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PRADA Group

Prada S.p.A.
(Stock Code: 1913)

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2023

- Prada Group reported net revenues of Euro 4,726.4 million, up by 17.2% at constant exchange rates on 2022.
- Retail net sales increased by 17.2% at constant exchange rates on 2022.
- Retail net sales of the Prada brand increased by 12.1% and Miu Miu by 58.2%, at constant exchange rates.
- Double-digit growth in Japan +43.8%, Asia Pacific +24%, Europe +14% and Middle East +10.5%, all at constant exchange rates; Americas remained substantially flat over the twelve-month period at +0.3%.
- EBIT of Euro 1,061.7 million, corresponding to 22.5% of net revenues, increasing by 36.8% versus 2022 (Euro 776 million, 18.5% of net revenues).
- Group net income of Euro 671 million, up 44.2% versus 2022.
- Net financial position positive for Euro 196.9 million as of December 31, 2023, reflecting capex cash-out of Euro 759.2 million including strategic real estate investments.
- Proposed dividend distribution of Euro 0.137 per share.

Presentation of the Prada Group

Prada S.p.A. ("Prada" or the "Company"), together with its subsidiaries (collectively the "Group" or the "Prada Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). The Prada Group is a leading player in the luxury goods industry, where it operates with the Prada, Miu Miu, Church's and Car Shoe brands producing and distributing leather goods, footwear and ready to wear. It also operates in the food sector with the Marchesi 1824 brand, in the most prestigious sailing races with Luna Rossa and in the eyewear and beauty industries under licensing agreements.

The Group owns 26 production facilities (23 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and its products are sold in 70 countries worldwide mainly through its directly operated stores, which numbered 606 as of December 31, 2023. The Prada Group's products are also sold directly through the brands' e-commerce activity and indirectly in selected high-end department stores, by independent retailers in very exclusive locations and by important e-tailers.

The Company is a joint-stock company with limited liability, registered and domiciled in Italy. Its registered office is at via Fogazzaro 28, Milan. As of December 31, 2023 (the reporting date of these Consolidated Financial Statements), 79.98% of the share capital was owned by Prada Holding S.p.A., a company domiciled in Italy, and the remainder consisted of floating shares listed on the Main Board of the Hong Kong Stock Exchange.

Basis of presentation

The financial information presented herein refers to the group of companies controlled by the Company, the operating parent company of the Prada Group, and it is based on the Consolidated Financial Statements for the twelve-month period ended December 31, 2023.

At the date of presentation of these Consolidated Financial Statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the Prada Group and those issued by the IASB.

IFRSs also refer to all International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

New standards and amendments to existing standards issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2023.

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

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

The Group has applied the temporary exception, introduced in May 2023 by IASB with the "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules", regarding the accounting requirements for deferred taxes under IAS 12; therefore, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.
During the year, the Prada Group has managed the implementation of the "Pillar II" legislation, aimed at ensuring a global minimum level of taxation ("Global minimum tax") for multinational enterprise groups that satisfy certain predefined parameters.
The implementation of the Global Minimum Tax, provided for in Directive No. 2022/2523 of December 15, 2022 (implementing the OECD/G20 Pillar II proposal), is effective in Italy from January 1, 2024 as per Italian Legislative Decree No. 209 of December 27, 2023.

Given the complexity of the system outlined in the above legislation to ensure this minimum level of taxation, for the first three tax periods (for the Prada Group - financial years 2024 to 2026) the possibility of applying a simplified regime has been provided for (so-called "transitional safe harbours"). This simplified regime is primarily based on accounting information already available for each jurisdiction and the application of three tests (De Minimis test, Simplified Effective Tax Rate test and Routine Profits test); passing at least one of these tests allows the disapplication of any additional taxes required to reach the prescribed minimum tax level and the reduction of compliance burdens.
Based on the information known or reasonably estimable to date, the Prada Group's exposure arising from the application of Pillar II is evaluated as not material because: (i) most of the Group's entities, assumed at aggregate level in the jurisdictions in which they are located, pass at least one of the three tests referred to above; (ii) with respect to entities that, on the other hand, do not satisfy, at the aggregate level in the jurisdictions in which they are located, any of the three tests mentioned above, it is considered that their profits, and therefore the potential tax exposure arising from the Pillar II framework, do not have a relevant impact on the profits and tax liability of the Group as a whole.
The Group, with the support of external consultants, has performed analyses and simulations of the impacts of the new legislation that underlined the above-mentioned conclusions and is setting up the compliance requirements related to the application of Pillar II, which will be implemented by adequate company systems and procedures.
In any case, since the Pillar II legislation is not effective as of 31 December 2023, it had no impact on current taxes.

Amendments issued by the IASB, endorsed by the European Union but not yet applicable to the Prada Group because they are effective for annual periods beginning on or after January 1, 2024.

Amendments to existing standards	**Effective Date for Prada Group**	**EU endorsement dates**
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	January 1, 2024	Endorsed in November 2023
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	Endorsed in December 2023

Amendments issued by the IASB, but not yet endorsed by the European Union as of December 31, 2023.

