PRADA Group

2022 Separate Financial Statements

PRADA spa
(Hong Kong Stock code: 1913)

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Miuccia Prada and Patrizio Bertelli

CORPORATE INFORMATION

PRADA S.P.A. CORPORATE INFORMATION

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Company Corporate website	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.)
Authorised 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 Authorised Representative to Patrizio Bertelli in Hong Kong S.A.R.	Wendy Pui-Ting Tong 8th Floor, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong S.A.R. (P.R.C.)
Auditor	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

FINANCIAL REVIEW

INTRODUCTION

PRADA spa is the parent company of the PRADA Group. PRADA spa acts as a holding company and carries out manufacturing, distribution, retail, and brand management operations in the luxury goods sector, both directly and through its subsidiaries and associates.

Its main activities are as follows :

- production of leather goods, clothing, footwear, and accessories of all kinds bearing the Prada, Miu Miu, Church's and Car Shoe brands;
- wholesale worldwide distribution of leather goods, footwear and clothing bearing the Prada, Miu Miu, Church's and Car Shoe brands;
- licensing the Prada and Miu Miu trademarks for the design, production and distribution of items other than those aforementioned;
- retail sales at sales outlets and stores in Italy and online;
- management of equity investments;
- services to Group companies, including:
  - retail management services (preparation of budgets, selection of product mix, visual displaying, store management);
  - advertising and promotional services, in particular media planning and design;
  - information technology services regarding the IT infrastructure and the centralised, integrated management of software;
  - engineering services for store openings, renovation and maintenance;
  - financial services involving the granting of loans;
  - corporate services regarding legal affairs and tax advisory, administration/accounting, human resource, security and logistics consultancy.

The Board of Directors' Financial Review refers to PRADA spa (the "Company"), the operational holding company of the PRADA Group. It is based on the separate financial statements for the year ended December 31, 2022, prepared in accordance with the International Financial Reporting Standards ("IFRSs") adopted in the European Union. The Financial Review should be read in conjunction with the financial statements and the related notes, which form an integral part of the Separate Financial Statements.

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, 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 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 jewellery 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.

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 Company 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 Company 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 to 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.

The following tables show some key performance and financial indicators for the past two reporting periods.

(amounts in thousands of Euro)	twelve months ended December 31 2022	%	twelve months ended December 31 2021	%
Net sales	2,433,852	97.0%	1,805,459	97.3%
Royalties	75,472	3.0%	49,233	2.7%
Net Revenues	2,509,324	100.0%	1,854,692	100.0%
Cost of goods sold	(829,231)	-33.0%	(719,202)	-38.8%
Gross Margin	1,680,093	67.0%	1,135,490	61.2%
Operating expenses	(711,350)	-28.3%	(675,067)	-36.4%
EBIT	968,742	38.6%	460,423	24.8%
Interest and other financial expenses, net	(159,458)	-6.4%	(49,099)	-2.6%
Dividends from investments	49,594	2.0%	23,785	1.3%
Income before taxation	858,878	34.2%	435,109	23.5%
Taxation	(287,195)	-11.4%	(124,459)	-6.7%
Net income for the year	571,683	22.8%	310,650	16.7%
Depreciation, amortization and impairment	127,310	5.1%	120,864	6.5%
EBITDA	1,096,052	43.7%	581,287	31.3%

Gross margin for the twelve months ended December 31, 2022 was 67% on net revenues, up substantially from the 61.2% 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 were Euro 711 million, up by Euro 36 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, including Euro 7.8 million settlement of a litigation. The analysis of operating expenses is detailed in the Notes to the Financial Statements (Note 25).

The operating income for the period, or EBIT, amounted to Euro 969 million (38.6% of net revenues), compared to Euro 460 million (24.8%) in 2021.

For the twelve months ended December 31, 2022, other financial income and expenses include a Euro 146 million writedown of investments in subsidiaries as a result of the impairment tests, mainly due to the extraordinary market conditions in Russia, and Church & Co reorganization process underway.

The net financial expenses consist primarily of the following income and expenses:

- Euro 49.5 million in dividends received;
- Euro 19 million in net exchange losses;
- Euro 6.5 million in net interest income;
- Euro 146 million in impairment losses of investments in subsidiaries;
- Euro 1 million in other financial expenses.

Tax expenses totalled Euro 287 million, corresponding to 33% of the pre-tax income; the increase incidence compared to 2021 (29%) results from higher writedowns of investments and the retroactive effects of a bilateral agreement between tax authorities signed during the year.

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

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

NET INVESTED CAPITAL

The 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	337,102	343,835
Non-current assets (excluding deferred tax assets)	1,848,421	1,921,410
Trade receivables, net	929,699	683,087
Inventories, net	301,565	269,947
Trade payables	(548,026)	(635,781)
Net operating working capital	683,238	317,253
Other current assets (excluding items of financial position)	152,465	126,503
Other current liabilities (excluding items of financial position)	(461,487)	(269,142)
Other current assets/(liabilities), net	(309,021)	(142,639)
Provision for risks and charges	(3,376)	(16,051)
Long-term employee benefits	(38,177)	(39,811)
Other long-term liabilities	(59,319)	(67,193)
Deferred taxation, net	48,651	41,364
Other non-current assets/(liabilities)	(52,221)	(81,691)
Net invested capital	2,507,520	2,358,168
Shareholder's equity	(2,563,426)	(2,161,802)
Total shareholders' equity	(2,563,426)	(2,161,802)
Long-term financial, net surplus/(deficit)	(197,783)	(390,203)
Short-term financial, net surplus/(deficit)	587,567	532,228
Dividend payable	(2)	(2)
Net financial position surplus/(deficit)	389,782	142,023
Long-term lease liability	(305,073)	(312,767)
Short-term lease liability	(51,085)	(50,507)
Financial Receivables IFRS 16 - leases	22,283	24,885
Total lease liability	(333,875)	(338,389)
Shareholders' equity and net financial position	(2,507,520)	(2,358,168)
Debt to Equity ratio	-15.5%	-6.0%

As of December 31, 2022, the Company had net invested capital of Euro 2,508 million, net financial surplus of Euro 390 million and equity of Euro 2,563 million.

Right of use assets decreased by Euro 7 million, mainly as a result of the depreciation of the year amounting to Euro 51 million, net of new contracts and remeasurement of existing leases (Euro 44 million).

Non-current assets (excluding deferred tax assets), consisting of tangible assets, intangible assets and equity investments, decreased by Euro 73 million including depreciation, amortisation and impairment, net of the increase for capital expenditure of the period.

Capital expenditures primarily relate to 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 Company. The acquisition represents another important step towards vertical integration of the Company'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 raw material traceability and transparency of supply chain.

Net operating working capital was Euro 683 million at December 31, 2022, up by Euro 366 million from that of December 31, 2021.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Net operating working capital	683,238	317,253
Derivative Financial instruments	10,166	(26,620)
Other receivables from parent, subsidiaries, associated companies and related parties	19,709	36,909
Other current assets	67,486	52,543
Current tax receivables (payables)	(156,673)	(41,816)
Other liabilities to parent, subsidiaries, associated companies and related parties	(31,042)	(18,357)
Other current liabilities	(218,669)	(145,298)
Other current assets (liabilities), net	(309,024)	(142,639)
Net working capital	374,215	174,614

Net working capital increased by Euro 200 million, resulting from an increase in the net operating working capital balanced by higher Current tax payables and Other current liabilities.

NET FINANCIAL POSITION

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Long-term debt, net of current portion	(351,200)	(441,013)
Payables to parent company, subsidiaries, associates and related parties	(13,878)	-
Total financial payables - non-current	(365,078)	(441,013)
Financial payables and bank overdrafts - current	(90,541)	(171,973)
Payables to parent company, subsidiaries, associates and related parties	(81,529)	(67,643)
Total financial payables - current	(172,070)	(239,616)
Total financial payables	(537,148)	(680,629)
Financial receivables from parent company, subsidiaries, associates and related parties - non-current	167,294	50,810
Financial receivables from parent company, subsidiaries, associates and related parties - current	238,750	375,066
Cash and cash equivalents	520,888	396,777
Total financial receivables and cash and cash equivalents	926,932	822,654
Net financial surplus/(deficit), total	389,784	142,025
Dividend payable	(2)	(2)
Net financial surplus/(deficit)	389,782	142,023
Net financial surplus/(deficit) third parties	79,145	(216,211)
Lease liability	(356,158)	(363,274)
Financial Receivables IFRS 16 (Leases)	22,283	24,885
Net financial surplus/(deficit) including Financial Receivables IFRS 16 and Lease liability	(254,731)	(554,600)
Net financial position surplus/(deficit) including lease liability third parties	(277,014)	(579,485)

As at December 31, 2022, the net financial surplus amounts to Euro 390 million, increased by Euro 248 million compared with the previous reporting date.

Long-term financial payables decreased by Euro 76 million, due to the reclassification to short-term financial payables of payments due within 12 months, net of the new intercompany loans.

The total amount of undrawn lines of credit at December 31, 2022 is Euro 627 million, consisting of Euro 400 million committed and Euro 227 million uncommitted. All financial covenants were fully complied with at December 31, 2022 and they are expected to be complied with in the next 12 months as well.

As shown in the Statement of Cash Flows, cash flows from operating activities amount to Euro 726 million and cash used by the investing activities amount

to Euro 54 million including dividends received for Euro 50 million. A detailed analysis of dividends by counterparty is provided in Note 26 "Interest and other financial income/(expenses), net" to the Financial Statements.
Further information on the Company's debt maturities and obligations, currency and interest rate risk management, commitments and contingent liabilities is provided in Notes 13, 18 and 20 of the Notes to the Separate Financial Statements.

FINANCIAL RISK HEDGING POLICIES

The Company's financial risk hedging policies and the effects of the strategies adopted are described in the notes to the financial statements.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company sees the creative process as the first step toward quality.
This unique approach enables the Company to anticipate and set trends, by experimenting constantly with shapes, fabrics, leathers and production techniques.
Research and development activities aim to create innovative products through the search for new or improved materials, the research and definition of design concepts, and the development of prototypes.

The design and product development costs for the twelve months ended December 31, 2022 amount to Euro 113.4 million, as reported in the Separate Profit or Loss Statement by destination prepared in accordance with IFRSs.

RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in Note 28 to the Financial Statements.

TREASURY SHARES

As of December 31, 2022, the Company did not own any treasury share.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

The "company information" and "significant acquisitions and disinvestments" sections of the Notes to the Financial Statements provide the information on the most significant events of the reporting period.

EVENTS AFTER THE REPORTING DATE

No significant event 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 remains 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.

PROPOSED ALLOCATION OF THE RESULT FOR THE YEAR

On March 9, 2023 the Board recommended the approval at the Shareholders' General Meeting of the allocation of the net income of the Company, for the year ended December 31, 2022, as follows: (i) Euro 281,470,640.00 to Shareholders as final dividend, in particular to declare and distribute a final dividend of Euro 0.11 per share, and (ii) Euro 290,212,535.08 to retained earnings of the Company.

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 summarises 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 the 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 reorganisation 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 (Chairman)[1]	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
Date(s) of Meeting	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 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 were 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, 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 2022 Year. The records are maintained by the Corporate Affairs Department.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Chairman is Mr. Paolo Zannoni and, during the 2022 Year, 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 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 reorganisation 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	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
Audit services	Deloitte & Touche S.p.A.	475	508
Total audit fees		475	508
Other advisory services	Deloitte & Touche S.p.A.	21	24
Other advisory services	Deloitte Network	353	-
Total non-audit fees to Deloitte Network		374	24
Total compensation to Deloitte Network		849	532

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 organisational 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 organisational, 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 Organisation, 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 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 authorised 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 the 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 is 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 formalised 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.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(amounts in Euro)	Note	December 31 2022	December 31 2021
Assets			
Current Assets			
Cash and cash equivalents	1	520,887,937	396,777,137
Trade receivables, net	2	929,698,529	683,087,212
Inventories, net	3	301,565,448	269,946,903
Derivative financial instruments - current	4	22,483,293	3,057,552
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties - current	5	261,736,035	415,145,594
Other current assets	6	119,246,342	95,509,379
Total current Assets		2,155,617,584	1,863,523,777
Non-current Assets			
Property, plant and equipment	7	796,668,578	788,786,160
Intangible assets	8	226,335,195	205,587,499
Right of use assets	9	337,102,307	343,835,070
Investments	10	797,146,105	907,468,056
Deferred tax assets	27	53,705,038	43,324,128
Other non-current assets	11	72,539,164	70,303,773
Derivative financial instruments - non current	4	5,812,424	3,518,203
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties	5	186,300,554	72,524,683
Total non-current Assets		2,475,609,365	2,435,347,573
Total Assets		4,631,226,949	4,298,871,350
Liabilities and Shareholders’ equity			
Current Liabilities			
Short-term financial payables and bank overdrafts	13	90,541,465	171,973,113
Financial and other payables due to parent company, subsidiaries, associates and to related parties - current	14	112,570,510	85,999,785
Trade payables	15	548,025,691	635,780,571
Tax payables	16	208,434,677	84,781,096
Derivative financial instruments - current	4	12,317,620	29,682,695
Other current liabilities	17	218,668,767	145,298,070
Short-term Lease Liability	12	51,085,028	50,507,192
Total current Liabilities		1,241,643,758	1,204,022,522
Non-current Liabilities			
Long-term financial payables	18	351,199,645	441,013,186
Long-term employee benefits	19	38,176,502	39,810,559
Provision for risk and charges	20	3,376,157	16,050,608
Deferred tax liabilities	27	5,054,017	1,959,678
Other non-current liabilities	21	107,686,762	116,660,658
Derivative financial liabilities - non current	4	1,712,599	4,785,772
Financial and other payables to parent company, subsidiaries, associates and related parties	14	13,877,911	-
Long-term Lease Liability	12	305,073,119	312,766,721
Total non-current Liabilities		826,156,712	933,047,182
Total Liabilities		2,067,800,470	2,137,069,704
Share capital		255,882,400	255,882,400
Total other reserves		1,735,860,904	1,595,269,500
Net income/(loss) of the year		571,683,175	310,649,746
Shareholders' equity	22	2,563,426,479	2,161,801,646
Total Liabilities and Shareholders' equity		4,631,226,949	4,298,871,350

STATEMENT OF PROFIT OR LOSS

(amounts in Euro)	Note	December 31 2022	December 31 2021
Net Revenues	23	2,509,323,626	1,854,692,127
Cost of goods sold	24	(829,231,108)	(719,202,091)
Gross Margin		1,680,092,518	1,135,490,036
Operating expenses	25	(711,350,249)	(675,067,012)
EBIT		968,742,269	460,423,024
Interest and other financial expenses, net	26	(155,333,147)	(45,679,287)
Interest income/(expenses) on lease liabilities	26	(4,125,102)	(3,419,675)
Dividends from investments	26	49,593,724	23,784,956
Total financial income/(expenses)		(109,864,525)	(25,314,006)
Income /(loss) before taxation		858,877,744	435,109,018
Taxation	27	(287,194,569)	(124,459,272)
Net income/(loss) of the year		571,683,175	310,649,746

STATEMENT OF COMPREHENSIVE INCOME

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Net income/(loss) for the period	571,683	310,650
Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	27,199	(17,695)
Tax impact	(6,528)	4,247
Change in Cash Flow Hedge reserve less Tax Impact	20,671	(13,448)
Items not recyclable to P&L:		
Change in Fair Value reserve	588	845
Tax impact	-	-
Change in Fair Value reserve less Tax Impact	588	845
Change in Actuarial reserve	2,730	634
Tax impact	(655)	(152)
Change in Actuarial reserve less Tax Impact	2,075	482
Total Comprehensive income/(loss)	595,017	298,529

