>277,450</b>	<b>14.6%</b>	<b>138,161</b>	<b>9.2%</b>	<b>120,013</b>	<b>7.7%</b>
<b>Taxation</b>	<b>(88,033)</b>	<b>-4.6%</b>	<b>(41,273)</b>	<b>-2.7%</b>	<b>34,418</b>	<b>2.2%</b>
<b>Net Income/(Loss) for the period</b>	<b>189,417</b>	<b>10.0%</b>	<b>96,888</b>	<b>6.5%</b>	<b>154,431</b>	<b>9.9%</b>
<b>Net Income/(Loss) - Non-Controlling interests</b>	<b>1,153</b>	<b>0.1%</b>	<b>(355)</b>	<b>0.0%</b>	<b>(463)</b>	<b>0.0%</b>
<b>Net Income/(Loss) - Group</b>	<b>188,264</b>	<b>9.9%</b>	<b>97,243</b>	<b>6.5%</b>	<b>154,894</b>	<b>9.9%</b>

## Consolidated statement of financial position

(amounts in thousands of Euro)	Note	June 30 2022 (unaudited)	December 31 2021 (audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		784,173	981,786
Trade receivables, net	4	317,861	329,547
Inventories, net	5	731,376	662,654
Derivative financial instruments - current		5,278	1,762
Receivables from, and advance payments to, related parties - current	6	24,137	22,866
Other current assets	7	216,712	171,220
<b>Total current assets</b>		<b>2,079,537</b>	<b>2,169,835</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	1,576,803	1,564,853
Intangible assets	8	829,829	829,405
Right of use assets	9	1,975,605	1,956,289
Investments in equity instruments		5,909	5,696
Deferred tax assets		357,776	287,462
Other non-current assets	10	138,973	144,346
Derivative financial instruments - non-current		510	-
Receivables from, and advance payments to, related parties - non-current		1,125	1,125
<b>Total non-current assets</b>		<b>4,886,530</b>	<b>4,789,176</b>
<b>Total Assets</b>		<b>6,966,067</b>	<b>6,959,011</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Short-term lease liability		409,547	418,215
Short-term financial payables and bank overdrafts		159,700	249,103
Payables to related parties - current	11	3,668	8,360
Trade payables	12	369,597	390,163
Tax payables		167,781	144,159
Derivative financial instruments - current		43,760	29,683
Other current liabilities	13	187,107	180,048
<b>Total current liabilities</b>		<b>1,341,160</b>	<b>1,419,731</b>
<b>Non-current liabilities</b>			
Long-term lease liability		1,650,121	1,627,197
Long-term financial payables		444,667	492,801
Long-term employee benefits		71,421	73,819
Provision for risks and charges	14	60,409	59,201
Deferred tax liabilities		36,627	29,806
Other non-current liabilities		117,956	123,027
Derivative financial instruments - non-current		426	4,786
<b>Total non-current liabilities</b>		<b>2,381,627</b>	<b>2,410,637</b>
<b>Total Liabilities</b>		<b>3,722,787</b>	<b>3,830,368</b>
Share capital		255,882	255,882
Total other reserves		2,623,899	2,496,324
Translation reserve		158,493	67,434
Net income / (loss) for the period		188,264	294,254
<b>Net Equity attributable to owners of the Group</b>		<b>3,226,538</b>	<b>3,113,894</b>
<b>Net Equity attributable to Non-controlling interests</b>		<b>16,742</b>	<b>14,749</b>
<b>Total Net Equity</b>		<b>3,243,280</b>	<b>3,128,643</b>
<b>Total Liabilities and Total Net Equity</b>		<b>6,966,067</b>	<b>6,959,011</b>
<b>Net current assets</b>		<b>738,377</b>	<b>750,104</b>
<b>Total assets less current liabilities</b>		<b>5,624,907</b>	<b>5,539,280</b>

## Consolidated statement of changes in equity (amounts in thousands of Euro, except number of shares)

(amounts in thousands of Euro)	Number of Shares (in thousands)	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 income for the period	Equity		
											Net Equity attributable to owners of Group	Net Equity attributable to Non-controlling interests	Total Net Equity
<b>Balance at December 31, 2020 (audited)</b>	2,558,824	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 loss	-	-	-	-	-	-	-	(54,139)	(54,139)	54,139	-	-	-
Dividends	-	-	-	-	-	-	-	(89,559)	(89,559)	-	(89,559)	(1,491)	(91,050)
Share capital increase/(reduction)	-	-	-	-	-	-	-	-	-	-	-	(141)	(141)
Release for disposal of equity instruments	-	-	-	-	-	-	8,977	411	9,388	-	9,388	-	9,388
Acquisition of additional shares in companies already controlled	-	-	(1,721)	-	-	(7)	-	323	316	-	(1,405)	(4,751)	(6,156)
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	33,189	-	(3,590)	(385)	-	-	(3,975)	97,243	126,457	8	126,465
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	-	4,143	-	4,143	-	4,143	-	4,143
<b>Balance at June 30, 2021 (unaudited)</b>	2,558,824	255,882	28,109	410,047	(9,384)	(8,543)	(12,068)	2,119,795	2,499,847	97,243	2,881,081	13,288	2,894,369
Dividends	-	-	-	-	-	-	-	-	-	-	-	(183)	(183)
Release for disposal of equity instruments	-	-	-	-	-	-	4,374	511	4,885	-	4,885	-	4,885
Acquisition of additional shares in companies already controlled	-	-	1,147	-	-	(59)	-	(323)	(382)	-	765	(65)	700
Acquisition of Luna Rossa Challenge srl	-	-	-	-	-	-	-	(1,128)	(1,128)	-	(1,128)	-	(1,128)
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	38,178	-	(6,494)	385	-	-	(6,109)	197,011	229,080	1,704	230,784
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	2,509	(3,298)	-	(789)	-	(789)	5	(784)
<b>Balance at December 31, 2021 (audited)</b>	2,558,824	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 result	-	-	-	-	-	-	-	294,254	294,254	(294,254)	-	-	-
Dividends	-	-	-	-	-	-	-	(179,118)	(179,118)	-	(179,118)	-	(179,118)
Revaluation IAS 29	-	-	-	-	-	-	-	9,044	9,044	-	9,044	-	9,044
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	91,059	-	3,668	-	-	-	3,668	188,264	282,991	1,993	284,984
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	-	(273)	-	(273)	-	(273)	-	(273)
<b>Balance at June 30, 2022 (unaudited)</b>	2,558,824	255,882	158,493	410,047	(12,210)	(5,708)	(11,265)	2,243,035	2,623,899	188,264	3,226,538	16,742	3,243,280