Amendments to existing standards	**Date of possible application**	**EU endorsement status**
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023)	January 1, 2024	Not endorsed yet
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	January 1, 2025	Not endorsed yet

Key financial information

Key economic indicators (amounts in thousands of Euro)	twelve months ended December 31 2023	twelve months ended December 31 2022
Net revenues	4,726,411	4,200,674
EBIT Adjusted (*)	1,061,692	845,176
% incidence on net revenues	22.5%	20.1%
EBIT (**)	1,061,692	775,990
% incidence on net revenues	22.5%	18.5%
Net income of the Group	671,026	465,193
Earnings per share (Euro)	0.262	0.182
Net operating cash flow (***)	725,582	695,527

(*) Non-IFRS measure equal to EBIT less other non-recurring income / (expenses)

(**) Non-IFRS measure equal to Earnings before Interest and Taxation

(***) Non-IFRS measure equal to net cash flow from operating activities less repayment of lease liability

Key financial position indicators (amounts in thousands of Euro)	December 31 2023	December 31 2022
Net operating working capital (*)	734,742	690,573
Net invested capital (right of use assets included) (**)	5,790,789	5,073,699
Net financial surplus / (deficit) (***)	196,908	534,900
Group shareholders' equity	3,853,795	3,482,217

(*) Non-IFRS measure equal to the sum of trade receivables (net), inventories (net) and trade payables

(**) Non-IFRS measure equal to the sum of the total consolidated shareholders' equity, the lease liability and net financial surplus/(deficit)

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

2023 Highlights

In 2023 the Prada Group achieved an excellent performance sustained by the continuous creative momentum of its brands. While the year was characterised by the resurgence of severe geopolitical tensions, especially in Middle East, and uncertainty on the economic outlook, the luxury sector proved its resilience and the Group's results reflect significant progress on the path of its strategic, organisational and digital evolution.

Group's net revenues grew by 17.2% at constant exchange rates compared to 2022. The Group has reported 12 consecutive quarters of retail growth, driven by full price like-for-like sales, with positive contributions from both volumes and average price.

At brand level, Prada delivered a high-quality, solid performance with retail net sales increasing by 12.1% in the year. Miu Miu retail net sales grew by 58.2% in 2023, an outstanding result confirming the brand strong desirability across all product categories and regions.

The EBIT margin (22.5%) showed further expansion, coupled with substantial marketing investments behind the brands. The Group closes the year with a net cash position of Euro 197 million, which reflects capex cash-out of Euro 759 million, including the acquisition of the highly strategic real estate asset at 724 5th Avenue (New York).

At Prada, the year was characterised by continuous desirability, sustained by an evolved organisation and rigorous execution. The excellent reception of both Menswear and Womenswear fashion shows and collections confirms the enduring success of the brand's creative codes, with impactful campaigns and talent strategy boosting visibility and interest globally. A well-balanced product category mix drove growth and resilience, thanks to the ability to continuously innovate and to successfully interpret contemporaneity.

At the same time, the unveiling of exclusive collaborations, like the "Adidas Football for Prada" collection and the groundbreaking partnership with Axiom Space on NASA's lunar spacesuits for Artemis III mission, surprised the audience.

Successful activations realised over the period, including Prada Extends in Bangkok, the 9th and 10th iterations of Prada Mode, the Pradasphere II exhibition in Shanghai and the successful opening of Prada Caffè in London, also contributed to deliver a distinctive brand experience worldwide.

As for Miu Miu, the outstanding performance was supported by the strong foundations laid in recent years across brand, product, distribution and talents. The thriving brand momentum enabled growing awareness and desirability, driving remarkable commercial response across all product categories and regions.

2023 saw multiple successful launches in Leather Goods and Footwear, as well as a strong performance in Ready-to-Wear, cementing the brand positioning as trendsetter. Likewise, the viral collaborations with New Balance and Church's amplified the reach towards a broader community, as a reflection of the brand dynamic identity.

Brand heat was also supported by powerful campaigns and several talent activations, while successful event formats and special projects continued to foster the Miu Miu global community.

At Church's, the focus on the internal reorganisation continued in 2023, with specific attention to rationalise both corporate and industrial processes in support of the brand's repositioning.

The Group progressed with the upgrade of the retail network, completing about 130 renovation and relocation projects over the year, in line with the strategic objective of achieving retail excellence. Following 26 openings and 32 closures over the period, the Group closes the year with 606 Directly Operated Stores.

In the digital arena, the efforts converged on a multiyear transformation program involving the overall tech landscape to support operations and revenue growth. The program includes initiatives encompassing omnichannel capabilities, product lifecycle, finance and retail ERP, reporting, and planning processes integration.

On the industrial front, the Group continued to invest in its factories and in the vertical integration of the supply chain, to further improve manufacturing expertise and quality control at every step of the process. In this context, the acquisition of a minority stake in Luigi Fedeli e Figlio S.r.l., an Italian family business globally recognised for the quality of its knitwear and fine yarns, is a testament of the Group's unwavering commitment to protect Italian know-how.