STATEMENT OF CASH FLOWS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Income/(loss) before taxation	858,878	435,109
Profit or loss adjustments		
Depreciation of Right of Use assets	50,812	48,354
Depreciation and amortisation of property, plant and equipment and intangible assets	76,377	71,479
Impairment of fixed assets	120	1,030
Losses/(gains) on disposal of fixed assets	256	(18)
Impairment of investments	146,406	39,216
Interest expenses on Lease liabilities, net	4,125	3,420
Non-monetary financial income (expenses)	(58,976)	(27,321)
Provisions and other non-monetary charges	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 generated by operating activities	725,500	453,342
Net interests received/(paid), including interest paid of Lease liabilities	5,363	(1,714)
Taxes paid	(183,079)	8,560
Net cash flows from operating activities	547,784	460,187
Purchase of tangible and intangible assets	(88,904)	(74,901)
Cash from real estate sale to related party	18,000	20,000
Investments in subsidiaries and affiliated companies	(32,956)	(92,826)
Financial investments	-	76,363
Dividends received	49,594	23,785
Net cash flows (used)/generated by investing activities	(54,266)	(47,579)
Dividends paid	(179,118)	(89,559)
Change in short-term bank loans	-	-
Change in short-term intercompany loans	45,068	(4,447)
Repayment of loans from subsidiaries	23,471	23,537
Repayment of Lease liabilities, net	(54,799)	(56,132)
(Disbursement) of loans to subsidiaries	(31,983)	(42,640)
Repayment of short-term portion of long-term bank loans	(172,044)	(189,889)
New long-term borrowings arranged	-	240,000
Cash flow generated/(used) 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

STATEMENT OF CHANGES IN EQUITY

(AMOUNTS IN THOUSANDS OF EURO, EXCEPT NUMBER OF SHARES)

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Fair value reserve	Net profit (loss) for the year	Total sharehol-der's equity
Balance at December 31, 2020	2,558,824,000	255,882	410,047	51,176	234,075	1,028,031	704	(25,188)	(16,176)	1,938,552
Net result Allocation		-	-	-	-	(16,176)	-	-	16,176	-
Other movements		-	-	-	-	929	-	13,351	-	14,280
Dividends paid		-	-	-	(51,176)	(38,382)	-	-	-	(89,558)
Comprehensive income for the year (recyclable to P&L)		-	-	-	-	-	(13,448)	-	310,650	297,202
Comprehensive income for the year (not recyclable to P&L)		-	-	-	-	482	-	845	-	1,327
Balance at December 31, 2021	2,558,824,000	255,882	410,047	51,176	182,899	974,884	(12,744)	(10,992)	310,650	2,161,802
Net result Allocation		-	-	-	-	310,650	-	-	(310,650)	-
Other movements		-	-	-	-	(14,275)	-	-	-	(14,275)
Dividends paid		-	-	-	-	(179,118)	-	-	-	(179,118)
Comprehensive income for the year (recyclable to P&L)		-	-	-	-	-	20,671	-	571,683	592,354
Comprehensive income for the year (not recyclable to P&L)		-	-	-	-	2,075	-	588	-	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)	571,683	2,563,426

COMPANY INFORMATION

Prada spa is a joint-stock company, registered and domiciled in Italy. Its headquarters are in Via A. Fogazzaro 28, Milan, Italy. As of December 31, 2022, approximately 79.98% of PRADA spa's share capital was owned by PRADA Holding spa, an Italian company, and the remainder was listed on the Main Board of the Hong Kong Stock Exchange. The ultimate indirect shareholders of PRADA Holding spa are Patrizio Bertelli and the Prada family.

The Company is not subject to the management and control of any other companies or entities, noted in accordance with the disclosure requirements of Italian Civil Code Article Art. 2497 et seq.

The Financial Statements were approved by the Board of Directors on March 9, 2023.

1. BASIS OF PRESENTATION

The Financial Statements comprising the Statement of financial position, Statement of profit or loss, Statement of comprehensive income, Statement of cash flows, Statement of changes in equity and Notes to the financial statements as at December 31, 2022,are prepared in compliance with International Financial Reporting Standards (IAS/IFRS) and related interpretations (SIC/IFRIC) as approved by the European Commission and enforced at the reporting date.

The Financial Statements have been prepared on a going concern basis.

NEW IFRS AND AMENDMENTS TO IFRS

Amendments to existing standards issued by the International Accounting Standard Board ("IASB"), endorsed by the European Union and applicable to Prada Spa from January 1, 2022.

Amendments to existing standards	Effective date for Prada spa	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 Financial Statements.

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

Amendments to existing standards	Effective date for Prada spa	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

New standards and amendments issued by the IASB, but not yet endorsed by the European Union at December 31, 2022.

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

FINANCIAL STATEMENTS

The Company has prepared the Statement of financial position classifying separately current and non-current assets and liabilities. The Notes contain more detailed information with further breakdowns of the items reported in the Statement of Financial Position.

The Profit or Loss is classified by function.

Cash flow information is reported in the Statement of cash flows which forms an integral part of the Financial Statements.

The accounting policies and the notes are an integral part of the Financial Statements.

Every item in the Statement of financial position, Statement of profit or loss, Statement of cash flows and Statement of changes in equity is detailed in the Notes to the financial statements.

MAIN ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash equivalents include all highly liquid investments with a short-term maturity.
For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts, deposit accounts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

TRADE RECEIVABLES AND PAYABLES

Trade receivables are recognised 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 recognised upon specific doubtful conditions on the single credit positions.

Trade payables are recorded at nominal amount.

Transactions denominated in foreign currencies are recorded at the exchange rate as at the date of the transaction. At the reporting date, transactions denominated in foreign currencies are translated using the exchange rate as at the reporting date. Gains and losses arising from the translation are reflected in the profit or loss.
The transfer of a financial asset to third parties implies its derecognition from the statement of financial position only if all risks and rewards connected with the financial asset are substantially transferred. Risks and rewards are considered transferred when exposure to variability in the present value of future net cash flows associated with the asset changes significantly as a result of the transfer.

INVENTORIES

Raw materials, work in progress and finished products are recorded at the lower of acquisition cost or production cost and net realisable value. Cost comprises direct production costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Acquisition or production

cost is determined on a weighted average basis.
Provisions, adjusting the value of the inventories, are made for slow moving, obsolete inventories or if, in the end, the estimated selling price or realisable value is reasonably expected to be lower than the cost.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recognised based on hedge accounting rules.
Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is allowed if derivative financial instruments are designated as a hedge of the exposure to changes in future cash flows of a recognised asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognised in shareholders' equity. Accumulated gains or losses are reversed from shareholders' equity and recognised in the profit or loss for the period in which the profit or loss effect of the hedged operation is recognised.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recognised 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 recognised in the profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses.

Ordinary maintenance expenses are charged in full to profit or loss for the year they are incurred. Extraordinary maintenance expenses are capitalised if they increase the value or useful life of the related asset.
The costs included under leasehold improvements relate to refurbishment work carried out on premises, mainly commercial, not owned by the Company.

All costs incurred during the period between the start of refurbishment work and the opening of the store are capitalised as leasehold improvements, as they

are deemed necessary to bring the related assets to their working condition in accordance with company guidelines. The relevant construction or refurbishment period ranges from six to eighteen months depending on the type of store/work.
Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Machinery	Depreciation rate or period
Land	not depreciated
Buildings	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	shorter of useful life and lease term (*)
Improvements to leased industrial and corporate premises	shorter of useful life and lease term (*)
Furniture and fixture retail	shorter of useful life and lease term (*)
Furniture and fixture corporate	7% - 25%
Other tangible fixed assets	4% - 50%
(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain	

When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognised in the profit or loss.

If the term of a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of property, plant and equipment allocated on it is adjusted consistently.

The value of land is stated separately from the value of buildings. Depreciation is only charged on the value of buildings.

Every year-end, a valuation aimed at monitoring indications of impairment over the value of property, plant and equipment is performed. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The impairment loss is determined by comparing the carrying value of the asset with its recoverable value, which means the higher of the fair value of the asset less costs to sell and its value in use.
Fair value is determined based on the best information available to reflect the amount that could be obtained from the disposal of the asset at the reporting date.

Value in use is an estimate of the present value of future cash flows expected to derive from the asset tested for impairment. Impairment losses are recorded immediately in the profit or loss.

INTANGIBLE ASSETS

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

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

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

Software refers to Information Technology development projects and includes all internal and external costs incurred to bring the asset into use. IT projects include costs incurred to acquire licenses as well as the cost of development and installation. Software is capitalised on condition that it is identifiable, reliably measurable and if it is probable that the asset will generate future economic benefits.

Intangible assets with a definite useful life are amortised on a straight-line basis at the following rates:

Category of intangible assets	Amortization rate or period
Store lease acquisition costs	shorter of useful life and lease term (*)
Software	10% - 33%
Development costs and other intangible assets	10% - 33%
(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain	

All business combinations included within the scope of IFRS 3 are recorded using the acquisition method whereby identifiable assets, liabilities and potential liabilities of the acquired business, which satisfy recognition requirements, are measured at their acquisition-date fair value.
The difference between the cost of the business combination and the interest acquired in the net fair value of identifiable assets, liabilities and potential liabilities is recorded as goodwill.
Transactions representing a business combination under common control do not fall within the scope of IFRS 3 ("Business Combinations") and are accounted for by

applying the carryover method.

Goodwill, as an asset that produces future economic benefits but which is not individually identified and separately measured, is initially recognised at cost.

Goodwill is not amortised but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently.

An impairment loss recorded for goodwill is never reversed in subsequent years.

RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of Use of leased assets and Lease Liabilities are regulated by IFRS 16 Leases which apply to all lease contracts that provide for the payment of fixed rents, including those indexed and those that set a guaranteed minimum.
The Company recognise the Right of use assets and the lease liability at the commencement date of the lease and based on the lease term.

The identification of a lease term is very important, especially in the field of real estate, because the form, legislation and common business practice can vary considerably from one jurisdiction to another. The Company determines the lease term as the non-cancellable period of a lease, together with the periods covered by an option to extend or to terminate the lease under the control of the Company. The management evaluates the exercise of the option if it's considered "reasonably certain" based on several factors and circumstances that create an incentive for the lessee to exercise, or not to exercise the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.
The lease term begins on the 'commencement date' of the lease. This is defined as the date on which the lessor makes an underlying asset available for use by a lessee. It is the date on which the lessee initially recognises and measures Right of Use assets and lease liabilities.
The commencement date is not necessarily the date on which start the depreciation of the Right of Use. For retail premises, the asset leased is ready for use when works on premises are completed and, therefore the depreciation of Right of Use

shall begin after the completion of works necessary to bring a store to its working condition according to the management instructions.

The Right of use assets is measured at cost, identified as the initial measurement of the lease liability, increased by any initial direct costs incurred by the lessee (key money, legal fees, agent fees or other fees paid to enter in the agreement) or by any dismantling cost necessary to bring back the premises to its original condition. The Right of use Assets is depreciated over the Lease term.

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using an incremental borrowing rate. The profit or loss caption "interest expenses IFRS 16" represent the adjustment of the present value of the lease liability. Since most leases stipulated by the Company do not have an interest rate implicit in the lease, the discount rate applicable to future lease payments was determined as the Italian risk-free rate, with payment dates based on the terms of the specific lease, increased by the Company's credit spread.

A lease modification occurs when there is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). The effective date of the modification is defined as "the date when both parties agree to a lease modification". When this occur, 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 of 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 recognised 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 recognised through profit or loss on a straight-line basis over the lease term. Purely variable rent, typically linked to sales without a guaranteed minimum, are

excluded too from the scope of application of such standard.

Based on the practical expedient set by the "Amendment to IFRS16: Covid-Related Rent Concession", a lessee is not required to assess whether the Covid-related rent reductions obtained by the lessors are lease modifications. Therefore, the lessee can book such rent reduction as if they were not lease modifications, thus recognizing the entire economic benefit of such discounts immediately through profit or loss. Rent discounts are eligible for the practical expedient if they occur as a direct consequence of the Covid-19 pandemic and if all of the following criteria are met:

- any rent reduction affects only payments originally due on or before June 30, 2022;
- there is no substantive change to the other terms and conditions of the lease;
- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

A lessee is expected to make judgement about whether other changes are substantive based on its understanding of those changes and based on how they were historically managed by the Company. As a result, in the Company's view a modification of the contract such as a renewal or the extension of the lease term is to be considered substantive only when it is not consistent with the usual practices applied by the Company and in the industry as a whole.

IMPAIRMENT OF ASSETS

IAS 36 requires an impairment test to be performed on property, plant and equipment, intangible assets and investments whenever there is an indication of impairment.
Goodwill and other intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least once a year.
When the carrying amount of these assets exceeds their recoverable amount, it is reduced accordingly and the impairment is recognised in the profit or loss.
The recoverable amount of the asset is calculated as the higher of its fair value less costs of disposal (where there is an active market) and its value in use.
Value in use is determined by discounting cash flows expected to arise from the use of the asset or Cash Generating Unit, as well as from the cash flow expected

to arise from its disposal at the end of its useful life.
Cash flow projections are based on budgets and forecasts and on long-term plans (generally 5 years) approved by the management and by the relevant business units.
Cash Generating Units are determined based on the organisational structure and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets.

INVESTMENTS

Investments in subsidiaries, associated undertakings and joint ventures are accounted for under the cost method and tested for impairment whenever there is an indication of impairment.
The valuation method used is the Discounted Cash Flow model, adopting the process described in the Note Impairment of assets. If an impairment loss has to be recognised, it is charged to the profit or loss in the period in which it is identified. If the reason for the impairment loss no longer applies, the carrying amount of the investment is restored but not to more than its original cost. Such reversals are recorded in the profit or loss.

INVESTMENTS IN EQUITY INSTRUMENTS

The initial recognition of Investments in equity instruments (previously "available for sale") is at purchase cost, increased by any directly attributable transaction costs. The Company measures these instruments at fair value and the related changes are recorded in a specific equity reserve. This change (FVTOCI) is also included in the statement of comprehensive income as "items not recyclable to profit or loss", therefore only dividends received will be recorded in the statement of profit or loss of the Company. IFRS 9 also provides for an alternative treatment that allows the recognition of fair value changes directly to profit or loss (FVTPL). The choice of this accounting treatment (FVTPL or FVTOCI) has to be done for each investment and has to be considered irrevocable once adopted. Any exceptions to the initial recognition will be reported in the Notes to the Separate financial statements.
In the case of securities listed on active markets, the fair value is the price recorded at the end of the trading day of the period under review. For investments for which there is no an active market, the fair value is determined based on the price of recent transactions between independent parts of substantially similar

instruments, or by using other valuation techniques such as, for example, income assessments or based on flow analysis discounted financial figures.

DEFERRED TAX ASSETS

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to deductible temporary differences and carryforward of unused tax losses.

Deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax value which, in determining taxable income for future years, will result in deductible amounts when the carrying amount of the asset or liability is realised or settled.

Deferred tax assets are recognised for all deductible timing differences, tax losses carry-forwards and unused tax credits only to the extent that is probable that taxable profit will be available in future years against which the deductible timing differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realised based on tax rates (and tax laws) in force at the reporting date.

Deferred tax assets are not discounted.

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

Deferred tax assets relating to items credited or debited directly to shareholders' equity are also credited or debited directly to shareholders' equity.

NON-CURRENT FINANCIAL LIABILITIES

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

Bank borrowing includes principal amounts, interest and additional arrangement costs accruing and due at the balance sheet date even when they are charged at a later date.

Non-current financial liabilities are initially recorded at fair value on the transaction

date less transaction costs which are directly attributable to the acquisition. After initial recognition, non-current financial liabilities are valued at amortised cost i.e. at the initial amount less principal repayments already made plus or minus the amortisation (using the effective interest method) of any difference between that initial amount and the maturity amount.
The effective rate of interest is the rate used to discount payments based on the contractual term of the loan or on a shorter period, if appropriate.

EMPLOYEE BENEFITS

Post-employment benefits mainly consist of Italian Staff Leaving Indemnities (hereinafter TFR) which are classified as defined-benefit plans.
Defined benefit plans are recognised, using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Company's obligations.
The actuarial valuation is carried out by an independent actuary using the Projected Unit Credit Method.

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

Other long-term employee benefits are recognised 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 organisation, 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 recognised though 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 charged to the income statement.