## Consolidated statement of cash flows for the six months closed at June 30, 2022

(amounts in thousands of Euro)	Six months ended June 30 2022 (unaudited)	Six months ended June 30 2021 (unaudited)	Six months ended June 30 2019 (unaudited)
Income/(loss) before taxation	277,450	138,161	120,013
<b>Profit or loss adjustments</b>			
Depreciation and write-downs of the right of use assets	221,466	212,805	229,419
Impairment of the right of use assets	8,000	-	-
Depreciation and amortization of property, plant and equipment and intangible assets	102,981	99,212	108,561
Impairment of property, plant and equipment and intangible assets	19,844	292	2,169
Non-monetary financial (income) expenses	(13,699)	7,539	3,156
Interest expenses on lease liability	18,887	18,827	24,735
Other non-monetary (income) expenses	18,017	3,522	3,492
<b>Balance Sheet changes</b>			
Other non-current assets and liabilities	(8,595)	11,070	(7,414)
Trade receivables, net	16,092	23,246	(13,864)
Inventories, net	(62,917)	40,711	(50,401)
Trade payables	(24,291)	(17,541)	11,563
Other current assets and liabilities	(35,493)	13,973	(26,490)
<b>Cash flows from operating activities</b>	<b>537,742</b>	<b>551,817</b>	<b>404,939</b>
Interest paid (net), including interest paid on lease liability - third parties	(23,572)	(24,969)	(25,032)
Taxes paid	(139,495)	(19,974)	(15,724)
<b>Net Cash flows from operating activities</b>	<b>374,675</b>	<b>506,874</b>	<b>364,183</b>
<b>Purchases of property, plant and equipment and intangible assets</b>	<b>(88,597)</b>	<b>(76,588)</b>	<b>(187,231)</b>
Disposals of property, plant and equipment and intangible assets	411	15	860
Earn-out paid to a related party	(5,000)	-	-
Dividends from investments	119	103	2,023
Disposals of equity instruments	-	50,935	-
Acquisition of additional shares from Non-Controlling Interests	-	(7,827)	(400)
<b>Net Cash flow utilized by investing activities</b>	<b>(93,067)</b>	<b>(33,362)</b>	<b>(184,748)</b>
Dividends paid to shareholders of PRADA spa	(169,793)	(84,859)	(145,536)
Dividends paid to Non-Controlling shareholders	-	(1,491)	(310)
Repayment of lease liability	(216,473)	(191,273)	(226,849)
Loans to a related party	(2,200)	-	-
Repayment of current portion of long-term borrowings - third parties	(136,519)	(149,614)	(222,580)
Arrangement of long-term borrowings - third parties	-	90,000	100,000
Change in short-term borrowings - third parties	4,383	13,780	41,425
<b>Net Cash flows generated / (utilized) by financing activities</b>	<b>(520,602)</b>	<b>(323,457)</b>	<b>(453,850)</b>
<b>Change in cash and cash equivalents, net of bank overdrafts</b>	<b>(238,994)</b>	<b>150,055</b>	<b>(274,415)</b>
Foreign exchange differences	40,878	12,221	2,094
Opening cash and cash equivalents, net of bank overdraft	981,786	442,392	599,821
<b>Closing Cash and cash equivalents, net of bank overdraft</b>	<b>783,670</b>	<b>604,668</b>	<b>327,500</b>
Cash and cash equivalents, net of bank overdraft	784,173	604,668	327,500
Bank overdraft	(503)	-	-
<b>Closing Cash and cash equivalents, net of bank overdraft</b>	<b>783,670</b>	<b>604,668</b>	<b>327,500</b>

## Consolidated statement of comprehensive income for the six months closed at June 30, 2022

(amounts in thousands of Euro)	six months ended June 30 2022 (unaudited)	twelve months ended Dec. 31 2021 (audited)	six months ended June 30 2021 (unaudited)
Net income/(loss) for the period	189,417	295,103	96,888
A) Items recyclable to P&L:			
Change in Translation reserve	91,899	72,230	33,552
Tax impact	-	-	-
Change in Translation reserve less tax impact	91,899	72,230	33,552
Change in Cash Flow Hedge reserve	4,756	(14,331)	(5,359)
Tax impact	(1,088)	4,247	1,769
Change in Cash Flow Hedge reserve less tax impact	3,668	(10,084)	(3,590)
B) Item not recyclable to P&L:			
Change in Fair Value in equity instruments reserve	(273)	845	4,143
Tax impact	-	-	-
Change in Fair Value in equity instruments reserve less tax impact	(273)	845	4,143
Change in Actuarial reserve	-	4,248	-
Tax impact	-	(1,734)	(385)
Change in Actuarial reserve less tax impact	-	2,514	(385)
Comprehensive Income/(Loss) for the period	284,711	360,608	130,608
Comprehensive Income/(Loss) for the period - Non-controlling Interests	1,993	1,717	8
Comprehensive Income/(Loss) for the period - Group	282,718	358,891	130,600

## Non-IFRS Measures

The Group uses certain financial measures ("non-IFRS measures") to assess its business performance and to help readers understand and analyze its financial situation. Although they are used by the Group's management, the measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare the consolidated financial statements. Other companies operating in the luxury goods business might use the same measures, but with different calculation criteria, so non-IFRS measures should always be read in conjunction with the related explanatory notes, and they may not be directly comparable with those used by other companies.