2023 also saw significant progress in environmental sustainability, with Scope 1&2 GHG emissions reduced by 58% over the year compared to the 2019 baseline. In this regard, the Group also signed an ambitious Collective Virtual Power Purchase Agreement (CVPPA), which will start in the next few years, together with 11 other brands in The Fashion Pact coalition, to promote renewable energy additionality in Europe. Ongoing efforts are also directed to reduce Scope 3 GHG emissions in line with the Group's Science-Based Targets 2029, in particular by focusing upstream on the transition of some key raw materials to lower impact alternatives.

Recently, the Group also invested in the purchase of Sustainable Aviation Fuel (SAF) credits from accredited partners to accelerate on the decarbonisation of the aviation industry.

On the People part of the ESG strategy, the Group is particularly proud of its initiatives centered on gender equality and the achievement of 44% women representation in its leadership team. Notably, a new Chief People Officer was appointed in September 2023.

The Group's commitment to culture and water conservation continued over the period, with increased funding to support the SEA BEYOND education program, which has been expanded to include scientific research and humanitarian projects, with a focus on increasing ocean awareness.

Finally, the year marked the onboarding of Andrea Guerra as Prada Group CEO in January, as well as other strategic appointments: the result is a strengthened organisation, well equipped to drive the evolution of the Group while delivering on its growth ambition.

Scope of work of Messrs. Deloitte & Touche S.p.A.

The figures in respect of the Group's "Consolidated statement of financial position", "Consolidated statement of Profit or Loss for the twelve-month period ended December 31, 2023", "Consolidated statement of comprehensive income for the twelve-month period ended December 31, 2023", "Consolidated statement of cash flows for the twelve-month period ended December 31, 2023", "Consolidated statement of changes in equity", as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte & Touche S.p.A., to the amounts set out in the Group's audited Consolidated financial statements for the twelve-month period ended December 31, 2023 and some of the "Notes to the Consolidated financial statements" thereto, except for the effects deriving from the inclusion of the non-IFRS measures "Other non-recurring income / (expenses)" and "Recurring operating income - EBIT Adjusted". The work performed by Messrs. Deloitte & Touche S.p.A. in this respect does not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by Messrs. Deloitte & Touche S.p.A. on the announcement.

Consolidated Statement of Profit or Loss for the year ended December 31, 2023 (includes Non-IFRS Measures)

(amounts in thousands of Euro)	twelve months ended December 31 2023	% on net revenues	twelve months ended December 31 2022	% on net revenues	change	% change
Net sales (Note 1)	4,622,882	97.8%	4,124,592	98.2%	498,290	12.1%
Royalties	103,529	2.2%	76,082	1.8%	27,447	36.1%
Net revenues	4,726,411	100%	4,200,674	100%	525,737	12.5%
Cost of goods sold	(924,640)	-19.6%	(888,580)	-21.2%	(36,060)	4.1%
Gross margin	3,801,771	80.4%	3,312,094	78.8%	489,677	14.8%
Product design and development costs	(150,616)	-3.2%	(137,469)	-3.3%	(13,147)	9.6%
Advertising and communications costs	(420,288)	-8.9%	(359,114)	-8.5%	(61,174)	17.0%
Selling costs	(1,872,626)	-39.6%	(1,704,363)	-40.6%	(168,263)	9.9%
General and administrative costs	(296,549)	-6.3%	(265,972)	-6.3%	(30,577)	11.5%
Total operating expenses	(2,740,079)	-58.0%	(2,466,918)	-58.7%	(273,161)	11.1%
Recurring operating income – EBIT Adjusted	1,061,692	22.5%	845,176	20.1%	216,516	25.6%
Other non-recurring income / (expenses)	-	-	(69,186)	-1.6%	69,186	-100.0%
Operating income – EBIT	1,061,692	22.5%	775,990	18.5%	285,702	36.8%
Interest and other financial income / (expenses), net	(32,031)	-0.7%	(24,498)	-0.6%	(7,533)	30.7%
Interest expenses on lease liability	(58,825)	-1.2%	(40,990)	-1.0%	(17,835)	43.5%
Dividends from investments	627	0.0%	473	0.0%	154	32.6%
Total financial income / (expenses)	(90,229)	-1.9%	(65,015)	-1.5%	(25,214)	38.8%
Income before taxation	971,463	20.6%	710,975	16.9%	260,488	36.6%
Taxation	(298,071)	-6.3%	(241,820)	-5.8%	(56,251)	23.3%
Net income for the year	673,392	14.2%	469,155	11.2%	204,237	43.5%
Net income – Non-controlling interests	2,366	0.1%	3,962	0.1%	(1,596)	-40.3%
Net income – Group	671,026	14.2%	465,193	11.1%	205,833	44.2%