PROVISIONS FOR RISKS AND CHARGES

PRADA spa is mainly involved in civil and tax disputes and the related provisions for risks and charges are booked in the financial statements both on the basis of historical experience and on the basis of assumptions concerning future events that are difficult to predict as also depending on factors that are not under the full control of the Company. Therefore it is possible that after the reporting period, departures between the estimates made and the actual results materialize so that it might be necessary to make adjustments to the values of the liabilities recognized. Application of exemptions to some or all of the disclosures required by IAS 37 are applied when these could prejudice seriously the position the Company in a dispute with other parties on the on the subject matter of the provision, contingent liability or contingent asset.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are amounts of income taxes due in future periods in respect of taxable temporary differences.

Taxable temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base which, in determining the taxable income for future years, will result in taxable amounts when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognised for all taxable timing differences except when liability is generated by the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

Deferred tax liabilities are measured at the tax rates which are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are not discounted.

Deferred tax liabilities are recognised in the profit or loss unless the tax amount is generated by a transaction or an event directly recognised in equity or by a business combination.
Taxation for deferred tax liabilities relating to items credited or debited directly to shareholders' equity is also credited or debited directly to shareholders' equity.
The deferred tax liabilities is only offset against deferred tax assets, when the two items refer to the same tax and the same period.

REVENUE RECOGNITION

Revenues from the sale of goods are recognised in the profit or loss when all of the following criteria have been satisfied:

- identify the contract (in writing, orally or in accordance with other customary business practices) with a customer;
- identify the performance obligations in the contract;
- determine the transaction 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 Company;
- the costs pertaining to the transaction can be reliably measured;
- each performance obligations has been satisfied.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Royalties under franchise agreements are recorded based on the sales made by the Company to the franchisees.
Dividends are booked in the profit or loss when the shareholders' become entitled to receive payment and are classified in the caption "Dividend from investments".

ACCOUNTING FOR COSTS

Costs are recorded on an accrual basis. In particular, a cost is immediately recognised in the profit or loss when:

- an expense does not generate any future economic benefit;
- the future economic benefits do not qualify or cease to qualify as assets for recognition in the statement of financial position;

— a liability is incurred and no asset has been recorded.

PRE-OPENING RENTS

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the profit or loss when incurred, except for the suspension of the depreciation of the Right of Use assets.

INTEREST EXPENSES

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

INCOME TAXES

The provision for income taxes is determined based on a realistic estimate of the tax charge of each entity included in the tax consolidation, in accordance with the tax rates and tax laws in force or substantially approved at the reporting date.

Current taxes are recorded in the profit or loss as an expense. This is except for taxes deriving from transactions or events directly recognised through shareholders' equity which are directly charged to equity.

CHANGES OF ACCOUNTING POLICY, ERRORS AND CHANGES IN ACCOUNTING ESTIMATES

The accounting policies adopted are only modified from one year to another if the change is required by an accounting standard or if it provides more reliable and more relevant information on the effects of operations on the Company's Statement of financial position, Profit or loss or Cash flows.

Changes of accounting policy are applied retrospectively, adjusting the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts, disclosed for each prior period presented, are also adjusted as if the new accounting policy had always been applied. A prospective approach is applied only when it is not possible to restate the comparative information. The adoption of a new or amended accounting standard is implemented in

accordance with the requirements of the standard itself. If the new standard does not include specific transition provisions, the change of accounting policy is applied retrospectively or, if this is not feasible, prospectively.
In the case of material errors, the same approach adopted for changes in accounting standards described in the previous paragraph shall be followed. Non material errors are recognised in the profit or loss in the period in which the error is identified.
The effect of changes in accounting estimates is prospectively recorded in the profit or loss for the year the change takes place if it is the only year affected. It is also reflected in later years if they too are affected by the change.

FINANCIAL RISK MANAGEMENT

The Company's international activities expose it to a variety of financial risks including the risk of exchange rate and interest rate fluctuation. The Company's overall risk management policy takes account of the volatility of financial markets and seeks to minimise uncertainty regarding cash flow and the resulting potential adverse effects on its results.
The Company enters into hedging contracts to manage risks arising from exposure to the exchange rate and interest rate risks.
Financial instruments are accounted for based on hedge accounting rules. At the inception of the hedge contract, the Company formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

EXCHANGE RATE RISK

The Company's export sales activities expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro primarily against the US Dollar, Hong Kong Dollar, Chinese Renminbi, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign exchange risk hedging by entering into derivative contracts (forward sale and purchase, options) with third parties.
In accordance with IFRS 9, these hedging contracts are classified as cash flow hedges. The fair value of the hedging contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

INTEREST RATE RISK

The debt taken on by the Company exposes it to an interest rate risk. The Corporate Finance Department hedges this risk by arranging Interest Rate Swap and Collar agreements.

The fair value of derivative contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Meanwhile, for non-hedging derivatives qualified as fair value through profit or loss, fair value is recorded in full in the profit or loss.

USE OF ESTIMATES

In accordance with IFRS, 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.

MERGERS AND ACQUISITIONS

In August the Company acquired a 43.65% stake in Conceria Superior S.p.A., an affiliated company with 60 years of experience in exceptional calfskin tanning techniques.

On September 1, 2022, PRADA spa established the company PRADA Norway As with the aim of developing the commercial activities in Norway.

On November 18, 2022, the Company 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.

In December 2022, PRADA spa acquired from the subsidiary Church & Co Ltd the

full ownership of four Church's retail companies and the wholesale distribution business.
The purpose was simplifying the Church's Group structure and its business operations, aiming to improve its profitability.

STATEMENT OF FINANCIAL POSITION

1. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of December 31, 2022 and December 31, 2021 is presented hereunder:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Cash on hand	3,719	768
Bank deposit accounts	473,022	1
Bank current accounts	44,147	396,008
Total cash and cash equivalents	520,888	396,777

Cash equivalents include all highly liquid investments with a short-term maturity. The Statement of Cash Flows and Financial Review provide additional information on the cash flows of the period.

2. TRADE RECEIVABLES, NET

Trade receivables are detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade receivables due from third parties	141,369	142,957
Trade receivables due from parent company	18	11
Trade receivables due from subsidiaries and associates	787,686	539,550
Trade receivables due from related parties	626	568
Total trade receivables	929,699	683,086

The breakdown by counterparty (except for receivables due from third parties) is provided in Note 28, "Transactions with parent companies, subsidiaries, associates and related parties".

The allowance for doubtful debts was estimated on an itemised basis, using all information available when the financial statements were prepared to align the receivables to their estimated realisable value. In addition, an allowance for expected credit losses, calculated based on specific credit rating assigned to each cluster of customers, was set up to represent the creditworthiness of wholesale clients.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade receivables, third, parent and related parties, gross	147,056	148,467
Allowance for bad and doubtful debts	(5,043)	(4,931)
Trade receivables, third, parent and related parties, net	142,013	143,536

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade receivables from subsidiaries and associates, gross	792,028	542,392
Allowance for bad and doubtful debts	(4,342)	(2,842)
Trade receivables due from subsidiaries and associates, net	787,686	539,550
Total	929,699	683,086

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Opening Balance	7,773	7,722
Increases	1,750	1,484
Utilised	(50)	(372)
Reversals	(88)	(1,100)
Other movements	-	39
Closing Balance	9,385	7,773

An aging analysis of the total trade receivables at the reporting date before deducting the allowance for doubtful debts is as follow:

(amounts in thousands of Euro)	December 31, 2022	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third, parent and related parties	147,056	141,809	-	-	-	-	5,247
Trade receivables, subsidiaries and associates	792,028	783,479	147	114	197	666	7,425
Total at December 31, 2022	939,084	925,288	147	114	197	666	12,672

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

3. INVENTORIES, NET

Inventories can be broken down as follow:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Raw materials	102,413	93,530
Work in progress	23,241	23,751
Finished products	203,025	174,576
Returns assets	57,508	35,864
Allowance for obsolete and slow-moving inventories	(84,622)	(57,775)
Inventories, net	301,565	269,947

Inventories are measured at their average weighted cost.
The changes in the allowance for obsolete and slow-moving inventories are as follow:

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at December 31, 2021	30,500	27,275	57,775
Increases	1,587	25,284	26,871
Utilised	-	(24)	(24)
Balance at December 31, 2022	32,087	52,535	84,622

4. DERIVATIVE FINANCIAL INSTRUMENTS: ASSETS AND LIABILITIES

The current and non-current portions of the assets are presented below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial assets regarding derivative instruments, current	22,484	3,058
Financial assets regarding derivative instruments, non-current	5,812	3,518
Total Financial Assets - Derivative financial instruments	28,296	6,576

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial liabilities regarding derivative instruments, current	(12,317)	(29,682)
Financial liabilities regarding derivative instruments, non-current	(1,713)	(4,786)
Total Financial Liabilities - Derivative financial instruments	(14,030)	(34,468)
Net carrying amount - current and non-current portion	14,266	(27,893)

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

(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 swap – cash flow hedge	6,699	-	Level II
Interest rate swap – fair value through profit or loss	2,563	4,814	Level II
Positive Fair Value	28,296	6,576	
Forward contracts	(10,426)	(10,139)	Level II
Options	(1,140)	(17,485)	Level II
Interest rate swap – cash flow hedge	-	(2,168)	Level II
Interest rate swap – fair value through profit or loss	(2,465)	(4,677)	Level II
Negative Fair Value	(14,030)	(34,469)	
Net carrying amount	14,266	(27,893)	

All of the above derivative instruments are classified as Level II in the fair value hierarchy. The Company has not entered into any derivative contracts classifiable as Level I or Level III.

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

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

FOREIGN EXCHANGE TRANSACTIONS

The cash flows resulting from the Company's international activities, especially sales-related activities, are exposed to exchange rate volatility. The Company mitigates this risk by stipulating options and forward sale and purchase agreements, so as to guarantee the Euro value of identified cash flows.

The estimated future cash flows are identified mainly as the inflows from trade receivables, outflows for trade payables and financial cash flows. In terms of the hedged amounts, the most important currencies are: U.S. Dollar, Chinese Renminbi, Japanese Yen, Hong Kong Dollar, GB Pound, Swiss Franc and Korean Won.

The notional amounts at the reporting date of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate of December 31,2022) are listed below.

Contracts in effect as of 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	-	72,159	72,159
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	784,735	1,050,770

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

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

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

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

All contracts in place at December 31, 2022 will mature within 12 months.
All contracts in place at the reporting date were entered into with major financial

institutions, therefore the related credit default risk is not considered to be significant.

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

INTEREST RATE TRANSACTIONS

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

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2022	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	27,500	1.457%	May-2030	1,688	Euro/000	Term Loan	27,500	May-2030
IRS	Euro/000	100,000	1.330%	Apr-2025	4,280	Euro/000	Term Loan	100,000	Apr-2025
IRS	Euro/000	77,400	2.649%	Feb-2026	731	Euro/000	Term Loan	77,400	Feb-2026
Total fair value (amounts in thousands of Euro)					6,699				

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

The IRS converts the variable interest rates on bank loans into fixed interest rates.

They have been arranged with major financial institutions, therefore the related credit default risk is not considered to be significant.

According to the applicable regulations, the derivatives presented above meet the requirements for designation as cash flow hedges.

The Company entered into an IRS for loans taken out by a UK subsidiary and stipulated an IRS having the same characteristics with the same subsidiary.

Therefore, those contracts are accounted for as non-hedging instruments (fair value through profit or loss):

Contract	Currency	Notional	Interest rate paid	Interest rate received	Maturity date	December 31 2022	December 31 2021	Counterparty
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	48,975	2.778%	Libor GBP/365	31/01/2029	2,563	(4,677)	Unicredit
IRS	GBP/000	48,975	Libor GBP/365	2.83%	31/01/2029	(2,465)	4,814	Kenon Ltd
Total IRS – *Fair value through profit or loss*						98	137	

INFORMATION ON FINANCIAL RISKS

CAPITAL MANAGEMENT

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

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IFRS 7

FINANCIAL ASSETS

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	520,888	-	520,888	1
Trade receivables, net	929,699	-	929,699	2
Derivative financial instruments	-	28,296	28,296	4
Financial receivables from parent, subsidiary and associated companies and related parties	406,044	-	406,044	5
Financial receivables IFRS16 - lease	22,283	-	22,283	5
Investments in equity instruments	3,551	-	3,551	10
Total at December 31, 2022	1,882,465	28,296	1,910,761	

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	396,777	-	396,777	1
Trade receivables, net	683,087	-	683,087	2
Derivative financial instruments	-	6,576	6,576	4
Financial receivables from parent, subsidiary and associated companies and related parties	425,877	-	425,877	5
Financial receivables IFRS16 - lease	24,885	-	24,885	5
Investments in equity instruments	2,964	-	2,964	10
Total at December 31, 2021	1,533,590	6,576	1,540,166	

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	441,741	-	441,741	13, 18
Financial payables - parent, subsidiary and associated companies and related parties	95,407	-	95,407	14
Trade payables	548,026	-	548,026	15
Derivative financial instruments	-	14,030	14,030	4
Lease liabilities (IFRS16)	356,158	-	356,158	12
Total at December 31, 2022	1,441,332	14,030	1,455,362	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	612,986	-	612,986	13,18
Financial payables - parent, subsidiary and associated companies and related parties	67,643	-	67,643	14
Trade payables	635,781	-	635,781	15
Derivative financial instruments	-	34,468	34,468	4
Lease liabilities (IFRS16)	363,274	-	363,274	12
Total at December 31, 2021	1,679,684	34,468	1,714,152	

FAIR VALUE

The carrying amount of the derivative instruments, whether assets or liabilities, reflects the fair value, as explained in this Note.

The carrying amount of cash and cash equivalents, financial receivables and trade receivables, as adjusted for impairment where necessary as required by IFRS 9, approximates their estimated realisable value and, hence, their fair value.

The reported amount of Investments in equity instruments corresponds to its fair value (Level I) as explained in Note 10.

Lease liability is reported at the present value, while all of the other financial liabilities are carried at approximately their fair value.

CREDIT RISK

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk is represented by all the financial assets recognised in the financial statements.

The Directors consider the Company’s credit risk to regard essentially the trade

receivables generated from sales to independent clients in the wholesale channel. The Company manages credit risk and mitigates the related effects through its business and financial strategies. Credit risk is managed by monitoring and checking the reliability and solvency of customers, and is carried out by the Group's Sales Management.
The lack of concentration of the total trade receivables with any one customer and the evenly spread out geographical composition of the receivables worldwide mitigate the risk of incurring financial losses.
The expected loss on past-due receivables and doubtful accounts at the reporting date is fully covered by the allowance for doubtful debts.
The changes in the allowance for doubtful debts are shown in Note 2 on trade receivables.

LIQUIDITY RISK

Liquidity risk refers to the difficulty the Company could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Group's Treasury management, which reports to the Chief Financial Office ("CFO"), is in charge of optimising the financial resources.
According to the Directors, the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Company to meet its financial requirement arising from investing activities, working capital management, punctual loan repayment and dividend payments without using all the available funding, so that surplus resources may be used to pay dividends.

As at December 31, 2022, the Company had undrawn cash credit lines of Euro 627 million, of which Euro 400 million committed and Euro 227 million uncommitted.

As required by IFRS 7, with respect to forward contracts and options, only the anticipated cash flows that are negative at the reporting date are reported. Both positive and negative cash flows are presented for interest rate swaps.
The cash flows shown below have not been discounted and therefore differ from the amounts included in the table of derivative financial instruments (current and non-current) presented at the beginning of this section.

Financial liabilities under derivative financial instruments.