Within the scope the Prada Group's activities, which consist of the management and development of the brands owned, some transactions may be qualified as non-recurring when their nature, amount or frequency requires separate disclosure in order to offer the reader a better understanding of the Group's operating result. For this purpose, in 2022 the Group introduced the use of a new non-IFRS measure, "other non-recurring income and expenses", to identify the non-recurring transactions as defined above. Consequently, the difference between the "operating result" (or "EBIT") and the "other non-recurring income and expenses" is defined as the "recurring operating result" (or "EBIT Adjusted") and represents the metric with which the Prada Group intends to measure the results of the operating activities. This measure, adopted with consistency and stability over time, enables maintaining continuity in understanding the business performance. Therefore, impairment and write-downs of non-current assets, restructuring costs, litigation costs and gains or losses on disposals of fixed assets might be excluded from the recurring operating result (or EBIT adjusted) according to their nature, amount and frequency.

For the six months ended June 30, 2022, the other non-recurring income and expenses include a write-down of Euro 26 million of tangible fixed assets and right-of-use assets as a result of the extraordinary market conditions in Russia.

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

(amounts in thousands of Euro)	six months ended		six months ended		six months ended	
	June 30 2022 (unaudited)	% on net revenues	June 30 2021 (unaudited)	% on net revenues	June 30 2019 (unaudited)	% on net revenues
Net Income / (Loss) for the period	189,417	10.0%	96,888	6.5%	154,431	9.9%
Taxation	88,033	4.6%	41,273	2.7%	(34,418)	-2.2%
Total Financial income/(expenses)	27,352	1.4%	27,743	1.9%	30,461	1.9%
Operating Income / (Loss) - EBIT	304,802	16.0%	165,904	11.1%	150,474	9.6%
Other non-recurring income and expenses	26,000	1.4%	-	-	-	-
Recurring Operating Income / (Loss) - EBIT Adjusted	330,802	17.4%	165,904	11.1%	150,474	9.6%

# Notes to the consolidated results for the period closed at June 30, 2022

## 1. Analysis of Net Revenues

(amounts in thousands of Euro)	six months ended June 30, 2022 (unaudited)		six months ended June 30, 2021 (unaudited)		six months ended June 30 2019 (unaudited)	
<b>Net Sales by geographical area</b>						
Europe	590,386	31.5%	372,707	25.2%	598,800	38.7%
Asia Pacific	620,099	33.1%	644,716	43.6%	498,578	32.2%
Americas	408,791	21.8%	262,738	17.8%	215,676	14.0%
Japan	169,438	9.1%	135,905	9.2%	180,556	11.7%
Middle East and Other countries	83,704	4.5%	61,590	4.2%	52,768	3.4%
<b>Total Net Sales</b>	<b>1,872,418</b>	<b>100%</b>	<b>1,477,656</b>	<b>100%</b>	<b>1,546,378</b>	<b>100%</b>
<b>Net Sales by brand</b>						
Prada	1,625,887	86.8%	1,264,829	85.6%	1,284,429	83.1%
Miu Miu	216,378	11.6%	190,938	12.9%	220,774	14.3%
Church's	19,546	1.0%	15,752	1.1%	32,844	2.1%
Other	10,607	0.6%	6,137	0.4%	8,331	0.5%
<b>Total Net Sales</b>	<b>1,872,418</b>	<b>100%</b>	<b>1,477,656</b>	<b>100%</b>	<b>1,546,378</b>	<b>100%</b>
<b>Net Sales by product line</b>						
Leather goods	928,102	49.6%	793,647	53.7%	867,852	56.1%
Clothing	497,434	26.6%	372,074	25.2%	339,442	22.0%
Footwear	405,604	21.7%	290,229	19.6%	309,393	20.0%
Other	41,278	2.2%	21,706	1.5%	29,691	1.9%
<b>Total Net Sales</b>	<b>1,872,418</b>	<b>100%</b>	<b>1,477,656</b>	<b>100%</b>	<b>1,546,378</b>	<b>100%</b>
<b>Net Sales by channel</b>						
Net Sales of Directly Operated Stores (DOS)	1,677,950	89.6%	1,281,439	86.7%	1,231,918	79.7%
Sales to independent customers and franchisees	194,468	10.4%	196,217	13.3%	314,460	20.3%
<b>Total Net Sales</b>	<b>1,872,418</b>	<b>100%</b>	<b>1,477,656</b>	<b>100%</b>	<b>1,546,378</b>	<b>100%</b>
<b>Net Revenues</b>						
Net Sales	1,872,418	98.5%	1,477,656	98.4%	1,546,378	98.5%
Royalties	28,524	1.5%	23,350	1.6%	23,745	1.5%
<b>Total Net Revenues</b>	<b>1,900,942</b>	<b>100%</b>	<b>1,501,006</b>	<b>100%</b>	<b>1,570,123</b>	<b>100%</b>

## 2. Number of stores

	June 30, 2022		December 31, 2021		June 30, 2021	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	421	22	420	21	415	20
Miu Miu	146	5	146	5	148	5
Church's	52	-	61	-	62	-
Car Shoe	2	-	2	-	2	-
Marchesi 1824 and others	6	-	6	-	6	-
<b>Total</b>	<b>627</b>	<b>27</b>	<b>635</b>	<b>26</b>	<b>633</b>	<b>25</b>

	June 30, 2022		December 31, 2021		June 30, 2021	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	219	-	228	-	225	-
Americas	105	-	105	-	106	-
Asia Pacific	195	22	193	21	193	20
Japan	86	-	88	-	88	-
Middle East	22	5	21	5	21	5
<b>Total</b>	<b>627</b>	<b>27</b>	<b>635</b>	<b>26</b>	<b>633</b>	<b>25</b>

## 3. Earnings per share and dividends, basic and diluted

### Earnings per share

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

	six months ended June 30 2022 (unaudited)	six months ended June 30 2021 (unaudited)
Group net income/(loss) in Euro	188,264,166	97,243,973
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
<b>Basic and Diluted earnings (losses) per share in Euro, calculated on weighted average number of shares</b>	<b>0.074</b>	<b>0.038</b>

### Dividends paid

During the six-month period ended June 30, 2022, the Company distributed dividends of Euro 179,117,680, as approved at the General Meeting held on April 28, 2022 for the approval of the financial statements for the year ended December 31, 2021.

The dividends net of withholding taxes (Euro 169.8 million) were paid during the period under review, whereas the withholding tax (Euro 9.3 million), calculated 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, was paid in July 2022.