Consolidated Statement of financial position

(amounts in thousands of Euro)	Notes	December 31 2023	December 31 2022
Assets			
Current assets			
Cash and cash equivalents		689,519	1,091,622
Trade receivables, net	4	405,151	331,915
Inventories, net	5	782,978	760,457
Derivative financial instruments – current		17,550	22,483
Receivables due from, and advance payments to, related parties - current	6	138	2,373
Other current assets	7	267,412	215,917
Total current assets		2,162,748	2,424,767
Non-current assets			
Property, plant and equipment	8	2,032,876	1,577,125
Intangible assets	8	846,024	817,809
Right of use assets	9	2,024,552	2,011,474
Investments in equity instruments		41,610	26,974
Deferred tax assets		374,847	373,090
Other non-current assets	10	131,504	139,402
Derivative financial instruments – non-current		890	5,812
Receivables due from, and advance payments to, related parties - non-current		-	1,125
Total non-current assets		5,452,303	4,952,811
Total assets		7,615,051	7,377,578
Liabilities and equity			
Current liabilities			
Lease liabilities – current		411,289	392,126
Short-term financial payables and bank overdraft		148,338	160,847
Payables due to related parties – current	11	5,858	3,568
Trade payables	12	453,387	401,799
Tax payables		121,823	277,656
Derivative financial instruments – current		7,543	11,565
Other current liabilities	13	302,143	242,306
Total current liabilities		1,450,381	1,489,867
Non-current liabilities			
Lease liabilities – non-current		1,699,599	1,715,451
Long-term financial payables		338,422	395,656
Long-term employee benefits		60,875	67,571
Provision for risks and charges	14	49,867	51,486
Deferred tax liabilities		35,731	40,855
Other non-current liabilities		103,367	115,670
Total non-current liabilities		2,287,861	2,386,689
Total liabilities		3,738,242	3,876,556
Share capital		255,882	255,882
Total other reserves		2,833,889	2,648,496
Translation reserve		92,998	112,646
Net income for the year		671,026	465,193
Equity attributable to owners of the Group		3,853,795	3,482,217
Equity attributable to Non-controlling interests		23,014	18,805
Total equity		3,876,809	3,501,022
Total liabilities and total equity		7,615,051	7,377,578

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

												Equity	
(amounts in thousands of Euro)	Number of shares (in thousands)	Share capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value investments in equity instruments reserve	Other reserves	Total other reserves	Net income for the year	Equity attributable to owners of the Group	Equity attributable to Non-controlling interests	Total equity
Balance at December 31, 2021	2,558,824	255,882	67,434	410,047	(15,878)	(5,708)	(10,992)	2,118,855	2,496,324	294,254	3,113,894	14,749	3,128,643
Allocation of 2021 net income	-	-	-	-	-	-	-	294,254	294,254	(294,254)	-	-	-
Dividends	-	-	-	-	-	-	-	(179,118)	(179,118)	-	(179,118)	(599)	(179,717)
Monetary revaluation IAS 29	-	-	-	-	-	-	-	11,910	11,910	-	11,910	-	11,910
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	45,212	-	25,938	-	-	-	25,938	465,193	536,343	4,626	540,969
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	(1,399)	587	-	(812)	-	(812)	29	(783)
Balance at December 31, 2022	2,558,824	255,882	112,646	410,047	10,060	(7,107)	(10,405)	2,245,901	2,648,496	465,193	3,482,217	18,805	3,501,022
Allocation of 2022 net income	-	-	-	-	-	-	-	465,193	465,193	(465,193)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(250)	(281,721)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	2,571	2,571
Monetary revaluation IAS 29	-	-	-	-	-	-	-	6,843	6,843	-	6,843	-	6,843
Comprehensive income/(loss) for the period (recyclable to P&L)	-	-	(19,648)	-	(3,764)	-	-	-	(3,764)	671,026	647,614	1,899	649,513
Comprehensive income/(loss) for the period (not recyclable to P&L)	-	-	-	-	-	(3,040)	1,632	-	(1,408)	-	(1,408)	(11)	(1,419)
Balance at December 31, 2023	2,558,824	255,882	92,998	410,047	6,296	(10,147)	(8,773)	2,436,466	2,833,889	671,026	3,853,795	23,014	3,876,809