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2022	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Net cash flows (outflows/inflows) of forward contracts	(10,426)	(4,009)	(6,417)	-	-	-
Net cash flows (outflows/inflows) of options	(1,078)	(456)	(622)	-	-	-
Interest rate swaps	6,797	870	1,756	2,875	691	605
Net value	(4,707)	(3,595)	(5,283)	2,875	691	605

(amounts in thousands of Euro)	Future contractual cash flows at Dec. 31, 2021	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Net cash flows (outflows/inflows) of forward contracts	(10,139)	(5,492)	(4,647)	-	-	-
Net cash flows (outflows/inflows) of options	(15,884)	(9,312)	(6,572)	-	-	-
Interest rate swaps	(2,031)	(447)	(271)	(407)	(287)	(619)
Net value	(28,054)	(15,251)	(11,490)	(407)	(287)	(619)

FINANCIAL LIABILITIES

(amounts in thousands of Euro)	Reported amount at December 31, 2022	Future contractual cash flows at December 31, 2022	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	Beyond 4 years
Lease liabilities (IFRS16)	356,158	-	-	25,573	25,743	49,341	45,770	43,974	165,757
Financial payables to banks	441,741	441,678	-	45,100	45,100	79,089	130,378	129,178	12,833
Financial payables to subsidiaries, parent company and related parties	95,407	95,407	81,529	-	-	13,878	-	-	-
Total	893,306	537,085	81,529	70,673	70,843	142,307	176,148	173,152	178,590

(amounts in thousands of Euro)	Reported amount at December 31, 2021	Future contractual cash flows at December 31, 2021	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Lease liabilities (IFRS16)	363,274	363,274	-	25,211	25,172	46,942	45,935	42,486	177,528
Financial payables to banks	612,986	612,986	-	126,054	45,254	90,200	79,089	130,378	142,011
Financial payables to subsidiaries, parent company and related parties	67,643	67,643	53,765	-	13,878	-	-	-	-
Total	1,043,903	1,043,903	53,765	151,265	84,304	137,142	125,024	172,864	319,539

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk deriving from fluctuations of foreign currencies against the Euro.

Foreign exchange risk consists of the risk that cash flows from distributors could fluctuate as a result of changes in exchange rates. The most important currencies for the Company are the U.S. Dollar, Hong Kong Dollar, Japanese Yen, Chinese Renminbi and British Pound Sterling.

Foreign exchange risk management is one of the risk management activities carried out by the centralised Treasury Department.

The following table shows the sensitivity of net income and equity to a fluctuation range for the main foreign currencies against the Euro, based on the Company's financial position and performance at December 31, 2022:

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
GB Pound	(740)	1,982	2,036	(1,014)
Hong Kong Dollar	2,734	3,308	(2,985)	(3,553)
Japanese Yen	(149)	3,619	218	(2,121)
Chinese Remnimbi	(7,335)	(3,289)	9,167	4,587
US Dollar	(2,988)	8,264	3,470	(8,384)
Other currencies	(6,724)	8,246	5,815	(12,802)
Total	(15,202)	22,130	17,721	(23,287)

The total impact on equity (increase of Euro 22 million and decrease of Euro 23 million) is the sum of the effect on profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies. The effects on net income and equity are shown before taxes.

Management considers this sensitivity analysis to be purely indicative, as it is based on the end-of-period exposure, which might not reflect the effects actually generated during the year.

INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations with respect mainly to the interest expense on its financial debt. Interest rate risk management is one of the risk management activities carried out by the centralised Treasury Department.

The following table shows the sensitivity of net income and equity to a shift in the interest rate curve based on the Company's financial position as at December 31, 2022.

(amounts in thousands of Euro)	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity	Shift in interest rate curve	Positive/ (negative) effect on net income for the year	Positive/ (negative) effect on shareholders' equity
Euro	+ 0.50%	1,386	869	-0.50%	(1,400)	(932)
GB Pound	+ 0.50%	281	279	-0.50%	(281)	(279)
Hong Kong Dollar	+ 0.50%	17	17	-0.50%	(17)	(17)
US Dollar	+ 0.50%	243	243	-0.50%	(243)	(243)
Other currencies	+ 0.50%	292	292	-0.50%	(292)	(292)
Total		2,219	1,700		(2,233)	(1,763)

The total impact on equity is the sum of the effect on profit or loss and on equity of a hypothetical shift in the interest rate curve. The effects on net income and equity are shown before taxes.
Sensitivity analysis was based on the end-of-period net financial position, which may not reflect the actual exposure to interest rate risk during the year. For this reason it is considered purely indicative.

5. FINANCIAL AND OTHER RECEIVABLES DUE FROM PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The short-term receivables due from subsidiaries and other companies are detailed below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial receivables	238,750	375,066
Other receivables	19,710	36,909
Short-term receivables IFRS16	3,277	3,170
Financial and other receivables – due within a year	261,736	415,145

The financial receivables include Euro 227.5 milion of the principal on the loans to subsidiaries due within 12 months, shown net of the allowance for expected credit losses of Euro 2.4 million.

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

The amount is broken down by counterparty in Note 28.

Long-term receivables due from parent companies and other Group companies are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial receivables	186,301	72,525
Financial and other receivables – due after or more than a year	186,301	72,525

The financial receivables include the principal on the loans to subsidiaries due after more than 12 months, shown net of the allowance for expected credit losses of Euro 1.7 million.

6. OTHER CURRENT ASSETS

The other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
VAT	18,107	8,853
Income tax and other tax receivables	33,654	34,112
Other assets	3,425	2,202
Prepayments	62,554	50,268
Deposits	1,506	74
Total other current assets	119,246	95,509

OTHER ASSETS

The other current assets are detailed hereunder:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Advances to suppliers	2,009	953
Advances to employees	464	373
Other receivables	952	876
Total other current assets	3,425	2,202

PREPAYMENTS

The prepayments and accrued income are broken down below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Rental costs	125	94
Insurance	791	577
Design Costs	29,210	25,836
Fashion shows and advances on advertising campaigns	19,418	14,187
Others	13,010	9,574
Total prepayments and accrued income	62,554	50,268

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

7. PROPERTY, PLANT AND EQUIPMENT

The historical cost and accumulated depreciation of the past three periods are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
Historical cost	621,130	210,890	141,630	198,315	109,180	27,121	1,308,266
Accumulated depreciation	(113,873)	(157,295)	(96,008)	(79,130)	(70,884)	-	(517,190)
Net carrying amount at December 31, 2020	507,257	53,595	45,622	119,185	38,296	27,121	791,076
Historical cost	634,426	217,692	146,509	217,327	112,075	24,714	1,352,743
Accumulated depreciation	(128,253)	(168,049)	(104,982)	(86,616)	(76,057)	-	(563,957)
Net carrying amount at December 31, 2021	506,173	49,643	41,526	130,711	36,018	24,714	788,786
Historical cost	647,999	229,617	149,218	220,359	119,052	37,171	1,403,417
Accumulated depreciation	(142,833)	(178,359)	(112,169)	(92,687)	(80,700)	-	(606,748)
Net carrying amount at December 31, 2022	505,166	51,258	37,049	127,672	38,352	37,171	796,669

The changes in the carrying amount of "property, plant and equipment" for the year ended December 31, 2022 are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
Balance at December 31, 2021	506,173	49,643	41,526	130,711	36,018	24,714	788,786
Additions	9,082	8,171	3,230	3,696	8,109	24,129	56,416
Depreciation	(14,596)	(10,536)	(9,655)	(6,985)	(5,799)	-	(47,571)
Disposals	(161)	(69)	(93)	(302)	(3)	(91)	(721)
Other movements	4,669	4,064	2,099	599	27	(11,614)	(156)
Impairment	-	(15)	(58)	(47)	-	-	(120)
Balance at December 31, 2022	505,166	51,258	37,049	127,672	38,352	37,171	796,669

The increases for "land and buildings" and "production plant and machinery" are attributable mainly to the capital expenditure invested to bolster and improve the manufacturing and logistics activities, within a broader plan to expand the production capacity.
The increases in furniture and fittings and in leasehold improvements regarded largely restyling projects on stores.

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

"Other tangibles" includes the product archive, which expresses the identity and history of the Group's brands and serves as a constant source of inspiration.

8. INTANGIBLE ASSETS

The historical cost and accumulated amortisation of the past three periods are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Develop-ment costs and other intangibles	Assets in progress	Total
Historical cost	13,756	111,875	33,665	191,740	26,502	3,407	380,945
Accumulated depreciation	(11,557)	(3,463)	(32,834)	(111,214)	(21,381)	-	(180,449)
Net carrying amount at December 31, 2020	2,199	108,412	831	80,526	5,121	3,407	200,496
Historical cost	13,756	111,875	33,665	209,933	28,845	13,103	411,177
Accumulated depreciation	(13,756)	(3,463)	(33,156)	(130,987)	(24,229)	-	(205,591)
Net carrying amount at December 31, 2021	-	108,412	509	78,946	4,616	13,103	205,587
Historical cost	14,253	112,070	33,665	241,157	28,845	30,695	460,685
Accumulated depreciation	(13,822)	(3,463)	(33,477)	(156,249)	(27,339)	-	(234,350)
Net carrying amount at December 31, 2022	431	108,607	188	84,908	1,506	30,695	226,335

The capital expenditures for software refer to technological and digital evolution projects in the retail, manufacturing and corporate areas.

The changes in the carrying amount of intangible assets for the year ended December 31, 2022 are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Develop-ment costs and other intangibles	Assets in progress	Total
Balance at December 31, 2021	-	108,412	509	78,946	4,616	13,103	205,587
Additions	497	195	-	19,285	-	29,866	49,843
Amortisation	(66)	-	(322)	(25,308)	(3,111)	-	(28,807)
Disposals	-	-	-	(284)	-	(5)	(290)
Other movements	-	-	1	12,269	1	(12,269)	2
Balance at December 31, 2022	431	108,607	188	84,908	1,506	30,695	226,335

GOODWILL

"Goodwill" as at December 31, 2022 amount to Euro 108.6 million, including mainly Euro 78.3 million related to the CGU "Wholesale distribution in Italy" and Euro 25.9 million related to the CGU "Italian retail". As required by IAS 36, the values of intangible assets with indefinite useful lives are not amortised, but they are tested for impairment at least annually. No other indefinite life intangible assets, apart from goodwill, has been identified by the Company.

The method used to identify the recoverable amount is the value in use that consists of discounting the projected cash flows generated by the activities directly attributable to the business to which the goodwill has been allocated (Cash Generating Unit or "CGU").

Value in use is the sum of the present value of future cash flows. Cash flows are estimated considering the operating conditions of the tested CGU at the reporting date, therefore without taking into account either significant improvements in the performance nor future developments of new activities. The discount rate used to discount cash flows is calculated using the weighted average cost of capital ("WACC") approach. The weighted average cost of capital used for discounting purposes was 8.3% (6.2% in 2021) determined taking into consideration specific parameters: market risk premium and sovereign bond yield. The "g" rate of growth used to calculate the terminal value has been set at 1.5% (in line with 2021), and can be considered prudent given the average growth in the long term expected for the luxury goods market at the reporting date.

Following the impairment tests carried out, no impairment losses were identified. With reference to the tested CGUs, the Directors believe that any reasonable variation in the main assumptions used in the impairment tests, would not generate such a reduction in the recoverable amount to identify impairment losses on goodwill.

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

9. RIGHT OF USE ASSETS

The changes in the net book value of the Right of Use assets for the period ended December 31, 2022 are shown below:

(amounts in thousands of Euro)	Right of Use Buildings	Right of Use Cars transport vehicles	Right of Use Plant & Machinery	Total Net Book Value
Opening Balance	340,877	1,195	1,763	343,835
New contracts, initial direct costs and remeasurement	41,849	1,177	1,088	44,114
Depreciation	(46,764)	(954)	(770)	(50,812)
Contracts termination	-	(35)	-	(35)
Total	333,638	1,383	2,081	337,102

Right of use asset decreased by Euro 7 million, mainly as a result of the depreciation of the year amounting to Euro 51 million, net of new contracts and remeasurement of existing leases (Euro 44 million).

10. INVESTMENTS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Investments in subsidaries and associated undertakings	793,436	903,689
Investments at FVTOCI	3,551	2,964
Other investments	159	815
Total	797,146	907,468

The investments as at December 31, 2022 and December 31, 2021 are presented hereunder:

(amounts in thousands of Euro)	Note	December 31 2021	Increases	Decreases	December 31 2022
Investments in subsidiaries:					
Artisans Shoes S.r.l.		2,706			2,706
Caffè Principe S.r.L.	(1)		3,573		3,573
Church & Co Ltd	(2)	72,547		(67,198)	5,349
Church English shoes SA	(3)		292		292
Church France SA	(3)		2,600		2,600
Church Japan Co., Ltd.	(3)		2,016		2,016
Church's Eng. Shoes Sw.SA	(3)		1,225		1,225
Conceria Superior S.p.A.	(4)		20,072		20,072
Filati Biagioli Modesto Srl		390	62	(2)	450
Figline Srl			1,222		1,222
Hipic Prod Impex Srl		11,292			11,292
IPI Logistica S.r.l.		1,798			1,798
Kenon Limited		99,478			99,478
Les Femmes Srl		1,960			1,960
Luna Rossa Challenge Srl		17,025	7		17,032
Marchesi 1824 srl	(2)	5,459	4,947	(5,148)	5,258
PRM Services S. De R.L. de CV		407			407
Pelletteria Ennepì S.r.l.		5,272			5,272
Post Development Corp.		54,807			54,807
Prada (Thailand) Co.,Ltd.		4,845			4,845
Prada Asia Pacific Ltd.		4,773			4,773
Prada Australia Pty. Ltd		7,267			7,267
Prada Austria GmbH		2,185			2,185
Prada Belgium sprl		4,004			4,004
Prada Bosphorus Deri Mamuller Limited Sirketi		6,743			6,743
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.		14,859			14,859
Prada Canada Corp.		5,086			5,086
Prada Czech Republic s.r.o.		1,894			1,894
Prada Denmark		3,491			3,491
Prada Germany GmbH		14,122			14,122
Prada Hellas Single Partner Limited Liability Company		21,764			21,764
Prada Japan Co., Ltd.		28,770			28,770
Prada Kazakhstan Llp		4,938			4,938
Prada Korea Ltd.		10,631			10,631
Prada Middle East FZCO		2,106			2,106
Prada Montecarlo Sam	(2)	24,829		(14,396)	10,433
Prada Netherlands B.V.		3,623			3,623
Prada New Zealand Pty. Ltd		2,192			2,192
Prada Norway AS	(5)		8		8
Prada Panama SA		906			906
Prada Portugal, Unipessoal LDA		955			955
Prada Retail Aruba		1,623			1,623
Prada Retail France SaS		48,195			48,195
Prada Retail Malaysia Sdn		292			292
Prada Retail UK Ltd		21,170			21,170
Prada Retail SPC		3,041			3,041
Prada Rus LLC	(2)	82,550		(45,710)	36,840
Prada SA		23,315			23,315
Prada ST. Barthelemy		1,600			1,600
Prada Saipan		1,093			1,093
Prada San Marino		26	130		156
Prada Saudi Arabia		10,671			10,671

(amounts in thousands of Euro)	Note	December 31 2021	Increases	Decreases	December 31 2022
Prada Singapore Pte, Ltd.		2,478			2,478
Prada South Africa (Pty) Ltd		861			861
Prada Spain S.A.		29,375			29,375
Prada Sweden AB		8,121			8,121
Prada Switzerland sa	(2)	73,281		(13,954)	59,327
Prada USA Corp.		145,759			145,759
Prada Ukraine		6			6
Prada Vietnam		5,735			5,735
Tannerie Limoges S.A.S.		1,374			1,374
Investments in other entities		3,779	698	(767)	3,710
Total		907,468	36,853	(147,175)	797,146

Investments for which potential indicators of impairment have been identified, were tested for impairment. In order to perform the impairment test, management assessed the recoverable amount based on the investment value in use, calculated as the sum of the present value of future cash flows expected from the business plan projections and the present value of the subsidiary net assets at the end of the business plan period (terminal value). The business plan considered for the purpose of the impairment tests are based on turnover growths in line with market forecasts observable from external sources researches and studies and do not consider significant improvement in the performance nor future development of activities in relation to the tested investments.

The rate used to discount cash flows was calculated using the weighted average cost of capital ("WACC"). For the year ended December 31, 2022, the WACC used for discounting purposes ranged between 6.6% and 21.0%. The WACC was calculated ad hoc for each investment subject to impairment test, taking into consideration the risk profile of the tested asset as well as the parameters specific to the related geographical area: market risk premium and sovereign bond yield.