#### 4. Trade receivables, net

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Trade receivables - third parties	328,105	338,931
Allowance for bad and doubtful debts	(11,696)	(10,990)
Trade receivables - related parties	1,452	1,606
<b>Total</b>	<b>317,861</b>	<b>329,547</b>

The change in the Allowance for doubtful debts is detailed below:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Opening balance	10,990	11,979
Exchange differences	343	546
Increases	444	581
Reversals	(24)	(1,129)
Utilization	(57)	(987)
<b>Closing balance</b>	<b>11,696</b>	<b>10,990</b>

An aging analysis of the Trade receivables, before the Allowance for doubtful debts, is shown below:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	329,557	222,093	29,087	11,805	11,942	13,288	41,342
<b>Total June 30, 2022</b>	<b>329,557</b>	<b>222,093</b>	<b>29,087</b>	<b>11,805</b>	<b>11,942</b>	<b>13,288</b>	<b>41,342</b>
(amounts in thousands of Euro)	Dec. 31 2021 (audited)	Not overdue	Overdue (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
<b>Total December 31, 2021</b>	<b>340,537</b>	<b>284,762</b>	<b>11,103</b>	<b>15,126</b>	<b>4,187</b>	<b>3,759</b>	<b>21,600</b>

An aging analysis of the Trade receivables, net of the Allowance for doubtful debts, is shown below:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	317,861	220,421	29,043	11,793	11,913	13,260	31,431
<b>Total June 30, 2022</b>	<b>317,861</b>	<b>220,421</b>	<b>29,043</b>	<b>11,793</b>	<b>11,913</b>	<b>13,260</b>	<b>31,431</b>

  

(amounts in thousands of Euro)	Dec. 31 2021 (audited)	Not overdue	Overdue (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
<b>Total December 31, 2021</b>	<b>329,547</b>	<b>283,363</b>	<b>10,968</b>	<b>15,045</b>	<b>4,146</b>	<b>3,751</b>	<b>12,274</b>

The increase of some Euro 19 million in the amount overdue by more than 120 days related to the slowdown of activities in Mainland China following the surge of Covid-19 cases in the six months under review. A significant part of the receivable overdue has been collected at the date of approval of these Interim Condensed Consolidated Financial Statements and the management do not expect any loss on the remainder.

## 5. Inventories, net

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Raw materials	101,572	99,837
Work in progress	34,429	29,938
Finished products	657,136	585,547
Return assets	6,342	7,246
Allowance for obsolete, slow-moving inventories and return assets	(69,444)	(59,914)
Revaluation IAS 29	1,341	-
<b>Total</b>	<b>731,376</b>	<b>662,654</b>

The changes in the Allowance for obsolete, slow-moving inventories and return assets are as follows:

(amounts in thousands of Euro)	Raw materials	Finished products and return assets	Total allowance for obsolete, slow-moving inventories and return assets
Opening balance	30,735	29,179	59,914
Exchange differences	(3)	189	186
Increases	7,200	2,172	9,372
Utilization	-	(28)	(28)
Closing balance	37,932	31,512	69,444

## 6. Receivables from, and advance payments to, related parties - current

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Short-term loans	2,211	-
Other receivables and advances	21,926	22,866
<b>Total</b>	<b>24,137</b>	<b>22,866</b>

## 7. Other current assets

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
VAT	45,698	31,121
Income taxation and other tax receivables	62,342	56,864
Other assets	8,371	11,937
Prepayments	90,844	63,068
Deposits	9,457	8,230
<b>Total</b>	<b>216,712</b>	<b>171,220</b>

## 8. Capital expenditure

The changes in the Net carrying amount of property, plant and equipment for the period ended June 30, 2022 are shown below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
<b>Opening balance (audited)</b>	830,284	56,709	290,156	268,920	67,757	51,027	1,564,853
<b>Additions</b>	665	3,750	20,553	13,511	5,235	32,343	76,057
<b>Depreciation</b>	(9,639)	(5,963)	(40,500)	(19,077)	(7,840)	-	(83,019)
<b>Disposals</b>	(8)	(13)	(106)	(196)	1	(58)	(380)
<b>Exchange differences</b>	21,427	(41)	7,993	5,352	185	2,884	37,800
<b>Other movements</b>	1,024	1,075	8,931	1,674	106	(12,848)	(38)
<b>Impairment</b>	(18,000)	(15)	(1,172)	(328)	(9)	(320)	(19,844)
<b>Revaluation IAS 29</b>	-	-	962	289	123	-	1,374
<b>Closing balance (unaudited)</b>	825,753	55,502	286,817	270,145	65,558	73,028	1,576,803

The changes in the Net carrying amount of intangible assets for the period ended June 30, 2022 are shown below:

(amounts in thousands of Euro)	Trademarks and other intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
<b>Opening balance (audited)</b>	217,230	513,486	469	79,474	4,810	13,936	829,405
<b>Additions</b>	960	-	4	1,465	2	18,708	21,139
<b>Amortization</b>	(5,779)	-	(172)	(12,436)	(1,575)	-	(19,962)
<b>Disposals</b>	-	-	-	(31)	-	-	(31)
<b>Exchange differences</b>	(744)	-	1	26	-	-	(717)
<b>Other movements</b>	-	-	(8)	11,849	-	(11,850)	(9)
<b>Revaluation IAS 29</b>	-	-	-	4	-	-	4
<b>Closing balance (unaudited)</b>	211,667	513,486	294	80,351	3,237	20,794	829,829

### 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 any intangible assets with indefinite useful lives apart from goodwill. At June 30, 2022, goodwill amounted to Euro 513.5 million, as detailed by cash generating unit ("CGU") hereunder:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
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	13,906	13,906
<b>Total Goodwill</b>	<b>513,486</b>	<b>513,486</b>

IAS 36 requires an entity to assess at each reporting date whether there are indications of impairment losses for any other non-current asset recognised in the Statement of Financial Position. In light of the extraordinary market conditions in Russia, the Prada Russia CGU was tested for impairment at June 30, 2022.

The method used to identify the recoverable amount (value in use) of the CGU consisted of discounting the projected cash flows (Discounted Cash Flow) generated by the net invested capital in Russia. Value in use was calculated as the sum of the present value of future cash flows expected from the business plan projections and the present value of the related operating activities at the end of the period (terminal value).