Consolidated Statement of cash flows for the year ended December 31, 2023

(amounts in thousands of Euro)	twelve months ended December 31 2023	twelve months ended December 31 2022
Income before taxation	971,463	710,975
Profit or loss adjustments		
Depreciation of the right of use assets	445,465	451,533
Depreciation and amortization of property, plant and equipment and intangible assets	230,915	210,891
Impairment of the right of use assets	18,633	12,342
Impairment of property, plant and equipment and intangible assets	9,614	59,486
Non-monetary financial (income) expenses	48,932	24,413
Interest expenses on lease liability	58,825	40,990
Other non-monetary (income) expenses	34,005	12,258
Balance sheet changes		
Other non-current assets and liabilities	(24,300)	(33,142)
Trade receivables, net	(85,400)	(3,578)
Inventories, net	(60,784)	(121,826)
Trade payables	56,351	13,351
Other current assets and liabilities	(8,768)	15,112
Cash flows from operating activities	1,694,951	1,392,805
Interest paid (net), including interest paid on lease liability	(52,962)	(49,522)
Taxes paid	(486,708)	(219,586)
Net cash flows from operating activities	1,155,281	1,123,697
Purchases of property, plant and equipment and intangible assets	(759,676)	(241,495)
Proceeds from the sale assets	4,534	-
Cash from real estate sale to related party	-	18,000
Earn-out paid to a related party	-	(5,000)
Dividends from investments	627	473
Purchase of equity instruments	(4,676)	(19,549)
Business combination	-	(2,638)
Net cash flow utilised by investing activities	(759,191)	(250,209)
Dividends paid to shareholders of Prada S.p.A.	(281,471)	(179,118)
Dividends paid to Non-controlling shareholders	(250)	(599)
Repayment of lease liability	(429,685)	(428,170)
Repayment of current portion of long-term borrowings – third parties	(94,784)	(187,128)
Arrangement of long-term borrowings – third parties	25,475	-
Change in short-term borrowings – third parties	4,436	9,837
Capital increase from Non-controlling shareholders	2,560	-
Loans to related parties	-	(2,200)
Loans from related parties	2,500	-
Capital injection in associates	(4,509)	-
Net cash flows utilised by financing activities	(775,728)	(787,378)
Change in cash and cash equivalents, net of bank overdrafts	(379,638)	86,110
Foreign exchange differences	(22,481)	23,726
Opening cash and cash equivalents, net of bank overdraft	1,091,622	981,786
Closing cash and cash equivalents, net of bank overdraft	689,503	1,091,622

Consolidated Statement of comprehensive income for the year ended December 31, 2023

(amounts in thousands of Euro)	twelve months ended December 31 2023	twelve months ended December 31 2022
Net income for the year	673,392	469,155
A) Items that may be reclassified subsequently to P&L:	**(23,879)**	**71,814**
Foreign exchange differences on translation of foreign operations	(20,115)	45,876
Tax impact	-	-
Change in translation reserve less tax impact	(20,115)	45,876
Gains / (losses) on cash flow hedging instruments	(4,973)	34,221
Tax impact	1,209	(8,283)
Change in Cash Flow Hedge reserve less tax impact	(3,764)	25,938
B) Items that will not be reclassified subsequently to P&L:	**(1,419)**	**(783)**
Change in Fair Value in equity instruments reserve	1,632	587
Tax impact	-	-
Change in Fair Value in equity instruments reserve less tax impact	1,632	587
(Losses) / gains on remeasurement of defined benefit plans	(4,076)	(2,027)
Tax impact	1,025	657
Change in actuarial reserve less tax impact	(3,051)	(1,370)
Comprehensive income for the year - Consolidated	648,094	540,186
Comprehensive income for the year – Non-controlling Interests	1,888	4,655
Comprehensive income for the year – Group	646,206	535,531

Non-IFRS measures

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

In 2022 the Group introduced the use of a new non-IFRS measure, "Other non-recurring income / (expenses)", to identify the non-recurring transactions qualified by the Directors as non-recurring when their nature, materiality or frequency requires separate disclosure in order to give readers additional information of the Group's operating results. Accordingly, the difference between the "Operating income / (loss) - EBIT" and the "Other non-recurring income / (expenses)" is defined as the "Recurring operating income/(loss) - EBIT Adjusted" and represents the metric with which the Prada Group intends to measure the results of the operating activities. This non-IFRS measure, adopted with consistency and stability over time, will allow to maintain continuity for understanding the business performance.

The reconciliation of Prada Group's EBIT Adjusted and EBIT with the nearest IFRS measure (Net income for the year) is reported below:

(amounts in thousands of Euro)	**twelve months ended December 31 2023**	**% on net revenues**	**twelve months ended December 31 2022**	**% on net revenues**
Net income for the year	673,392	14.2%	469,155	11.2%
Taxation	298,071	6.3%	241,820	5.8%
Total financial (income) / expenses	90,229	1.9%	65,015	1.5%
Operating income - EBIT	1,061,692	22.5%	775,990	18.5%
Other non-recurring (income) / expenses	-	-	69,186	1.6%
Recurring operating income – EBIT Adjusted	1,061,692	22.5%	845,176	20.1%