The "g" rate of growth used to calculate the terminal value ranged between 1.5% and 11.8%, in light of the diverging inflation and GDP outlooks in the various countries. However, the prevalent growth rate was 1.5%, which can be considered prudent given the average growth expected in the long term for the luxury goods market, as also observable from market studies and other external sources.

As a result of the impairment test, the following impairment losses have been identified:

(amounts in thousands of Euro)	December 31 2022
Church & Co Ltd	(67,198)
Prada Rus LLC	(45,710)
Prada Montecarlo Sam	(14,396)
Prada Switzerland sa	(13,954)
Marchesi 1824 srl	(5,148)
Total	(146,406)

Prada Rus LLC

In view of the extraordinary market conditions in Russia, Prada Rus investment was tested for impairment at December 31, 2022. The method used to estimate the recoverable amount of the Prada Rus investment consisted of a multi-scenario approach based on two hypothetical cases that were assigned a likelihood of occurrence calibrated according to the assumptions made by the Directors, taking into account the available information at the reporting date. The first scenario assumes the recovery of business in 2024, while the second one assumes the impossibility of returning to normal market conditions and subsequent liquidation of the subsidiary.

The business plan used for the impairment test for the scenario of business recovery in 2024 covers an explicit period of up to five years, depending on the scenario. 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 Prada Rus was 21% and it was determined by taking into due consideration the risk profile of the subsidiary itself. The "g" rate of growth used to calculate the terminal value was 6%, in light of the inflation and GDP growth outlooks in the market. In the second scenario (impossibility of recovery of normal market conditions), specific assumptions have been made for the different assets of the subsidiary, also with the support of an external expert for the assessment of the fair value for two properties owned by Prada Rus.

The results of the impairment test led Directors to write down the investment by Euro 45.7 million. The value of the investment in Prada Rus after the recognition of the impairment loss is Euro 36.8 million, substantially equal to the net equity of the subsidiary as of December 2022 mainly composed by properties owned (for Euro 27.9 million), cash and cash equivalent and items of net working capital.

The valuation of the owned properties recoverable amount was supported by an appraisal conducted by a leading independent firm of the sector, which assessed the fair value through the Comparative Method based on the comparison between properties object of the valuation and other assets recently sold or currently offered on the same market.
In light of the composition of the Prada Rus net equity, it's important to highlight that the current volatility in the Russian financial system has created a significant degree of uncertainty in the real estate market; in particular, the lack of liquidity in the capital markets would entail, in the hypothesis of realisation through sale of the owned properties by the subsidiary in the short term, higher difficulties compared to the ones normally observable in presence of "ordinary" market conditions. This situation involved the utilisation of a high level of judgment in the context of the assessment of the recoverable amount of the investment in Prada Rus, therefore the Directors cannot guarantee that its value will not be subject to further fluctuations in the future (in terms of impairment losses or reversals).

Church & Co Ltd

Also for the investment in Church & Co, the impairment test performed - taking into account the reorganisation process of the Church's Group that led to the closure of 24 stores deemed no longer strategic by management – revealed the presence of impairment losses.
The method used to identify the recoverable amount (value in use) of the CGU consisted of discounting the projected cash flows generated by the investment in Church & Co, also through the assistance of a leading consulting firm with reference to the 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 Church & Co was 10.6% and it was determined taking into due consideration the risk profile of the subsidiary itself. 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 investment in Church & Co by Euro 67.2 million.
Given the high sensitivity of the recoverable amount to potential changes in the

main assumptions used, the potential economic effects (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 growth rate ("g") 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)

Other subsidiaries

For the investments in Prada Montecarlo Sam and Prada Switzerland SA, despite the positive economic results of the subsidiaries in the period, impairment losses (respectively of Euro 14.4 million and Euro 14 million) have been recognised mainly due to the increase of the discount rate ("WACC") at the reporting date compared to previous years, that caused the recoverable amount to be lower than the correspondent carrying amounts.

It should be noted that since the recoverable amounts of the above-mentioned investments are measured on the basis of estimates and assumptions, the Directors cannot guarantee that the value of such investments will not be subject to further impairment losses in the future.

Notes:

1. On November 18, 2022, the Company 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.
2. The decrease reflects the writedown ensuing from the impairment test conducted to determine the recoverable amount.
3. In December 2022, Prada spa acquired the full ownership of four Church's retail companies and the wholesale distribution business from the subsidiary Church & Co ltd. The purpose was simplifying the Church's Group structure and its business operations, aiming to improve its profitability.
4. In August the Company acquired a 43.65% stake in Conceria Superior S.p.A., a company with 60 years of experience in exceptional calfskin tanning techniques.
5. On September 1, 2022, Prada spa established the company PRADA Norway As with the aim of developing the commercial activities in Norway.

Additional information on subsidiaries and associates:

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Artisans Shoes S.r.l.	2,706	1,000	425	6,494	66.7%
Church & Co Ltd	5,349	3,169	(24,808)	(22,333)	100.0%
Figline Srl	1,222	10	(1,257)	300	100.0%
Filati Biagioli Modesto Srl (1)	450	7,900	871	1,985	39.88%
Hipic Prod Impex Srl	11,292	5,146	(57)	5,025	100.0%
IPI Logistica S.r.l.	1,798	600	32	2,961	100.0%
Kenon Limited	99,478	94,709	1,321	96,569	100.0%
Les Femmes Srl (1)	1,960	400	43	940	40.0%
Luna Rossa Challenge Srl	17,032	10	(10,584)	2,874	100.0%
Marchesi 1824 srl	5,258	414	(4,901)	(3,009)	100.0%
Pelletteria Ennepì S.r.l.	5,272	93	(291)	1,027	100.0%
Conceria Superior S.p.A (1)	20,072	4,028	1,618	12,131	43.65%
Caffè Principe S.r.L	3,573	52	(258)	(515)	100.0%
Church English shoes SA	292	75	16	585	100.0%
Church France SA	2,600	2,856	117	3,505	100.0%
Church Japan Co., Ltd.	2,016	711	(12)	2,651	100.0%
Church's Eng. Shoes Sw.SA	1,225	102	33	102	100.0%
Post Development Corp.	54,807	81,185	1,887	90,492	100.0%
Prada Asia Pacific Ltd.	4,773	361	7,199	365,690	100.0%
Prada Australia Pty. Ltd	7,267	8,603	2,678	16,392	100.0%
Prada Austria GmbH	2,185	40	219	8,647	100.0%
Prada Belgium sprl	4,004	4,000	130	4,459	100.0%
Prada Bosphorus Deri Mamuller Limited Sirketi	6,743	3,656	719	(6,576)	100.0%
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	14,859	60,299	2,082	19,708	100.0%
Prada Canada Corp.	5,086	208	1,500	37,450	100.0%
Prada Czech Republic s.r.o.	1,894	104	45	1,206	100.0%
Prada Denmark	3,491	3,496	86	4,059	100.0%
Prada Germany GmbH	14,122	215	(982)	14,098	100.0%
Prada Hellas Single Partner Limited Liability Company	21,764	4,350	402	21,325	100.0%
Prada Japan Co., Ltd.	28,770	8,531	8,143	45,814	100.0%
Prada Kazakhstan Llp	4,938	1,014	130	1,880	100.0%
Prada Korea Ltd.	10,631	6,045	17,521	98,218	100.0%
Prada Maroc Sarlau	-	8,516	-	1	100.0%
Prada Middle East Fzco	2,106	4,595	6,835	53,698	60.0%
Prada Montecarlo Sam	10,433	2,000	(1,414)	1,631	100.0%
Prada Netherlands B.V.	3,623	20	814	13,274	100.0%
Prada New Zealand Pty. Ltd	2,192	2,084	86	2,255	100.0%
Prada Norway AS	8	3	(20)	(17)	100.0%
Prada Panama S.A.	906	28	31	1,007	100.0%
Prada Portugal, Unipessoal LDA	955	5	607	3,028	100.0%
Prada Retail Aruba N.V.	1,623	1,886	148	2,202	100.0%
Prada Retail France SaS	48,195	4,000	2,901	25,740	100.0%
Prada Retail Malaysia Sdn	292	213	603	7,523	100.0%
Prada Retail UK Ltd	21,170	5,637	1,551	33,692	100.0%
Prada Retail Wll	3,041	3,829	139	8,637	100.0%
Prada Rus LLC	36,840	3	(50,427)	38,739	100.0%
Prada SA	23,315	31	18,314	261,873	100.0%
Prada Saint Barthelemy SARL	1,600	1,600	191	1,595	100.0%
Prada Saipan	1,093	1,317	77	2,329	100.0%
Prada San Marino	156	26	23	(22)	100.0%
Prada Saudi Arabia Ltd	10,671	6,647	53	5,467	75.0%
Prada Singapore Pte, Ltd.	2,478	699	3,229	27,291	100.0%
Prada South Africa (Pty) Ltd	861	2,763	47	907	100.0%
Prada Spain S.A.	29,375	240	1,223	17,478	100.0%

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Prada Sweden AB	8,121	45	55	3,761	100.0%
Prada Switzerland sa	59,327	24,373	(639)	36,935	100.0%
Prada (Thailand) Co.,Ltd.	4,845	10,099	2,627	17,441	100.0%
Prada Ukraine	6	6,148	(1,435)	3	100.0%
Prada USA Corp.	145,759	142,706	15,478	297,836	100.0%
Prada Vietnam	5,735	5,810	(310)	4,437	100.0%
PRM Services S.A. de R.L. de C.V.	407	345	(9)	878	100.0%
Tannerie Limoges S.A.S.	1,374	600	34	155	60.0%
	793,436				

(1) Statutory figures at 31/12/2021

The amounts shown are those reported for consolidation purposes before the resolutions of the respective Boards of Directors which approve the financial statements were passed, so they could differ from the final version.

11. OTHER NON-CURRENT ASSETS

The composition of the other non-current assets is set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Prepaid for commercial agreements	50,080	54,253
Sundry other long-term receivables	18,168	13,034
Long-term guarantee deposits	4,291	3,016
Total	72,539	70,303

Prepaid for commercial agreements relate to a commercial contract, for which the related benefits are expected to flow to the Company beyond a period of 12 months.

DEPOSITS

The security deposits are set forth below by type:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Nature:		
Stores	1,857	1,869
Offices	44	44
Warehouses	11	21
Other	2,378	1,082
Total	4,291	3,016

The security deposits are set forth below by maturity:

(amounts in thousands of Euro)	December 31 2022
Maturity:	
within 1-2 years	-
within 2-3 years	547
within 3-4 years	94
within 4-5 years	26
After 5 years	3,624
Total	4,291

12. LEASE LIABILITY

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Short-term Lease Liability	51,085	50,507
Long-term Lease Liability	305,073	312,767
Total	356,158	363,274

The Lease Liabilities decreased from Euro 363 million at January 1, 2022 to Euro 356 million mainly as a result of new contracts net of payments and closures of the period.

13. SHORT-TERM FINANCIAL PAYABLES AND BANK OVERDRAFTS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Bank overdrafts	7	1
Short-term loans	558	174
Current portion of long-term loans	90,200	172,044
Deferred costs on loans	(224)	(245)
Short-term financial payables and bank overdrafts	90,541	171,974

The short-term loans as at December 31, 2022 refer mainly to accrual of interests on the loans principal.
The remaining current portion of long-term loans is detailed in Note 18.

14. FINANCIAL AND OTHER PAYABLES DUE TO PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The composition of current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial payables	81,529	67,643
Other payables	31,042	18,357
Total payables due within a year	112,571	86,000

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

The amount is broken down by counterparty in Note 28.

The composition of the non-current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial payables due to subsidiaries	13,878	-
Total payables due after more than a year	13,878	-

The increase is due to long-term reclassification from short-term of the Prada SA financial payables.

15. TRADE PAYABLES

The trade payables are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Trade payables - Third parties	232,662	227,220
Trade payables - Subsidiaries and associated undertakings	310,428	401,312
Trade payables – Related parties	4,936	7,249
Total	548,026	635,781

The breakdown by counterparty of payables due to subsidiaries and associates and to related parties is provided in Note 28, "transactions with parent companies, subsidiaries, associates and related parties".

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

(amounts in thousands of Euro)	December 31, 2022	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third, parent and related parties	237,598	234,821	40	15	66	16	2,641
Trade payables - subsidiaries and associates	310,428	307,752	185	84	23	22	2,363
Total	548,026	542,572	225	99	89	37	5,004

(amounts in thousands of Euro)	December 31, 2021	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parent and related parties	234,468	231,260	48	19	67	16	3,059
Trade payables - subsidiaries and associates	401,313	397,933	252	157	80	112	2,779
Total	635,781	629,193	300	176	147	128	5,838

16. TAX PAYABLES

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Current income taxes	163,907	60,791
VAT and other taxes	31,111	9,166
Social security and pension contribution liabilities	13,416	14,824
Total	208,434	84,781

The "Current income taxes" consist of the current tax liability, net of the total advances paid.
"VAT and other taxes" increased by Euro 22 million mainly for the retroactive effects of a bilateral agreement between tax authorities signed during the year.

"VAT and other taxes" include also personnel income tax (IRPEF) withholdings on employee pay and professional fees, and VAT liabilities arising on e-commerce sales in EU countries.

17. OTHER CURRENT LIABILITIES

The "other current liabilities" are as follow:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Payables for capital expenditure	33,363	22,822
Payables to employees	43,159	27,339
Provision for return	124,600	77,431
Accrued expenses and deferred income	6,971	6,599
Other payables	10,576	11,107
Total	218,669	145,298

The payables due to employees refer to wages and salaries, the 13th and 14th salary accruals, unused vacation time and performance bonuses.

The provision for returns is allocated to cover sales returns whose existence is certain but whose timing and amount are uncertain at the reporting date. The amount of the provision was estimated on the basis of historical/statistical data and forecasts of the number of items sold that could be returned in future.

"Payables for capex" includes the amounts due for capital expenditure as at December 31, 2022, described in Notes 7 and 8 on property, plant and equipment and intangible assets.

"Other payables" include Euro 9 million of the short-term portion of deferred income on commercial agreements and Euro 1.3 million in advances received from customers.

18. LONG-TERM FINANCIAL PAYABLES

The non-current financial payables are as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Long-term bank borrowings	351,478	441,678
Deferred costs on loans	(278)	(665)
Total	351,200	441,013

In 2022, the current portions of long-term loans were repaid for a total amount of Euro 172 million; no new medium/long-term loans were stipulated.
PRADA spa'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 as at December 31, 2022, excluding amortised costs, are set forth below:

Recipient	Principal (Euro/ thousands)	Type of loan	Loan currency	Maturity	Interest rate (1)	Short-term balance due (Euro/ thousands)	Long-term balance due (Euro/ thousands)	Guarantee
PRADA spa	27,500	Term-loan	EUR	05/2030	2.737%	3,667	23,833	-
PRADA spa	20,000	Term-loan	EUR	10/2024	2.718%	10,000	10,000	-
PRADA spa	100,000	Term-loan	EUR	04/2025	2.000%	-	100,000	Mortgage loan
PRADA spa	100,000	Term-loan	EUR	07/2026	3.332%	-	100,000	-
PRADA spa	77,400	Term-loan	EUR	02/2026	3.599%	25,200	52,200	-
PRADA spa	33,333	Term-loan	EUR	06/2024	3.402%	22,222	11,111	-
PRADA spa	39,000	Term-loan	EUR	01/2025	2.332%	18,000	21,000	-
PRADA spa	44,444	Term-loan	EUR	11/2026	2.704%	11,111	33,333	-
Total	441,677					90,200	351,477	

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

The mortgage loan is secured by the building in Milan used as the Company's headquarters.
A maturity analysis is provided in Note 4.

19. LONG-TERM EMPLOYEE BENEFITS

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Post-employment benefits	15,400	19,689
Other long-term employee benefits	22,777	20,122
Total	38,177	39,811

POST-EMPLOYMENT BENEFITS

The post-employment benefits recognised as at December 31, 2022 amount to Euro 15.4 million; they all refer to the provision for leaving indemnities and all the benefits are classified as defined benefit plans.
The provision for leaving indemnities was measured using the Projected Unit Credit Method with the support of Federica Zappari, an independent Italian

actuary, member (n. 1134) of the Ordine Nazionale degli Attuari (Italian Society of Actuaries).