A multi-scenario approach was used for the test, based on three hypothetical cases that were assigned likelihood of occurrence calibrated according to the assumptions made by the Directors. The three scenarios range from the recovery of business in the medium term to the impossibility of returning to normal market conditions.

The business plans used for the impairment tests covered an explicit period up to five years, depending on the considered scenario. The rate used to discount the cash flows was the weighted average cost of capital (WACC). For the period ended June 30, 2022, the WACC used to discount the cash flows generated by the Russia CGU was 20.6% and it was determined taking into due consideration the risk profile of the CGU itself. The "g" rate of growth used to calculate the terminal value was 6.9%, in light of the inflation and GDP growth outlooks in the market.

The results of the impairment test led Directors to write down the assets of the CGU by Euro 26 million: Euro 18 million of the writedown was allocated to reduce the value of the properties owned in Moscow and St. Petersburg, and the remaining Euro 8 million to reduce the value of the right-of-use assets referring to leases. The impairment loss of the properties owned was supported by an appraisal conducted by a leading independent firm of the sector.

The net invested capital of the CGU following the writedown was Euro 96 million (translated at the June 30, 2022 exchange rate).

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

## 9. Right of Use assets

The changes in the Net carrying amount of the right of use assets for the period ended June 30, 2022 are shown below:

(amounts in thousands of Euro)	Real Estate	Other	Total net carrying amount
Opening balance (audited)	1,952,834	3,455	1,956,289
New contracts, initial direct costs and remeasurements	206,631	1,060	207,691
Depreciation	(220,486)	(980)	(221,466)
Contracts termination	(142)	(15)	(157)
Impairment	(8,000)	-	(8,000)
Exchange differences	31,900	8	31,908
Revaluation IAS 29	9,340	-	9,340
Closing balance (unaudited)	1,972,077	3,528	1,975,605

The increase in "new contracts, initial direct costs and remeasurements" was attributable to lease renewals (largely in America and Europe) and the remeasurement of lease liabilities to adjust to the indexes typically used in the real estate industry (mainly the consumer price index). The writedowns refer to the aforementioned impairment loss resulting from the impairment test on Russia.

The foreign exchange differences for the period affected the change in the right-of-use assets, as a result of the depreciation of the Euro against the main currencies of the countries in which the Group operates.

The caption "other" of Euro 3.5 million include plant, machinery, vehicles and hardware.

## 10. Other non-current assets

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Guarantee deposits	59,698	61,842
Deferred rental income	450	383
Pension fund surplus	13,031	13,309
Prepayments for commercial agreements	52,167	54,253
Other long-term assets	13,627	14,559
Total	138,973	144,346

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

## 11. Payables to related parties - current

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Financial payables	3,663	3,360
Other payables	5	5,000
<b>Total</b>	<b>3,668</b>	<b>8,360</b>

## 12. Trade payables

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Trade payables – third parties	366,119	382,208
Trade payables – related parties	3,478	7,955
<b>Total</b>	<b>369,597</b>	<b>390,163</b>

An aging analysis of the Trade payables at the reporting date is shown below:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	369,597	310,051	15,134	7,993	7,520	7,053	21,846
<b>Total June 30, 2022</b>	<b>369,597</b>	<b>310,051</b>	<b>15,134</b>	<b>7,993</b>	<b>7,520</b>	<b>7,053</b>	<b>21,846</b>

(amounts in thousands of Euro)	Dec. 31 2021 (audited)	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
<b>Total December 31, 2021</b>	<b>390,163</b>	<b>348,256</b>	<b>14,226</b>	<b>5,854</b>	<b>3,450</b>	<b>2,580</b>	<b>15,797</b>

### 13. Other current liabilities

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Payables for capital expenditure	48,156	43,575
Accrued expenses and deferred income	25,952	30,308
Other payables	112,999	106,165
<b>Total</b>	<b>187,107</b>	<b>180,048</b>

### 14. 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 (audited)	10,899	2,306	45,996	59,201
Exchange differences	(21)	118	1,617	1,714
Reversals	-	-	(97)	(97)
Utilized	(14)	(35)	(1,027)	(1,076)
Increases	-	15	652	667
Closing balance (unaudited)	10,864	2,404	47,141	60,409

The provisions for risks and charges represent the Directors' best estimate of the outflow that will be necessary to settle Group's present obligations. In the Directors' opinion, based on the information available to them, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

The other risk provisions amount to Euro 47.1 million at June 30, 2022 and refer primarily to contractual obligations to restore leased commercial properties to their original condition.

The provisions for legal disputes regard primarily the lawsuit filed by Chora S.r.l. in January 2022 against PRADA spa, and no significant events or changes in circumstances occurred in the period that could require an adjustment to the amount allocated for them at December 31, 2021.

No significant events or changes in circumstances occurred that could require an adjustment to the provisions allocated at December 31, 2021 for tax disputes either.

## Management Discussion and Analysis for the six months ended June 30, 2022

During the reporting period, the Prada Group generated net revenues of Euro 1,900.9 million, up by 22.5% at constant exchange rates from those of the first six months of 2021 and by 22.2% from the same period of 2019. At current exchange rates, the 2021 performance was boosted by an additional 4.2%, to 26.6% growth.

### Distribution channels

In the first six months of 2022, sales of the retail channel had double-digit growth of 26.4% at constant exchange rates against the same period of 2021; the increase was 37.7% versus the same period of 2019.

Direct e-commerce sales (included in the above results) in the first half rose by 29.1% versus the same period of 2021 and accounted for approximately 7% of total retail sales, which is in line with the annual 2021 data.

There were 627 stores at June 30, 2022, following 7 openings and 15 closures in the period, 9 of which related to the Church's brand.

Sales in the wholesale channel slightly declined by 3% compared to the first six months of 2021 in line with the high-control strategy of the Group.

### Markets

In Asia Pacific, the retail sales of the six months ended June 30, 2022 decreased by 6.7% at constant exchange rates from those of the same period of 2021, due to the decline in China ensuing from the restrictions imposed by the authorities following Covid-19 outbreaks. The situation improved in June 2022 when the restrictions were relaxed, and the decline was offset by double-digit growth in all the other countries in the region (Korea and Southeast Asia in particular). Compared with the first six months of 2019, Asian Pacific sales increased by 26.1%.