Notes to the consolidated results for the period closed as of December 31, 2023

1. Analysis of net revenues

(amounts in thousands of Euro)	twelve months ended December 31 2023		twelve months ended December 31 2022		% change current exc.rates	% change constant exc.rates (*)	Q4-23 vs Q4-22 % change constant exc.rates (*)
Net revenues							
Retail net sales (Directly Operated Stores and e-commerce)	4,189,676	88.6%	3,736,971	89.0%	12.1%	17.2%	17.4%
Wholesale net sales (independent customers and franchisees)	433,206	9.2%	387,621	9.2%	11.8%	13.0%	32.1%
Royalties	103,529	2.2%	76,082	1.8%	36.1%	36.1%	-5.8%
Total net revenues	4,726,411	100%	4,200,674	100%	12.5%	17.2%	18.1%
Retail net sales by brand							
Prada	3,488,276	83.3%	3,252,025	87.0%	7.3%	12.1%	9.5%
Miu Miu	648,936	15.5%	431,768	11.6%	50.3%	58.2%	81.6%
Church's	28,555	0.7%	33,120	0.9%	-13.8%	-12.7%	3.4%
Other	23,909	0.6%	20,058	0.5%	19.2%	19.4%	19.8%
Total retail net sales	4,189,676	100%	3,736,971	100%	12.1%	17.2%	17.4%
Retail net sales by geographic area							
Asia Pacific	1,446,146	34.5%	1,231,659	33.0%	17.4%	24.0%	32.1%
Europe	1,312,023	31.3%	1,187,466	31.8%	10.5%	14.0%	7.5%
Americas	767,365	18.3%	781,825	20.9%	-1.8%	0.3%	3.8%
Japan	483,838	11.5%	368,739	9.9%	31.2%	43.8%	37.6%
Middle East	180,304	4.3%	167,282	4.4%	7.8%	10.5%	8.0%
Total retail net sales	4,189,676	100%	3,736,971	100%	12.1%	17.2%	17.4%
Retail net sales by product category							
Leather goods	1,910,061	45.6%	1,851,737	49.6%	3.1%	7.7%	7.6%
Ready to wear	1,350,243	32.2%	1,085,660	29.1%	24.4%	30.6%	27.7%
Footwear	777,099	18.5%	690,707	18.5%	12.5%	17.5%	20.4%
Other	152,273	3.6%	108,867	2.9%	39.9%	44.4%	40.5%
Total retail net sales	4,189,676	100%	3,736,971	100%	12.1%	17.2%	17.4%

(*) calculated excluding the effect of the hyperinflation in Turkey

2. Number of stores

	December 31, 2023		December 31, 2022		December 31, 2021	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	428	20	422	21	420	21
Miu Miu	141	5	145	5	146	5
Church's	28	-	37	-	61	-
Car Shoe	2	-	2	-	2	-
Marchesi 1824	7	-	6	-	6	-
Total	606	25	612	26	635	26

	December 31, 2023		December 31, 2022		December 31, 2021	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	200	-	209	-	228	-
Asia Pacific	196	23	190	21	193	21
Americas	102	-	104	-	105	-
Japan	85	-	86	-	88	-
Middle East	23	2	23	5	21	5
Total	606	25	612	26	635	26

3. Earnings and dividends per share

Earnings per share basic and diluted

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

	twelve months ended December 31 2023	twelve months ended December 31 2022
Group net income in Euro	671,026,021	465,192,638
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and diluted earnings per share in Euro, calculated on weighted average number of shares	0.262	0.182

Dividends paid

The Board of Directors of the Company has proposed a final dividend of Euro 350,558,888 (Euro 0.137 per share) for the twelve months ended December 31, 2023.

During 2023, the Company distributed dividends of Euro 281,470,640 (Euro 0.11 per share), as approved at the General Meeting held on April 27, 2023 to approve the December 31, 2022 financial statements.

The dividends and the related Italian withholding tax due (Euro 14.7 million), determined by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, were fully paid during the year.

4. Trade receivables, net

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Trade receivables – third parties	414,621	342,110
Allowance for bad and doubtful debts	(11,341)	(11,595)
Trade receivables – related parties	1,871	1,400
Total	405,151	331,915

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

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Opening balance	11,595	10,990
Exchange differences	(244)	90
Increases	2,979	741
Reversals	(173)	(136)
Utilization	(2,816)	(90)
Closing balance	11,341	11,595

An aging analysis of the trade receivables, before the allowance for bad and doubtful debts, is shown below:

(amounts in thousands of Euro)	Dec. 31 2023	Not overdue	Overdue (in days) 1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	416,492	331,052	55,306	9,854	3,717	2,570	13,993
Total December 31, 2023	416,492	331,052	55,306	9,854	3,717	2,570	13,993

(amounts in thousands of Euro)	Dec. 31 2022	Not overdue	Overdue (in days) 1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	343,510	272,142	39,132	6,297	4,459	1,211	20,269
Total December 31, 2022	343,510	272,142	39,132	6,297	4,459	1,211	20,269

An aging analysis of the trade receivables, net of the allowance for bad and doubtful debts, is shown below:

(amounts in thousands of Euro)	Dec. 31 2023	Not overdue	Overdue (in days) 1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for bad and doubtful accounts	405,151	329,418	54,350	8,780	3,578	2,548	6,477
Total December 31, 2023	405,151	329,418	54,350	8,780	3,578	2,548	6,477

(amounts in thousands of Euro)	Dec. 31 2022	Not overdue	Overdue (in days) 1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for bad and doubtful accounts	331,915	270,542	39,060	5,833	4,453	1,209	10,818
Total December 31, 2022	331,915	270,542	39,060	5,833	4,453	1,209	10,818

5. Inventories, net

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Raw materials	115,531	108,450
Work in progress	38,580	30,109
Finished products	726,295	699,849
Return assets	12,942	10,493
Allowance for obsolete and slow-moving inventories	(110,370)	(88,444)
Total	782,978	760,457

The stock increase was largely attributable to the need to support sales growth. In 2023, the inventory allowance was increased, net of the utilisations and reversal, by Euro 21.9 million with allocations for slow-moving products and raw materials.