The main actuarial assumptions for the years of valuation were as follows:

		December 31 2022	December 31 2021
Average duration of plan (years)		9.4	10.7
Discount rate		3.76%	0.76%
Inflation rate:			1.5%
	2023	3.0%	
	2024	2.5%	
	2025 and following:	2.0%	

The discount rate used to measure the defined benefit plans was determined on the basis of yields on bonds with an AA rating and a maturity date similar to that of the plans.

The actuarial gains and losses are as follow:

(amounts in thousands of Euro)	Defined Benefit Plans (TFR)
Actuarial adjustments due to:	
(a) Changes in financial assumptions	(4,145)
(b) Other	1,415
Actuarial (gains)/losses	(2,730)

Sensitivity analysis conducted on the main actuarial assumptions used as at December 31, 2022 showed that a 50 basis points increase or decrease in the parameters (discount rates, salary raises, inflation rate, probability of termination of service and percentage of leaving indemnity advances) would have an impact of 5% or less on the obligations. Accordingly, the result of the analysis was considered immaterial with respect to possible effects on the financial statements.

Concerning the provision for leaving indemnities reported above, the following plan payments are expected in subsequent years:

(amounts in thousands of Euro)	2023	2024	2025	2026	After 2026
Defined Benefit Plans (TFR)	1,166	919	1,011	813	17,565

The changes in the liabilities for post-employment benefits as at December 31, 2022 are shown hereunder:

(amounts in thousands of Euro)	Post - employment benefits
Balance at December 31, 2021	19,689
Financial income	(81)
Current service cost	35
New branch acquisition	141
Actuarial (Gains)/Losses	(2,730)
Indemnities paid	(1,654)
Balance at December 31, 2022	15,400

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 Company's key-management personnel. Their actuarial valuation at December 31, 2022, calculated using PUCM and fair value methodologies, resulted in Euro 22.8 million (Euro 20.1 million as at December 31, 2021), according to an independent actuarial appraisal.

The following table presents the changes in other long-term employee benefits for the year ended December 31, 2022:

(amounts in thousands of Euro)	Other long-term employee benefits
Balance at December 31, 2021	20,122
Current service cost	6,526
Transfers	(149)
Utilisation for payments	(3,722)
Balance at December 31, 2022	22,777

20. PROVISIONS FOR RISKS AND CHARGES

The changes in the provisions for risks and charges are summarised below:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Provision for coverage of losses of subsidiaries / associates	Other provision	Total
Balance at December 31, 2021	10,000	1,062	4,178	811	16,051
Increases	-	1,647	-	-	1,647
Utilisation for payments	(10,000)	(32)	(4,178)	-	(14,210)
Reversals	-	(112)	-	-	(112)
Balance at December 31, 2022	-	2,565	-	811	3,376

The provisions for risks and charges represent the 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 spa paid to Chora S.r.l. an all-inclusive amount of Euro 17.8 million. PRADA spa 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 Company's main tax disputes at the reporting date are described hereunder.
The dispute filed by PRADA spa following an audit initiated in 2012 by the Italian Customs Agency for the tax years from 2007 to 2011 to determine the customs value of the products consists of three legal actions regarding the 2010 tax year, all of which are currently pending at the Supreme Court 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 PROVISIONS

The other provisions amount to Euro 0.8 million at December 31, 2022 and refer to contractual obligations to restore leased property to its original condition.

21. OTHER NON-CURRENT LIABILITIES

The other non-current liabilities are as follows:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Deferred income for commercial agreements	107,687	116,661
Total	107,687	116,661

Deferred income for commercial agreements decreased by Euro 9 million compared to December 31, 2021.

22. EQUITY

Equity composition is set forth hereunder:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Share capital	255,882	255,882
Legal reserve	51,176	51,176
Share premium reserve	410,047	410,047
Other capital reserves	182,899	182,899
Retained Earnings	1,094,216	974,884
Fair value reserve	(10,404)	(10,992)
Cash flow hedge reserve	7,927	(12,745)
Net profit (loss) for the year	571,683	310,650
Total	2,563,426	2,161,802

SHARE CAPITAL

As at December 31, 2022, approximately 80% of PRADA spa’s share capital was owned by PRADA Holding spa and the remainder consisted of floating shares on the Main Board of the Hong Kong Stock Exchange.

Share capital consists of 2,558,824,000 shares with a par value of Euro 10 cents per share.

SHARE PREMIUM RESERVE

The share premium reserve has not changed from that of December 31, 2021.

OTHER CAPITAL RESERVES

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

RETAINED EARNINGS

The increase in "retained earnings" is mainly attributable to the allocation of net income of the previous year.

The change in "Retained earnings " includes a decrease of Euro 14 million, corresponding to the purchase price for the acquisition of the Church's wholesale distribution business from the subsidiary Church & Co ltd. This transaction does not fall within the scope of IFRS 3 ("Business Combinations") as it represents a business combination under common control, and has been accounted for by applying the carryover method.

DIVIDENDS

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.

AVAILABILITY OF EQUITY

(amounts in thousands of Euro)	December 31 2022	Possible utilisation	Amount distributable	Summary of utilisation 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 because the amount of the legal reserve is at least 20% of share capital.
A non-distributable portion of retained earnings amounting to Euro 20.5 million refers to restricted reserves under Legislative Decree 38/2005, Article 7.

STATEMENT OF PROFIT OR LOSS

23. NET REVENUES

The net revenues are generated primarily by sales of finished products, and are stated net of returns and discounts. The net sales for the year amount to Euro 2.434 billion, up by 35% from those of the prior reporting period (Euro 1.805 billion in 2021).
Royalty income is Euro 75.5 million and derives from cosmetic sales by L'Oreal and Coty Geneve S.a. and eyewear sales by the Luxottica Group. Royalty income rose by 53.3% 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.

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Net Sales	2,433,852	1,805,459
Royalties	75,472	49,233
Net revenues	2,509,324	1,854,692

24. COST OF GOODS SOLD

The cost of goods sold is summarised below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Purchases of raw materials and production costs	758,151	613,260
Logistic costs, duties and insurance	101,120	83,139
Change in Inventories	(30,040)	22,803
Total	829,231	719,202

The incidence of the cost of goods sold on net revenues for the twelve months ended December 31, 2022 was 33%, a substantial decrease from the 38% of 2021.

A higher average price and greater absorption of production overheads are behind the improvement, despite the increase in production costs caused by inflationary pressures.

The following table sets forth depreciation, amortisation, impairment, labour costs and rent expenses included within the cost of goods sold:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Depreciation of Right of Use	834	808
Depreciation, amortisation and impairment	12,318	13,102
Labour costs	91,853	82,703
Fixed Rent	2	3
Total	105,007	96,615

25. OPERATING EXPENSES

The operating expenses are summarised below:

(amounts in thousands of Euro)	December 31 2022	% of net revenues	December 31 2021	% of net revenues
Advertising and promotion expenses	193,296	7.7%	167,638	9.0%
Product design and development costs	113,425	4.5%	100,521	5.4%
Selling expenses	289,289	11.5%	301,086	16.2%
General and administrative costs	115,340	4.6%	105,822	5.7%
Total	711,350	28.3%	675,067	36.4%

The total operating expenses were Euro 711 million, up by Euro 36 million from those of 2021. The increase is attributable primarily to higher variable costs ensuing from 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.

Advertising and communication costs consist of expenses incurred to carry out advertising campaigns, fashion shows and other events plus the overheads attributable to this business area. Advertising and communications costs, Euro 193 million in the twelve months ended December 31, 2022, up by Euro 25.7 million from the same period of 2021.

Product design and development costs include both the design phase – i.e. research and testing of patterns, fabrics, leather and production techniques and determination of the design concept - and the product development phase, involving planning and creation of prototypes.

General and administrative costs, Euro 115 million in the twelve months ended December 31, 2022, showed an increase of Euro 10 million. This line includes the amount of Euro 7.8 million recognised as a cost in 2022 for the settlement of a litigation.

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Depreciation of Right of Use	49,559	47,202
Depreciation, amortisation and impairment	60,462	56,279
Labour costs	217,079	190,850
Pure Variable Lease (IFRS 16)	3,659	1,370
Short term and low value lease (IFRS 16)	556	329
Fixed Rent	629	555
Total	331,944	296,584

26. INTEREST AND OTHER FINANCIAL INCOME/(EXPENSE), NET

Interest and exchange differences are presented below in comparison with the prior reporting period:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Interest expenses on borrowings	(7,688)	(9,028)
Interest income	14,128	6,570
Interest income/(expenses) IAS 19	104	114
Exchange gains/(losses) - realised	(17,414)	(4,127)
Exchange gains/(losses) - unrealised	(1,288)	2,460
Other financial income/(expenses)	(143,177)	(41,668)
Interest and other financial income/(expenses), net	(155,333)	(45,679)
Interest income/(expenses) on lease liabilities	(4,125)	(3,420)
Dividends from investments	49,594	23,785
Total	(109,865)	(25,314)

The exchange gains and losses refer exclusively to financial assets, including the effects of derivatives.

The interest on leases represents the present value adjustment of lease liabilities.

The other financial expense mainly regards impairment losses of investments in subsidiaries pursuant to the impairment testing results.

The dividends received are presented below by counterparty, in comparison with those of the prior period:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Prada Asia Pacific Ltd.	27,849	-
TRS Singapore Pte Limited	-	224
Prada Japan Co., Ltd.	2,071	5,402
Prada SA	17,999	18,000
Artisans Shoes S.r.l.	1,201	-
Other equity investments	474	159
Total	49,594	23,785

27. TAXATION

The income taxes for the year ended December 31, 2022 and the prior reporting period are set forth below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Current taxation	283,999	118,374
Prior year taxes	17,666	1,143
Deferred taxation	(14,470)	4,942
Total	287,195	124,459

Tax expenses totalled Euro 287 million, corresponding to 33% of the pre-tax income; the increase incidence compared to 2021 (29%) results from higher writedowns of investments and the retroactive effects of a bilateral agreement between tax authorities signed during the year, recognised as Prior year taxes.

The deferred tax assets and liabilities recognised at the current and previous reporting dates are shown below by the item to which they refer:

(amounts in thousands of Euro)	Deferred taxes, net		Income statement effect	Equity effect
	December 31, 2022	December 31, 2021		
Employee benefits – defined benefit plans	235	913	(23)	(655)
Inventories	24,572	16,428	8,144	-
Property, plant and equipment	2,639	1,623	1,015	-
Intangible assets	(262)	497	(759)	-
Provision for returns/risks and charges	19,728	15,124	4,605	-
Allowance for doubtful debts	(1,369)	(1,369)	-	-
Derivative instruments	(2,503)	4,025	-	(6,528)
Other temporary differences	5,611	4,123	1,488	-
Total	48,651	41,364	14,470	(7,183)

The following table shows the reconciliation between the effective tax rate and the theoretical tax rate:

(amounts in thousands of Euro)	IRES	Eff, IRES rate	IRAP	Eff, IRAP rate	Total taxation	Eff, Total rate
Theoretical tax on income before taxation	206,131	24.00%	33,847	3.94%	239,978	27.94%
Exempted dividends	(11,307)	-1.32%	-	-	(11,307)	-1.32%
Allowance for corporate equity	(5,183)	-0.60%	-	-	(5,183)	-0.60%
Impairment adjustment to investments	36,140	4.21%	-	-	36,140	4.21%
Other permanent differences	1,214	0.14%	(9,257)	-1.08%	(8,043)	-0.94%
Retroactive effects of an agreement between tax authorities	12,434	1.45%	2,040	0.24%	14,474	1.69%
Adjustments in annual tax return "UNICO"	2,380	0.28%	658	0.08%	3,038	0.36%
Difference between income before taxation and net value of production	-	-	18,097	2.11%	18,097	2.11%
Taxes for period	241,809	28.16%	45,385	5.28%	287,194	33.44%
Temporary differences	12,586	1.47%	1,731	0.20%	14,317	1.67%
Current taxation	254,395	29.63%	47,116	5.48%	301,511	35.11%

28. TRANSACTIONS WITH PARENT COMPANIES, SUBSIDIARIES, ASSOCIATES AND RELATED PARTIES

The Company carries out trade and financial transactions with companies owned by entities that directly or indirectly control PRADA spa (related parties). The balances listed in the following tables result from transactions with related parties. The transactions regard mainly sales of goods, supplies of business services, loans, leases. The transactions take place on an arm's length basis.

The following tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures". The following transactions with related parties fall within the scope of application of the Hong Kong Stock Exchange Listing Rules.

STATEMENT OF FINANCIAL POSITION

(amounts in thousands of Euro)	Trade receivables December 31 2022	Trade payables December 31 2022	Trade receivables December 31 2021	Trade payables December 31 2021
Subsidiaries and associates	792,028	310,428	542,392	401,312
Artisans Shoes S.r.l.	433	14,863	442	21,490
COR 36 S.r.l.	-	-	427	-
Caffè Principe S.r.L	13	-	-	-
Church & Co Ltd	12,588	13,650	12,651	1,380
Church & Co. (USA) Ltd.	142	2	139	1
Church Austria Gmbh	59	-	43	-
Church English shoes SA	53	-	39	-
Church Footwear (Shanghai) Co., Ltd	86	1	173	-
Church Footwear Ab	175	1	163	1
Church France SA	291	15	227	15
Church Hong Kong Retail C	118	-	102	-
Church Ireland Retail Ltd	-	-	32	-
Church Italia S.r.l.	3,764	1,142	2,961	781
Church Japan Co., Ltd.	23	-	16	-
Church UK Retail Ltd	1,017	11	882	3
Church's Denmark	124	4	112	-
Church's Eng. Shoes Sw.SA	156	7	140	4
Church's Germany	71	-	54	-
Church's Korea	94	-	86	-
Church's Netherlands	193	-	182	-
Church's Singapore	178	-	169	-
Church's Spain	38	-	29	-
Figline Srl	461	1,286	486	435
Hipic Prod Impex Srl	516	3,357	337	2,738
IPI Logistica S.r.l.	596	639	560	2,372
Kenon Limited	10	-	7	-
Luna Rossa Challenge Srl	1,763	-	1,666	-
Marchesi 1824 srl	10,155	1,813	7,216	2,999
Marchesi UK	106	-	68	-
Pelletteria Ennepì S.r.l.	372	1,181	307	465
Pelletteria Figline Srl - 3rd	8	-	14	-
Post Development Corp.	19	-	16	-
Prada (Thailand) Co.,Ltd.	15,394	284	1,881	991
Prada Asia Pacific Ltd.	4,364	64,044	4,094	70,092
Prada Australia Pty. Ltd	5,302	878	2,674	6,506
Prada Austria GmbH	2,805	1,896	4,442	5,860
Prada Belgium sprl	3,211	883	3,349	1,461
Prada Bosphorus Deri Mamuller Limited Sirketi	18,232	184	6,106	528
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	12,262	841	4,969	1,473
Prada Canada Corp.	11,414	5,484	6,629	7,895
Prada Company SA	12	-	(3)	-
Prada Czech Republic s.r.o.	3,550	126	985	464
Prada Denmark	2,808	1,281	1,362	1,272
Prada Dongguan Trading co. LTD	38	63	40	97
Prada Emirates Llc (1)	1,745	540	789	512
Prada Fashion (Shanghai)	170,460	29,114	126,645	14,412
Prada Germany GmbH	9,537	5,788	8,450	10,292
Prada Guam LLC	1,391	1,598	544	177
Prada Hawaii Corp.	-	7	-	-
Prada Hellas Single Partner Limited Liability Company	2,239	114	675	204