Retail sales in Europe, driven by domestic consumption and the tourism recovery in the second quarter of the period, showed an upsurge of 88.7% at constant exchange rates against those of the first six months of 2021, and of 34.4% against the same period of 2019.

The retail sales of the American market rose by 41.1% at constant exchange rates from those of 2021, staying on the positive trend of double-digit growth underway in 2021. Compared with the first six months of 2019, the sales had triple-digit growth. All the countries in the region reported sales gains.

The retail sales of the Japanese market rose by 28.2% at constant exchange rates compared with the same period of 2021, which was still suffering from persisting restrictions; the growth accelerated further in the second quarter. Set against the first six months of 2019, the Japanese market showed a slight decline of 2.9%.

At constant exchange rates, retail sales in the Middle East were 24% higher than in the first six months of 2021 and 59.4% above those of the same period of 2019, continuing on 2021's growth trend there as well.

## **Products**

The Group posted retail growth across all product categories against the first six months of 2021.

Sales of RTW rose by 32.1% from those of 2021, and footwear sales, up by 38.5%, performed even better thanks to lifestyle products and new collections. Sales of leather goods, assisted by both novel and iconic products, rose by 18.1% over those of 2021. The increases compared with 2019 were: 64.8% for RTW, 46.3% for footwear and 23.9% for leather goods.

## **Brands**

The Prada brand retail net sales were 28.1% higher than in the first six months of 2021 and 45.5% above those of the same period of 2019. Miu Miu's sales increased by 13.6% from the first half of 2021 and by 5.3% from that of 2019. The Prada brand benefited from important growth involving all the product categories, based on an extensive, diversified clientele. Miu Miu finds itself in a relaunch phase, with solid growth rates in the first six months of 2022. Church's, the brand most affected by the geographical exposure to Europe, reported a gain of 28.7% on the 2021 sales.

## **Royalties**

Royalty income, supported by the growth in the eyewear segment, rose by 22.2% versus the first six months of 2021.

## **Operating results**

The gross margin for the six months ended June 30, 2022 corresponded to 77.7% of the net revenues, up substantially from the 74.3% of 2021. A higher average price, greater absorption of production overheads, a better sales mix in terms of distribution channels and a favorable exchange rate were behind the improvement despite cost inflation, for example in logistics costs. The increase is even more significant when comparing the 2022 margin with that of the first half of 2019 (71.7%).

Total operating expenses were Euro 1,146.7 million, up by Euro 197.6 million from those of 2021. The increase is attributable, among other factors, to higher variable costs ensuing from the sales increase, reduced benefits in terms of the rent discounts and subsidies available in 2021, and greater communication activities. The Euro 171.4 million increase compared to the 2019 data was affected by much higher communication expenses, particularly in the digital areas.

The recurring operating result for the period, or EBIT Adjusted, was Euro 331 million (17.4% of net revenues), whereas in 2021 it was Euro 165.9 million (11.1%). The EBIT Adjusted was also considerably higher than that of the first

half of 2019 (Euro 150.5 million, 9.6% of net revenues).

## Financial expenses and income taxes

Net financial expenses, equal to Euro 27.4 million, were in line with the comparative period: in 2022, the lower net interest expense resulting from the improvement in the net financial position was offset by higher exchange rate losses following the discontinuation of financial derivatives to hedge the Ruble exchange rate risk against the Euro.

The income tax charge for the period was Euro 88 million, corresponding to 31.7% of the pre-tax profit.

## Net invested capital

The following table reclassifies the Statement of financial position to provide a better understanding of the composition of the Net Invested capital:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Right of use assets	1,975,605	1,956,289
Non-current assets (excluding deferred tax assets), net	2,499,857	2,490,047
Trade receivables, net	317,861	329,547
Inventories, net	731,376	662,654
Trade payables	(369,597)	(390,163)
Net Operating working capital	679,640	602,038
Other current assets (excluding items of financial position)	234,941	186,866
Other current liabilities (excluding items of financial position)	(389,677)	(349,915)
Other current assets/(liabilities), net	(154,736)	(163,049)
Provision for risks	(60,409)	(59,201)
Post-employment benefits	(71,421)	(73,819)
Other long-term liabilities	(66,216)	(73,559)
Deferred taxation assets/ (liabilities), net	321,149	257,656
Other non-current assets/(liabilities), net	123,103	51,077
Net Invested capital	5,123,469	4,936,402
Shareholder's equity - Group	(3,226,538)	(3,113,894)
Shareholder's equity - Non-controlling interests	(16,742)	(14,749)
Total Consolidated shareholders' equity	(3,243,280)	(3,128,643)
Long-term financial payables, net	(443,542)	(491,676)
Short-term financial, net surplus/(deficit)	623,021	729,329
Net Financial surplus / (deficit)	179,479	237,653
Net Financial deficit to Consolidated shareholders' equity ratio	-5,5%	-7.6%
Long-term lease liability	(1,650,121)	(1,627,197)
Short-term lease liability	(409,547)	(418,215)
Total Lease liability	(2,059,668)	(2,045,412)
Net Financial surplus / (deficit), including lease liability	(1,880,189)	(1,807,759)
Shareholders' equity and Net Financial surplus / (deficit), including lease liability	(5,123,469)	(4,936,402)

The Net Invested capital at June 30, 2022 is Euro 5,123 million, financed by equity of Euro 3,243 million and lease liabilities of Euro 2,060 million; the end-of-period net financial position is a positive Euro 179.5 million.

The Right-of-use assets increased by Euro 19.3 million as a result of increases for new leases and remeasurements of existing leases totaling Euro 207.7 million, revaluations of Euro 31.9 million from foreign exchange differences as well as the adoption of IAS 29 in Turkey for Euro 9.3 million, net of the depreciation and writedowns for the period amounting to Euro 229.5 million.