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total allowance for obsolete and slow-moving inventories
Opening balance	32,222	56,222	88,444
Exchange differences	-	(185)	(185)
Increases	9,441	12,801	22,242
Utilisation	-	(97)	(97)
Reversal	-	(34)	(34)
Closing balance	41,663	68,707	110,370

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

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Financial receivables	2	2,200
Other receivables and advances	136	173
Total	138	2,373

7. Other current assets

(amounts in thousands of Euro)	December 31 2023	December 31 2022
VAT	38,317	39,627
Taxation and other tax receivables	82,853	70,775
Other assets	15,063	9,230
Prepayments	124,244	86,617
Guarantee deposits	6,935	9,668
Total	267,412	215,917

8. Capital expenditure

The changes in the net carrying amount of property, plant and equipment for the period ended December 31, 2023 are shown below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Opening balance	811,599	60,478	292,979	288,698	61,390	61,981	1,577,125
Additions	403,681	21,189	117,364	49,053	13,230	76,936	681,453
Depreciation	(20,246)	(12,890)	(101,572)	(42,540)	(10,320)	-	(187,568)
Disposals	(3,904)	(113)	(217)	(542)	(211)	(2,751)	(7,738)
Exchange differences	(10,696)	23	(10,400)	(3,055)	(261)	(2,001)	(26,390)
Other movements	10,095	5,956	33,223	11,570	3,421	(60,793)	3,472
Impairment	(3,633)	(3)	(2,729)	(1,058)	(82)	(2,109)	(9,614)
Revaluation IAS 29	-	-	1,896	79	117	44	2,136
Closing balance	1,186,896	74,640	330,544	302,205	67,284	71,307	2,032,876

The increase in land and buildings included the investment in a highly strategic building at 724, 5th Avenue (New York), which currently hosts a Prada store, for a consideration equal to US Dollar 425 million (Euro 393 million). The carrying amount (resulting in Euro 366 million, including other direct charges) was determined deducting from the purchase price the net of the lease liability and right of use assets immediately before the purchase (Euro 28.1 million). Referring to the above-mentioned building, the floors that as of today are not used as retail premises are classified as investment property according to IAS 40 and measured with the application of cost model. Since the amount of such investment property is not material it has been included in the line "property, plant and equipment".

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

The assets under construction at the end of the period concern retail and industrial projects.

The changes in the net carrying amount of intangible assets for the period ended December 31, 2023 are shown below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store lease acquisition	Software	Other intangibles	Assets in progress	Total net carrying amount
Opening balance	185,743	513,681	135	85,803	1,648	30,799	817,809
Additions	998	1,826	-	21,242	18	47,164	71,248
Amortization	(10,626)	-	(212)	(31,074)	(1,435)	-	(43,347)
Disposals	-	-	-	(356)	-	(49)	(405)
Exchange differences	671	-	1	(26)	-	2	648
Other movements	-	-	88	27,896	-	(27,913)	71
Closing balance	176,786	515,507	12	103,485	231	50,003	846,024

Operating segments

Following the organisational changes undertaken with the announcement, among others, of the appointment of a new Prada Group CEO as of January 2023 and a new Prada CEO as of December 2022, and considering the increasing verticalisation of the brands' organisation, the Group has redefined its segment reporting.

The Group has maintained a matrix-based organisational structure as in previous years, but focus on brand performance has been increasing, and resources are increasingly allocated based on assessments at brand level.

The reporting system of the Group has been updated accordingly to provide the top management with periodic brands' reports, to support the new organisational model described above.

Based on the new structure, since the end of 2023 the operating segments identified by management, as defined by IFRS 8 "an operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to adopt decisions to allocate appropriate resources to the segment and assess its performance", correspond to each owned brand.

For financial statements presentation all operating segments identified have been aggregated into a single reportable segment which corresponds to the entire Prada Group and concluded that, in doing so, the aggregation is still consistent with the core principles of IFRS 8.

It should be noted that the two main brands, Prada and Miu Miu, have similar economic and business profile and they represent together 99% of the Group's revenue. The other brands, which represent the remaining 1% of the Group's revenue, have been considered as not material.

The main economic indicators assessed to determine that the operating segments Prada and Miu Miu have similar economic characteristics are:

- long-term financial performance (in particular, average gross margin)
- currency, competitive, operating and financial risks.

Moreover, Prada and Miu Miu present products of similar nature, similar production processes and customers and the same distribution channels.

Therefore, as of December 31, 2023 it has been identified only one reportable segment as occurred in 2022 and previous years. Accordingly, the corresponding information for 2022 should not be restated.

Impairment test

As required by IAS 36 "Impairment of assets", intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least once a year. The Group does not report intangible assets with indefinite useful lives other than goodwill.