(amounts in thousands of Euro)	Trade receivables December 31 2022	Trade payables December 31 2022	Trade receivables December 31 2021	Trade payables December 31 2021
Prada Japan Co., Ltd.	19,237	2,201	18,828	26,057
Prada Kazakhstan Llp	13,363	95	5,433	-
Prada Korea Ltd.	77,517	3,792	60,795	2,041
Prada Kuwait Wll [(1)]	924	31	404	30
Prada Macau Co., Ltd.	6,893	13,758	5,246	5,733
Prada Middle East Fzco	39,309	1,284	32,045	2,934
Prada Montecarlo Sam	1,222	3,261	2,831	5,315
Prada Netherlands B.V.	6,075	208	3,397	2,090
Prada New Zealand Pty. Ltd	610	945	372	709
Prada Norway AS	13	-	-	-
Prada Panama S.A.	-	-	231	791
Prada Portugal, Unipessoal LDA	4,458	271	925	545
Prada Retail Aruba N.V.	2,543	598	1,668	507
Prada Retail France SaS	25,551	27,748	18,953	48,078
Prada Retail Malaysia Sdn	2,937	82	1,959	1,437
Prada Retail Mexico S. de R.L. de C.V.	9,949	1,599	3,185	52
Prada Retail UK Ltd	39,753	11,569	22,591	19,101
Prada Retail UK Ltd. - Irish Branch	2,429	796	2,890	485
Prada Retail Wll	1,623	222	2,673	3
Prada Rus LLC	28,367	121	35,066	1,190
Prada SA	46	28	39	28
Prada SA,Lux,Swiss Branch	2,014	4,166	1,714	25,196
Prada Saint Barthelemy SARL	4,213	401	3,459	336
Prada Saipan	888	1,264	71	48
Prada San Marino	2,209	227	1,939	-
Prada Saudi Arabia Ltd	1,254	2,190	499	159
Prada Singapore Pte, Ltd.	15,846	67	2,666	7,052
Prada South Africa (Pty) Ltd	515	1,521	515	1,521
Prada Spain S.A.	15,303	408	9,674	7,888
Prada Sweden AB	595	620	626	1,036
Prada Switzerland sa	6,549	4,910	7,221	5,890
Prada Taiwan Ltd Branch Taipei	10,335	1,590	7,761	454
Prada USA Corp.	147,120	72,352	81,658	78,639
Prada Ukraine	1,201	-	835	6
Prada Vietnam	2,772	385	832	745
Tannerie Limoges S.A.S.	13	622	15	296
Parent company and related parties	644	4,936	580	7,248
Chora Srl	-	-	-	433
Conceria Superior S.p.A.	-	2,926	-	1,258
Filati Biagioli Modesto Srl	27	67	-	2,877
LUDO DUE S.R.L.	-	(7)	-	-
Les Femmes Srl	599	1,944	569	2,676
PRADA HOLDING S.P.A.	18	-	11	-
Peschiera Immobiliare srl	-	6	-	3
Total	792,672	315,364	542,972	408,560

Note:
(1) Company consolidated according to IFRS 10 definition of control

(amounts in thousands of Euro)	Financial receivables December 31 2022	Other receivables December 31 2022	Financial receivables December 31 2021	Other receivables December 31 2021
Subsidiaries and associates	429,109	19,710	453,920	14,198
Artisans Shoes S.r.l.	2,964	238	8,595	216
Caffè Principe S.r.L.	501	-	-	-
Church & Co Ltd	57,888	153	52,630	157
Church Italia S.r.l.	19	8,425	(28)	6,968
Figline Srl	2,123	-	4,412	47
Hipic Prod Impex Srl	18,463	-	10,949	-
IPI Logistica S.r.l.	-	14	-	17
Luna Rossa Challenge Srl	6,270	10,014	1,760	6,000
Marchesi 1824 srl	32,190	120	37,781	64
Pelletteria Ennepì S.r.l.	291	-	454	70
Pelletteria Figline Srl - 3rd	4,125	338	5,411	304
Prada (Thailand) Co.,Ltd.	-	-	4,517	-
Prada Asia Pacific Ltd.	-	189	-	164
Prada Australia Pty. Ltd	-	-	7,048	-
Prada Austria GmbH	5,043	-	5,009	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	-	5	-	5
Prada Denmark	2,075	-	2,022	-
Prada Dongguan Trading co. LTD	-	38	-	25
Prada Fashion (Shanghai)	-	6	-	6
Prada Germany GmbH	27,498	-	27,340	-
Prada Hellas Single Partner Limited Liability Company	-	-	796	-
Prada Maroc Sarlau	-	3	-	3
Prada Middle East FZCO	13,145	5	12,379	5
Prada Montecarlo Sam	42,249	-	41,974	-
Prada New Zealand Pty. Ltd	1,515	-	1,514	-
Prada Retail France SaS	58,156	-	73,621	-
Prada Retail Malaysia Sdn	5,429	-	5,389	-
Prada Retail UK Ltd	20,739	35	21,517	25
Prada Retail UK Ltd. - Irish Branch	1,928	-	1,903	-
Prada Retail SPC	21,129	-	13,619	-
Prada Saipan	471	-	-	-
Prada Saudi Arabia	3,164	-	2,980	-
Prada Singapore Pte, Ltd.	-	-	6,553	-
Prada Spain S.A.	60,836	-	64,092	-
Prada Switzerland sa	32,846	121	29,960	116
Prada USA Corp.	-	5	-	5
Prada Ukraine	707	-	-	-
Prada Vietnam	-	-	2,682	-
Tannerie Limoges S.A.S.	7,347	-	7,044	-
Parent company and related parties	3,349	-	1,131	22,711
Chora Srl	-	-	-	4,711
Filati Biagioli Modesto Srl	2,218	-	-	-
Les Femmes Srl	1,131	-	1,131	-
Orexis S.r.l.	-	-	-	18,000
Total	432,458	19,710	455,050	36,909

(amounts in thousands of Euro)	Fair value IRS "fair value through profit or loss"	
	December 31 2022	December 31 2021
Kenon Ltd	2,563	4,814

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	December 31 2022	December 31 2022	December 31 2021	December 31 2021
Subsidaries and associates	95,407	31,042	67,643	13,357
Artisans Shoes S.r.l.	-	124	-	124
Church & Co Ltd	-	15,539	-	-
Church Italia S.r.l.	-	266	-	117
Figline Srl	-	490	36	1,056
IPI Logistica S.r.l.	3,088	4	1,268	3
Marchesi 1824 srl	-	11,699	-	9,367
Pelletteria Ennepì S.r.l.	-	111	-	361
Post Development Corp.	153	-	144	-
Prada Australia Pty. Ltd	-	3	-	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	-	4	-	3
Prada Canada Corp.	-	27	-	-
Prada Dongguan Trading co. LTD	-	61	-	61
Prada Fashion (Shanghai)	-	7	-	7
Prada Germany GmbH	6,083	528	6,884	529
Prada Japan Co., Ltd.	-	13	-	6
Prada Middle East FZCO	-	8	-	8
Prada Netherlands B.V.	10,835	-	6,676	-
Prada Retail France SaS	4,021	-	-	-
Prada Retail Mexico S. de R.L. de C.V.	-	1	-	-
Prada Retail UK Ltd	-	-	-	3
Prada Retail UK Ltd. - Irish Branch	796	-	1,593	-
Prada SA,Lux,Swiss Branch	66,996	1,572	50,828	1,572
Prada South Africa (Pty) Ltd	-	5	-	5
Prada Spain S.A.	3,210	29	-	29
Prada Switzerland sa	14	134	15	134
Prada Taiwan Ltd Branch Taipei	-	(1)	-	-
Prada USA Corp.	210	419	198	(27)
Parent company and related parties	-	-	-	5,000
PA BE 1 S.r.l.	-	-	-	5,000
Total	95,407	31,042	67,643	18,357

(amounts in thousands of Euro)	Other liabilities	
	December 31 2022	December 31 2021
Remuneration of Board of Directors	4,405	1,702

STATEMENT OF PROFIT OR LOSS

(amounts in thousands of Euro)	Net Revenues December 31 2022	Net Revenues December 31 2021	Cost of goods sold December 31 2022	Cost of goods sold December 31 2021
Subsidaries and associates	1,886,673	1,323,665	118,414	88,270
Artisans Shoes S.r.l.	4	6	61,770	52,480
COR 36 S.r.l. New Zeland Branch	-	(275)	-	-
COR 36 S.r.l.	-	1	-	13
Church & Co Ltd	3,131	4,628	12,564	3,049
Church Footwear (Shanghai) Co., Ltd	-	1	-	-
Church France SA	1	1	-	-
Church Italia S.r.l.	1	(1)	-	4
Church Japan Co., Ltd.	-	1	-	-
Church UK Retail Ltd	1	2	-	-
Figline Srl	2	3	6,835	4,030
Hipic Prod Impex Srl	7	10	11,845	8,263
IPI Logistica S.r.l.	-	-	617	576
Luna Rossa Challenge Srl	55	4	-	-
Marchesi 1824 srl	3	8	29	30
Pelletteria Ennepì S.r.l.	1	2	6,602	5,269
Prada (Thailand) Co.,Ltd.	40,121	8,603	15	-
Prada Asia Pacific Ltd.	(35,582)	(35,384)	1,826	2,155
Prada Australia Pty. Ltd	24,944	4,117	35	-
Prada Austria GmbH	17,268	5,902	9	2
Prada Belgium sprl	4,572	3,712	2	38
Prada Bosphorus Deri Mamuller Limited Sirketi	31,224	10,723	(1)	-
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	17,915	6,374	-	-
Prada Canada Corp.	43,172	25,001	-	(1)
Prada Czech Republic s.r.o.	4,283	1,140	3	-
Prada Denmark	3,417	2,084	-	-
Prada Dongguan Trading co. LTD	-	-	902	855
Prada Emirates Llc [1]	91	6	12	3
Prada Fashion (Shanghai)	274,762	383,922	2	8
Prada Germany GmbH	60,095	31,200	76	-
Prada Guam LLC	(519)	568	-	-
Prada Hellas Single Partner Limited Liability Company	5,561	1,538	3	-
Prada Japan Co., Ltd.	134,289	80,350	624	537
Prada Kazakhstan Llp	9,897	3,883	-	-
Prada Korea Ltd.	257,679	208,107	164	217
Prada Kuwait Wll [1]	(1)	-	(1)	(1)
Prada Macau Co., Ltd.	2,320	15,982	2	-
Prada Middle East FZCO	98,157	62,298	-	(60)
Prada Montecarlo Sam	4,710	(878)	1	31
Prada Netherlands B.V.	22,432	10,952	1	1
Prada New Zealand Pty. Ltd	1,090	316	-	-
Prada Panama SA	-	(413)	-	-
Prada Portugal, Unipessoal LDA	12,666	2,294	22	2
Prada Retail Aruba	1,205	614	-	-
Prada Retail France SaS	88,680	19,748	2,560	2,118
Prada Retail Malaysia Sdn	17,406	6,191	6	5
Prada Retail Mexico S. de R.L. de C.V.	17,891	8,485	11	-
Prada Retail UK Ltd	91,008	35,193	1,698	1,042
Prada Retail UK Ltd. - Irish Branch	4,432	4,238	-	-
Prada Retail SPC	36	995	-	-
Prada Rus LLC	9,104	40,459	1	11
Prada SA,Lux,Swiss Branch	-	1	-	-

(amounts in thousands of Euro)	Net Revenues December 31 2022	Net Revenues December 31 2021	Cost of goods sold December 31 2022	Cost of goods sold December 31 2021
Prada ST. Barthelemy	3,474	1,542	-	-
Prada Saipan	(435)	(102)	-	-
Prada San Marino	2,132	2,992	-	-
Prada Saudi Arabia	257	247	78	70
Prada Singapore Pte, Ltd.	45,240	3,442	46	45
Prada South Africa (Pty) Ltd	-	(21)	-	-
Prada Spain S.A.	48,510	18,319	42	3
Prada Sweden AB	2,569	1,518	2	1
Prada Switzerland sa	19,820	11,742	109	29
Prada Taiwan Ltd Branch Taipei	31,972	26,559	-	-
Prada USA Corp.	461,412	296,980	3,312	2,175
Prada Ukraine	353	1,900	-	-
Prada Vietnam	3,837	1,752	166	179
TRS Guam	-	(586)	-	-
TRS Hawaii LLC	-	(906)	-	-
TRS MACAU	-	3,892	-	-
TRS Okinawa	-	1,682	-	-
Tannerie Limoges S.A.S.	1	1	6,424	5,091
Parent company and related parties	-	-	25,080	20,048
Conceria Superior S.p.A.	-	-	13,456	10,821
Filati Biagioli Modesto Srl	-	-	4,150	3,777
Les Femmes Srl	-	-	7,479	5,455
Peschiera Immobiliare srl	-	-	(5)	(5)
Total	1,886,673	1,323,665	143,494	108,318

(1) Company consolidated according to IFRS 10 definition of control

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Subsidaries and associates	(23,498)	(123,223)	13,392	6,907
Artisans Shoes S.r.l.	(2,147)	(2,305)	31	5
COR 36 S.r.l. New Zeland Branch	-	(189)	-	-
COR 36 S.r.l.	-	(11,498)	-	-
Caffè Principe S.r.L.	13	-	1	-
Church & Co Ltd	(3,254)	629	3,213	500
Church & Co. (USA) Ltd.	3	8	-	-
Church Austria Gmbh	16	11	-	-
Church English shoes SA	14	9	-	-
Church Footwear (Shanghai) Co., Ltd	21	27	-	-
Church Footwear Ab	13	11	-	-
Church France SA	61	59	1	1
Church Hong Kong Retail C	14	12	-	-
Church Ireland Retail Ltd	-	8	-	-
Church Italia S.r.l.	341	284	1	1
Church Japan Co., Ltd.	42	31	-	-
Church UK Retail Ltd	136	84	-	-
Church's Denmark	11	10	-	-
Church's Eng. Shoes Sw.SA	13	9	-	-
Church's Germany	17	12	-	-
Church's Korea	8	9	-	-
Church's Netherlands	10	9	-	-
Church's Singapore	10	6	-	-
Church's Spain	9	6	-	-
Figline Srl	(3)	148	24	31
Hipic Prod Impex Srl	786	441	795	167
IPI Logistica S.r.l.	164	129	(3)	-
Kenon Limited	10	10	994	1,528
Luna Rossa Challenge 2013 NZ LTD	-	12	-	-
Luna Rossa Challenge Srl	(14,983)	(21,224)	29	-
Marchesi 1824 srl	44	115	469	605
Marchesi UK	39	16	-	-
PRM Services S. De R.L. de CV	-	7	-	-
Pelletteria Ennepì S.r.l.	416	309	3	1
Pelletteria Figline Srl - 3rd	16	16	60	11
Post Development Corp.	3	2	-	-
Prada (Thailand) Co.,Ltd.	875	561	31	75
Prada Asia Pacific Ltd.	(6,412)	(33,309)	(4)	(4)
Prada Australia Pty. Ltd	1,379	1,258	24	18
Prada Austria GmbH	909	560	50	26
Prada Belgium sprl	514	392	-	2
Prada Bosphorus Deri Mamuller Limited Sirketi	18,419	4,517	31	1
Prada Brasil Imp. e Com. de Art. de Luxo Ltda.	380	473	-	-
Prada Canada Corp.	(3,822)	(6,683)	-	-
Prada Company SA	16	1	-	-
Prada Czech Republic s.r.o.	344	184	-	-
Prada Denmark	416	298	63	22
Prada Dongguan Trading co. LTD	38	40	-	-
Prada Emirates Llc (1)	1,835	890	-	-
Prada Fashion (Shanghai)	3,522	(275)	-	-
Prada Germany GmbH	3,893	3,234	354	74
Prada Guam LLC	135	45	-	-
Prada Hellas Single Partner Limited Liability Company	378	227	2	38
Prada Japan Co., Ltd.	6,244	3,755	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Prada Kazakhstan Llp	3,615	2,226	-	-
Prada Korea Ltd.	5,552	3,658	-	-
Prada Kuwait Wll (1)	515	326	-	-
Prada Macau Co., Ltd.	727	886	-	-
Prada Middle East FZCO	502	173	-	-
Prada Montecarlo Sam	476	319	1,533	1,393
Prada Netherlands B.V.	843	459	(9)	(6)
Prada New Zealand Pty. Ltd	(60)	89	39	13
Prada Norway AS	13	-	-	-
Prada Panama SA	-	(14)	-	-
Prada Portugal, Unipessoal LDA	629	382	5	9
Prada Retail Aruba	50	27	-	-
Prada Retail France SaS	1,620	387	2,225	1,449
Prada Retail Malaysia Sdn	611	248	332	167
Prada Retail Mexico S. de R.L. de C.V.	4,821	1,883	-	-
Prada Retail UK Ltd	3,991	2,508	848	106
Prada Retail UK Ltd. - Irish Branch	186	242	56	8
Prada Retail SPC	1,378	2,851	404	22
Prada Rus LLC	555	9,590	5	8
Prada SA	7	7	-	1
Prada SA,Lux,Swiss Branch	(23,384)	(36,955)	(454)	(44)
Prada ST. Barthelemy	536	(293)	-	-
Prada Saipan	82	14	2	-
Prada San Marino	224	51	1	1
Prada Saudi Arabia	(1,460)	327	-	-
Prada Singapore Pte, Ltd.	1,120	766	47	56
Prada South Africa (Pty) Ltd	-	6	-	-
Prada Spain S.A.	1,888	1,085	560	96
Prada Sweden AB	295	235	-	-
Prada Switzerland sa	868	580	1,393	240
Prada Taiwan Ltd Branch Taipei	841	1,118	-	-
Prada USA Corp.	(42,666)	(59,527)	50	76
Prada Ukraine	13	53	7	-
Prada Vietnam	1,214	(376)	1	35
TRS Guam	-	4	-	-
TRS MACAU	-	18	-	-
TRS Okinawa	-	8	-	-
TRS Singapore Pte Limited	-	3	-	-
Tannerie Limoges S.A.S.	(6)	22	178	175
Parent company and related parties	(1,719)	(2,670)	(112)	(76)
Chora Srl	-	(856)	-	-
Conceria Superior S.p.A.	122	(58)	-	-
Filati Biagioli Modesto Srl	(48)	(36)	36	-
LUDO DUE S.R.L.	(1,119)	(1,121)	(131)	(56)
Les Femmes Srl	(47)	-	11	11
Ludo Tre S.r.l.	-	1	-	-
Orexis S.r.l.	-	(74)	-	(1)
PRADA HOLDING S.P.A.	(68)	4	(1)	-
Peschiera Immobiliare srl	(559)	(530)	(27)	(30)
Total	(25,217)	(125,893)	13,280	6,831