The Non-current assets, net increased by Euro 10 million (Euro 2,500 million at June 30, 2022 versus Euro 2,490 million at December 31, 2021) due in substance to the increase in Non-current assets. The capital expenditures for the period amounted to Euro 97.2 million, against depreciation, amortization and impairment losses of Euro 122.8 million, including the Euro 18 million writedown of the assets in Russia following the extraordinary condition of the market. The increase in this item was affected by revaluations for foreign exchange differences of Euro 37.1 million, due to a weaker Euro against the main currencies in which the Group's assets are denominated.

The Capital expenditures regarded primarily restyling and relocation projects, investments in manufacturing structures, and technological and digital evolution in all the business areas.

(amounts in thousands of Euro)	six months ended June 30 2022 (unaudited)	six months ended June 30 2021 (unaudited)
<b>Retail</b>	62,051	41,599
<b>Real estate</b>	-	19,587
<b>Production, Logistics and Corporate</b>	35,145	13,624
<b>Total</b>	97,196	74,810

The Net Operating working capital at June 30, 2022 is Euro 680 million, up by Euro 78 million compared with 2021. The increase was attributable largely to the inventory increase supporting the sales growth.

Other current liabilities, net amount to Euro 155 million at June 30, 2022.

Other non-current assets, net present a Euro 72 million increase versus the comparative period, attributable primarily to the increase in deferred tax assets regarding greater temporary differences on the inventory tax bases.

## Net financial position

The following table provides details of the Group's Net Financial position:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
<b>Bank borrowing - non-current</b>	<b>(444,667)</b>	<b>(492,801)</b>
Financial payables and bank overdrafts - current	(159,700)	(249,103)
Financial payables to related parties - current	(3,663)	(3,360)
<b>Total Financial payables - current</b>	<b>(163,363)</b>	<b>(252,463)</b>
<b>Total Financial payables</b>	<b>(608,030)</b>	<b>(745,264)</b>
Cash and cash equivalents	784,173	981,786
Financial receivables from related parties - non-current	1,125	1,125
Financial receivables from related parties - current	2,211	6
<b>Total Cash and cash equivalents and Financial receivables</b>	<b>787,509</b>	<b>982,917</b>
<b>Net Financial surplus / (deficit)</b>	<b>179,479</b>	<b>237,653</b>

The Net Operating cash flow for the six-month period, after lease payments (Euro 216.5 million), was cash generation of Euro 158.2 million. At period end, after the cash outflows for investing activities (Euro 93.1 million) and those for the dividends payments (Euro 169.8 million), and net of the foreign exchange revaluation of banks accounts denominated in currencies other than Euro, the net financial surplus amounts to Euro 179.5 million.

(amounts in thousands of Euro)	June 30 2022 (unaudited)	June 30 2021 (unaudited)	June 30 2019 (unaudited)
<b>Cash Flow from operating activities</b>	<b>537,742</b>	<b>551,817</b>	<b>404,939</b>
Cost of net financial debt: interest paid	(4,685)	(6,142)	(452)
Lease liability: interest paid	(18,887)	(18,827)	(24,580)
Tax paid	(139,495)	(19,974)	(15,724)
<b>Net Cash Flow from operating activities</b>	<b>374,675</b>	<b>506,874</b>	<b>364,183</b>
Repayment of lease liability	(216,473)	(191,273)	(226,849)
<b>Net Operating Cash Flow</b>	<b>158,202</b>	<b>315,601</b>	<b>137,334</b>
Net cash flow utilized by investing activities	(93,067)	(33,362)	(184,748)
<b>Free Cash Flow</b>	<b>65,135</b>	<b>282,239</b>	<b>(47,414)</b>

The total amount of undrawn lines of credit as at June 30, 2022 is Euro 752 million, consisting of Euro 400 million of committed lines and Euro 352 million of uncommitted lines.

The loan covenants were fully complied with at June 30, 2022.

The following table sets forth the Lease Liability:

(amounts in thousands of Euro)	June 30 2022 (unaudited)	December 31 2021 (audited)
Short-term lease liability	409,547	418,215
Long-term lease liability	1,650,121	1,627,197
<b>Total</b>	<b>2,059,668</b>	<b>2,045,412</b>

The lease liability increased by Euro 14 million from the December 31, 2021 amount primarily as a result of new leases and remeasurements (net of the closures of the period) for Euro 207.8 million and positive foreign exchange differences (Euro 31.2 million), offset in part by the payments made in the period (Euro 216.5 million) and the obtainment of rent discounts (Euro 9 million).

The lease liability is concentrated in Japan, the U.S.A. and Italy.

The net financial indebtedness, including the lease liability, is Euro 1,880 million at June 30, 2022 (Euro 1,808 million at December 31, 2021).

## Events after the reporting date

There are no significant events after the end of the period to report.

## Outlook

Despite the highly uncertain global macro-economic environment, current trading remains strong and the results of the first six months of 2022 accelerated the Group's trajectory towards the mid-term targets.

Going forward, several factors could influence the Group's performance, including the development of the health situation, the rate of recovery in consumer spending in Mainland China, and global geopolitical developments and economic risks as authorities seek to manage challenges of inflation and possible recession.

These significant uncertainties make the Group vigilant, but it will continue to pursue its strategy with confidence and determination. The Prada Group will continue to develop its brands focusing on creativity, quality and customer experience.

To achieve long-term sustainable growth, the Group intends to balance margin improvement with continued investment in its people, distribution network, technological and manufacturing infrastructure, omni-channel capabilities and sustainability.

## Corporate Governance practices

The Company is seamlessly engaged in maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholders' value. Such corporate governance model adopted is in compliance with the applicable regulations in Italy, where the Company is incorporated, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), where its shares are listed.

## Compliance with the Code

The Board of Directors of the Company (the "Board") has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code throughout the six months from January 1, 2022 to June 30, 2022 (the "Reviewed Period").

## The Board

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. The Board is composed of eleven directors, of which five are executive directors, one is a non-executive director, and five are independent non-executive directors.

During the Reviewed Period, the Board has held three meetings on February 4, March 14, and May 3, 2022.

The Board has established the Audit and Risk Committee, the Remuneration Committee, and the Nomination Committee. Each Committee is chaired by an independent non-executive director.

The written terms of reference of each Committee are on terms no less exacting than those set out in the Code and are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On February 4, 2022, the Board established the Sustainability Committee, chaired by an independent non-executive director.

## Audit and Risk Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules, where at least one member possesses appropriate professional qualifications in accounting, or related financial management expertise, to discharge the responsibility of the Audit Committee. The Committee has changed its name to "Audit and Risk Committee" on July 27, 2022. 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 effectiveness of the Company's financial reporting process and its internal control and risk management systems, to oversee the external and internal audit processes and the implementation of the Company's risk management functions and to perform other duties and responsibilities as are assigned to the Audit and Risk Committee by the Board.

During the Reviewed Period, the Audit Committee held three meetings on February 23, March 9 and May 2, 2022, with an attendance rate of 100%. The Audit and Risk Committee often invites the Company's senior management, the Group's internal and external auditors and the members of the board of statutory auditors to its meetings. The Audit Committee's activities for the Reviewed Period covered: the selection of the independent auditor of the Company's accounts for the years 2022 to 2024 to be proposed to the shareholders' meeting on 28 April 2022, the audit plan for the year 2022, the new Model of Organization of the Company pursuant to the Decree (as defined below) and the new guidelines for the composition and functioning of the *organismo di vigilanza* (supervisory body) pursuant to the same Decree (as defined below), the findings of the internal auditors, internal controls, risk assessment, annual review of the Group's continuing connected transactions for the year 2021, tax and legal updates (including management of data privacy matters), the financial reporting matters (including the annual results for the year 2021), before recommending them to the Board for approval.

The Audit and Risk Committee held a further meeting on July 27, 2022 to, among others, review the interim results for the period ended June 30, 2022, before recommending them to the Board for approval.

## **Remuneration Committee**

The Company has established a Remuneration Committee in compliance with the Code. The Remuneration Committee consists of two independent non-executive directors, Ms. Marina Sylvia Caprotti (Chairwoman) and Mr. Yoël Zaoui, and one executive director, Mr. Paolo Zannoni.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration package of Directors and senior management, and the establishment of a formal and transparent procedure for developing policies on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and, where appropriate, adoption.

During the Reviewed Period, the Remuneration Committee held two meetings on February 4 and March 9, 2022, with an attendance rate of 100% to review and recommend, among others, the remuneration of the members of the Sustainability Committee, the adoption of a new long term incentive plan for senior management and for executives, based on updated criteria, in line with the current trends and market standards on long term incentive plans.

## **Nomination Committee**

The Company has established a Nomination Committee in compliance with the Code. The Nomination Committee consists of two independent non-executive directors, Mr. Maurizio Cereda (Chairman) and Ms. Marina Sylvia Caprotti, and one executive director, Mr. Lorenzo Bertelli.

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. In discharging its duties, the Nomination Committees has considered the Board Diversity Policy and the Directors' Nomination Policy.

During the Reviewed Period, the Nomination Committee held two meetings on February 4 and March 14, 2022, with an attendance rate of 100% to establish the Sustainability Committee and suggest the appointment of its members, and perform the annual review of the independence of independent non-executive directors, as well as assess the composition of the Board.

## **Sustainability Committee**

The Sustainability Committee consists of 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. 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.

During the Reviewed Period, the Sustainability Committee held a meeting on April 22, 2022 to, among others, appoint the Chairwoman, present the Group sustainability strategy, and review the Sustainability Report 2021 to be submitted to the Board for approval.

The Sustainability Committee held a further meeting on July 13, 2022 to, among others, present and discuss the Human Rights Policy and new Code of Ethics to be submitted to the Board for approval, and discuss the sustainability action plan and relevant ESG operational committee to be established at a Group level.

## **Board of Statutory Auditors**

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

organizational, administrative and accounting structure adopted by the Company and its functioning.

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. During the Reviewed Period, the members of board of statutory auditors attended three meetings of the Board.

### ***Organismo di Vigilanza (Supervisory Body)***

In compliance with the Italian Legislative Decree 231 of June 8, 2001 (the "Decree"), the Company has established an *organismo di vigilanza* (supervisory body) whose primary duty is to ensure the functioning, effectiveness and enforcement of the Model of Organization, adopted by the Company pursuant to the same Decree.

The *organismo di vigilanza* (supervisory body) consists of three members selected among qualified and experienced individuals and appointed by the Board. As at June 30, 2022, the *organismo di vigilanza* (supervisory body) consists of Ms. Stefania Chiaruttini (Chairwoman), Mr. Yoël Zaoui and Mr. Roberto Spada (who replaced Mr. Gianluca Andriani).

### **Dividends**

The Company may distribute dividends subject to the approval of the shareholders in a shareholders' general meeting.

No dividends have been declared or paid by the Company in respect of the Reviewed Period.

On March 14, 2022, the Board recommended for the financial year 2021 the payment of a final dividend of Euro 0.07 per share, representing a total dividend of Euro 179,117,680. The shareholders approved the distribution and payment of the final dividend at the annual general meeting held on April 28, 2022. The dividend was paid on May 27, 2022, while the relevant withholding tax was paid in July 2022.

### **Directors' Securities Transactions**

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

The Company has also adopted written procedures governing securities transactions carried out by relevant employees who are likely to be in possession of inside information in relation to the Company and its securities. The terms of

these procedures are no less exacting than the standard set out in the Model Code.

## **Purchase, Sale, or Redemption of the Company's Listed Securities**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.

## **Publication of Interim Results Announcement and Interim Report**

The interim results announcement of the Company is published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.pradagroup.com](http://www.pradagroup.com). The interim report will be available on the same websites and dispatched to the shareholders of the Company in due course.

By Order of the Board  
**PRADA S.p.A.**  
**Mr. Paolo Zannoni**  
*Chairman*

Milan (Italy), July 28, 2022

*As at the date of this announcement, the Company's executive directors are Mr. Paolo ZANNONI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Ms. Alessandra COZZANI and Mr. Lorenzo BERTELLI; the Company's non-executive director is Mr. Stefano SIMONTACCHI and the Company's independent non-executive directors are Ms. Marina Sylvia CAPROTTI, Mr. Maurizio CEREDA, Mr. Yoël ZAOUÏ, Ms. Pamela Yvonne CULPEPPER and Ms. Anna Maria RUGARLI.*