(1) Company consolidated according to IFRS 10 definition of control

COMMITMENTS

GUARANTEES GIVEN

The guarantees concern:

- sureties of Euro 287 million given to third parties and related parties on behalf of Group companies;
- letters of comfort for Euro 266 million issued to banks on behalf of subsidiaries.

OTHER COMMITMENTS

The Company had no significant binding purchase commitments as at December 31, 2022.

In 2011, PRADA spa and Al Tayer Insignia llc ("Al Tayer") stipulated an agreement expiring on December 31, 2021 to develop the Prada and Miu Miu brands in the Middle East retail business (the "joint venture"). That agreement resulted in the establishment of subsidiary Prada Middle East fzco, followed by Prada Emirates llc and Prada Kuwait llc. At the date of approval of these Separate Financial Statements, Prada and Al Tayer were managing the joint venture under principles of ordinary administration while negotiating the expired contractual terms. Management is confident that through the negotiations PRADA spa can acquire 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.

ADDITIONAL INFORMATION

BOARD OF DIRECTOR REMUNERATION

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

(amounts in thousands of Euro)	December 31 2022
Directors' fees	38,246
Remuneration and other benefits	1,436
Bonuses and other incentives	823
Benefits in kind	25
Pension, healthcare and TFR contributions	392
Total	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.

DELOITTE & TOUCHE SPA FEES

The total fees of the independent audit firm, Deloitte & Touche S.p.A. for the audit of PRADA spa's accounts (audit of the separate financial statements and Group consolidated financial statements), amount to Euro 475 thousands.
The total fees paid to Deloitte & Touche S.p.A. for auditing the financial statements of the year ended December 31, 2021, and for other services provided by Deloitte to PRADA spa (amounts in thousands of Euro) are as follow:

Type of service	Audit firm	twelve months ended December 31, 2022	twelve months ended December 31, 2021
Audit services	Deloitte & Touche spa	475	508
Total audit fees		475	508
Other advisory services	Deloitte & Touche spa	21	24
Other advisory services	Deloitte Network	353	-
Total non-audit fees to Deloitte Network		374	24
Total compensation to Deloitte Network		849	532

NUMBER OF EMPLOYEES

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

FTE (full time equivalent) (1)	December 31 2022	December 31 2021
Production	1,893	1,747
Product design and development	921	914
Communications	87	76
Selling	1,005	977
General and administrative services	560	510
		0
Total	4,466	4,224

Note:
(1) Agency workers included

The average number of employees by job title as at December 31, 2022 and December 31, 2021 is presented below:

Headcount (1)	December 31 2022	December 31 2021
Executive	115	103
Manager	405	350
Staff	2,202	2,161
Labor	1,754	1,730
Total	4,476	4,344

Note:
(1) Agency workers are not included

EMPLOYEE REMUNERATION

The remuneration of employees by business division as at December 31, 2022 and December 31, 2021 is presented below:

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Production	103,603	91,849
Product design and development	60,017	58,092
Advertising and Communications	8,970	7,959
Selling	81,848	65,658
General and administrative services	60,587	53,204
Total	315,025	276,762

By order of the Board

Paolo Zannoni
Chairman

March 9, 2023

INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT

The Independent Auditor's Reports included in this Separate Financial Statements are in two different formats taking into account the differences between the auditing standards adopted in the Italian jurisdiction (ISA Italia) and the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB). Specifically, in Italy, where the Company is domiciled, the Independent Auditor's report is issued for statutory purposes in accordance with ISA Italia pursuant to art, 14 of Italian Legislative Decree no 39 of January 27, 2010, while in accordance to the regulations applicable in Hong Kong, where the Company's shares are listed on the Main Board of the Hong Kong Stock Exchange, the Independent Auditors' report is issued in accordance with ISAs.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prada S.p.A.

Opinion

We have audited the financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test	
Description of the key audit matter	As described in Notes 8 and 10 to the financial statements, the Company accounts for goodwill of Euro 108.6 million and investments in subsidiaries and associates of Euro 793.4 million. In accordance with IAS 36 - Impairment of assets, goodwill has to be tested for recoverability at least annually. Furthermore, in light of specific identified impairment indicators, Management carried out impairment tests for some of the investments in subsidiaries recorded at December 31, 2022 by comparing their recoverable amount to their carrying amount. In order to measure the recoverable amount of the tested assets, Management determined the value in use using present value techniques 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"). As a result of the tests performed, impairment losses for a total amount of Euro 146.4 million have been recognized on investments in subsidiaries, mainly related to Prada Rus LLC and Church & Co Ltd. In particular, the recoverable amount of Prada Rus LLC 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 investment through liquidation of the subsidiary. In the latter scenario, the recoverable amount is substantially in line with the net equity of the subsidiary, mainly composed by the buildings owned in Russia whose 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 Company recognized an impairment loss allocated to Prada Rus LLC of Euro 45.7 million. The recoverable amount of Church & Co Ltd was estimated also with the support of an independent expert, and the test performed resulted in the recognition of an impairment loss amounting to Euro 67.2 million. Furthermore, Management also performed a sensitivity analysis for the Church & Co Ltd investment, 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 the tested assets, the complexity of the estimates of the cash flows projections and of the other estimates and assumptions used in the impairment model, we considered the impairment test as a key audit matter.

Audit procedures performed	For our audit, we evaluated the methods used by Management to determine the recoverable amount of the tested assets and analyzed the methods and assumptions used by Management in the impairment test. Our audit procedures included, among others, the following, which were performed along with the support of our internal valuation specialists: • Evaluation of the appropriateness of the methodologies used by Management to test goodwill and investments in subsidiaries; • 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; • Analysis of the reasonableness of the approach and assumptions used for the estimate of Prada Russia LLC recoverable amount; • Verification of the mathematical accuracy of the model used to determine the recoverable amount of the tested assets; • Evaluation of the sensitivity analysis performed by Management and development of an independent sensitivity analysis; • Analysis of the information disclosed in the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the sections corporate information, financial review and corporate governance of the Separate Financial Statements 2022 but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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, actions taken to eliminate threats or 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 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 FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2022, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Prada S.p.A. are responsible for the preparation of the financial review of Prada S.p.A. as at December 31, 2022, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the financial review with the financial statements of Prada S.p.A. as at December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the financial review is consistent with the financial statements of Prada S.p.A. as at December 31, 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.

BOARD OF STATUTORY AUDITORS' REPORT

PRADA S.p.A.

Registered Office at Via Antonio Fogazzaro, 28 – 20135 Milan

Registered with the Business Registry of Milan under no. 1343952

Taxpayer's code no. and VAT no. 10115350158

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the Financial Statements closed as at December 31st, 2022 pursuant to art. 2429, second paragraph of the Italian Civil Code

Dear Shareholders,

during the financial year closed as at December 31st, 2022, the Board of Statutory Auditors carried out the supervisory activity set forth by the law, also pursuant to the "Rules of conduct of the Board of Statutory Auditors" recommended by the Italian Board of Chartered Accountants and Accounting Consultants.

In particular, the following is reported:

The Board of Statutory Auditors supervised observance of the law and By-laws, as well as of fair management principles and we have no particular observations to make in this connection.

During the financial year closed as at December 31st, 2022 the Board of Statutory Auditors met periodically, in accordance with legal requirements, and took part in the Shareholders' Meetings, Board of Directors' Meetings and Audit and Risk Committee's Meetings (former Audit Committee), held in compliance with the law and the by-laws regulating them and for which it can be reasonably assured that the actions resolved are compliant with the law and the Company's by-laws and are not manifestly imprudent, hazardous, could not potentially determine a conflict of interest or compromise the integrity of the Company's assets.

Pursuant to the Company's By-laws, the Board of Statutory Auditors received information from Directors on the company performance and its expected evolution, as well as on the most significant transactions in terms of size or characteristics implemented by the Company, verifying that such transactions have occurred according to the law and the Company's By-laws and they are not manifestly imprudent, hazardous, in potential conflict of interest, in contrast with the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets.

The Board of Statutory Auditors continuously acquired information by constantly liaising with all the company structures and periodically reviewed the Company's organization structure which showed no inadequacy.

During the year, the Board of Statutory Auditors attended meetings with the Company's Supervisory Body, during which the relevant information was exchanged, some evaluations were shared, finally acknowledging the content of reports prepared by the Supervisory Body on implemented activities.

The Board of Statutory Auditors also took part in all Audit and Risk Committee's Meetings, during which the two bodies exchanged the necessary information, sharing and coordinating control planning activities with the Committee members, and sharing views with structures, in particular with the Internal Auditing structure on the activities carried out by the latter, ascertaining the appropriateness of the internal control system. In this connection, the Board of Directors examined the Annual Report of the Audit and Risk Committee for 2022, sharing its content, in particular with respect to the analysis of certain areas of interest that will be constantly monitored with regard to remedial actions in terms of Cyber-Security, Physical Security and Data Protection.

The Board of Statutory Auditors reviewed the 2022 Sustainability Report approved by the Board of Directors on today's date, and the initiatives implemented by the Group on ESG issues.

The presence of some Statutory Auditors of the Parent Company in the Boards of Statutory Auditors of subsidiaries favored a regular and constant exchange of information between the Board of Statutory Auditors and the corresponding control bodies of the above-mentioned subsidiaries. No facts or anomalies have emerged during the performance of this activity which need to be mentioned in this report.

The Board of Statutory Auditors evaluated and monitored the adequacy of the book-keeping and accounting system as well as its reliability for the representation of operating activities, by gathering information from the managers of functions and analyzing corporate documents; no particular observation is made in this connection.

No complaints pursuant to art. 2408 of the Italian Civil Code were filed against the Company during the fiscal year closed as at December 31st, 2022 and until today's date.

No further significant fact to be mentioned in this report emerged during the supervisory activity described herein above.

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The Board of Statutory Auditors examined the separate financial statements as of December 31st, 2022 prepared in accordance with IAS/IFRS international accounting standards and relevant interpretation principles (SIC/IFRIC) adopted by the European Union and in force on the financial statements preparation date.

As the Board of Statutory Auditors is not required to make an analytical check of the content of the financial statements, the Control Body supervised over the general layout adopted and general compliance with the law of its preparation and structure, and we have no particular observations to make in this connection.

The Board of Statutory Auditors verified compliance with laws on the preparation of the Directors' Report as well as the correspondence of financial statements with the facts and information collected and no particular observations are to be made in this connection.

To the extent of our knowledge, Directors did not depart from the provisions of art. 2423, paragraph five of the Italian Civil Code in the preparation of financial statements.

The Board of Statutory Auditors examined the impairment test procedure adopted by directors and approved by the Audit and Risk Committee and the Board of Directors.

With regard to significant events occurred during 2022, the Board of Statutory Auditors acknowledged the information contained in the Directors' Report and in the notes to the financial statements closed as at December 31st, 2022.

The Board of Statutory Auditors verified compliance of the financial statements with the facts and information acquired during the performance of its office and we have nothing to report in this connection.

During the year, the Board of Statutory Auditors held periodical meetings with the management of the Audit Company Deloitte & Touche S.p.A., appointed to audit the separate and consolidated financial statements of the Prada Group for the three-year period 2022-2024 pursuant to Law Decree no. 39 of 27 January 2010 in order to exchange relevant data and information for the performance of their respective duties. These meetings did not give rise to any important matters requiring disclosure in this report.

In light of the above, as well as of what emerged during the meetings with the Independent Auditors, the Board of Statutory Auditors, also in light of the Independent Auditors' declarations in this connection, and of the verifications carried out, believes that no critical issue has emerged concerning the independence of the Audit Company.

In compliance with applicable laws, on today's date Deloitte & Touche S.p.A. issued an Independent Auditors' Report pursuant to art. 14 of Law Decree 39/2010 and the international auditing standards (ISA Italia), containing their opinion on the separate financial statements as at December 31st, 2022 , which give a true and fair view of the financial position of the Company as of December 31st, 2022, of its operating and cash flows of the period, in compliance with the International Financial Reporting Standards adopted by the European Union. The above-mentioned report also contains an opinion, issued pursuant to art. 14 paragraph 2 letter e) of Law Decree no. 39/2010, certifying that the Directors' Report is consistent with the separate financial statements closed as at December 31st, 2022 and is compliant with the laws. The Independent Auditors' Report on the separate financial statements does not contain any exceptions or requests for disclosures.

The Company also prepared the consolidated financial statements and consolidated directors' report.

Also with reference to these documents, the Board of Statutory Auditors monitored their general layout, their compliance with the law in terms of preparation and structure and we have no particular observations to make in this respect.

On today's date, in compliance with applicable laws, Deloitte & Touche S.p.A. issued an Independent Auditors' Report pursuant to art. 14 of Law Decree no. 39/2010 and international auditing standards (ISA Italia), which contains their opinion on the consolidated financial statements as at December 31st, 2022 which give a true and fair view of the financial position of the Group as of December 31st, 2022, of its operating and cash flows of the period, in compliance with the International Financial Reporting Standards adopted by the European Union. The above-mentioned report also contains an opinion, issued pursuant to art. 14 paragraph 2 letter e) of Law Decree no. 39/2010, certifying that the Directors' Report is consistent with the consolidated financial statements closed as at December 31st, 2022 and is compliant with the laws. The Independent Auditors' Report on the consolidated financial statements does not contain any exceptions or requests for disclosures.

Lastly, after taking into account the foregoing and within the limits of our responsibility, we have not found any reasons hindering the approval of the financial statements closed as at December 31st, 2022 showing a net profit of Euro 571,683,175.08, agreeing with the Directors' proposal on the appropriation of the net profit for the year.

Milan, 9 March 2023

The Board of Statutory Auditors
The Chairman
Antonino Parisi