As a consequence of the organisational changes carried out over the course of 2023, management adopted a new reporting structure, modifying the way in which the goodwill is monitored. The new organisational model is focused by brands.

Accordingly, as of December 31, 2023 the groups of cash-generating units ("CGUs") which represent the lowest level within the Group at which management tests goodwill for impairment correspond to the brands Prada and Miu Miu, operating segments identified for segment reporting purpose in compliance with IFRS 8 as reported above in the paragraph "Operating segments".

In accordance with IAS 36, the reallocation of the goodwill to the new groups of CGUs has been performed using a relative value approach based on the relative value of the two groups of CGUs, estimated with the discounted cash flow method as of December 31, 2023.

The summary of the goodwill allocation to the two groups of CGUs corresponding to the operating segments Prada and Miu Miu is reported below:

(amounts in thousands of Euro)	**December 31 2023**
Prada	424,262
Miu Miu	91,245
Total	515,507

The impairment tests as of December 31, 2023 did not identify any impairment losses for the groups of CGU listed above.

The Discounted Cash Flow method used to identify the recoverable amount (value in use) of the group of CGUs consists of discounting the projected cash flows generated by the activities directly attributable to the operating segment to which the intangible asset or net invested capital has been assigned. Value in use is the sum of the present value of the future cash flows expected on the basis of the business plan projections prepared by the management for each group of CGUs and the present value of the related operating activities at the end of the period (terminal value). The recoverable amount was estimated with the assistance of a leading consulting firm.

The business plans used for the impairment tests was prepared by the management starting from the 2024 budget and cover a period of five years for Prada while, considering the characteristics of the brand and life time cycle, projections related to Miu Miu have been extrapolated until 2031 in order to take into value potential deriving from the investments incurred across the years. The 2024 budget was approved by the Board of Directors on January 25, 2024. The business plans do not take into account either significant improvements in the performance of the assets existing as of December 31, 2023 or future developments of new activities, except for the investments planned in the 2024 budget for the retail premises' restyling and renovation projects and new openings that the Group has already substantially committed to make.

For each group of CGUs tested, the weighted average cost of capital ("WACC") was determined by taking into due consideration the risk profile of the CGUs' group activities, as well as other specific parameters, such as geographic diversification.

The "g" rate of growth used to calculate the terminal value was assumed equal to 2.5%, in light of inflation expectations prospects and the long-term growth expected for the luxury goods market.

The WACC (post-tax) and g-rates used for impairment tests of groups of CGUs that include goodwill are reported below:

CGU	**2023**	
	WACC	**g-rate**
Prada	8.6%	2.5%
Miu Miu	8.6%	2.5%

Concerning such group of CGUs, an analysis of the sensitivity of the impairment test has been performed to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. It has been verified that no reasonable change in the key assumptions would generate a reduction in the recoverable amount to the extent of constituting an impairment loss.

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

IAS 36 requires an entity to assess at each annual reporting date whether there are indications of impairment for any other asset (excluding goodwill) recognised in the Statement of Financial Position. In this respect, the impairment testing of the group of assets of Prada Russia and Church's was performed, as described hereunder.

Prada Russia

For Prada Russia, the review of the estimated recoverable amount of the two buildings owned in Moscow and St. Petersburg, which in substance represents the residual value of the non-current assets allocated, was updated since the trigger events that as of December 31, 2022 had resulted in a Euro 43.5 million writedown of the fixed assets are still ongoing. Consistently with last year, the assessment was conducted with the support of leading independent real estate firm, which estimated the fair value of the two buildings using the Comparative Method of valuation, based on a comparison of the real estate being appraised to other comparable assets recently sold or offered on the same market.
The carrying amount of the buildings recognised as of December 31, 2023, compared to the related fair value as estimated above, led to a writedown of Euro 2.5 million. Translated at the December 31, 2023 exchange rate, the net invested capital of Prada Russia is Euro 13.3 million, of which Euro 18.7 million refers to the two buildings owned, partially offset by the items of net working capital. The reduction in value of the net invested capital compared to the previous period (Euro 29.9 million, translated at the December 31, 2022 exchange rate) is mainly attributable to the loss of the period and the impact of the exchange rate. With respect to the estimated recoverable amount of the buildings, it should be noted that the current volatility in the Russian financial system has created significant uncertainty in the real estate industry. The scarce liquidity in capital markets means more difficulties than those present in normal market conditions in the event of selling assets in the short term. This circumstance entailed using a high level of judgment to estimate the recoverable amount of the assets tested. Therefore, management cannot guarantee that the value of the buildings owned in Russia will not be subject to additional fluctuations (impairment losses or writedown reversals) in the future.

Church’s

For the Church’s group of CGUs, which include the value of the brand for Euro 42 million subject to depreciation with a residual useful life of 16 years, in 2022 the identification of a trigger event related to the beginning of the reorganisation process led to a writedown of Euro 19.4 million, entirely allocated to the value of the brand. An impairment test was carried out again in order to identify any further potential impairment.

The Discounted Cash Flow method used to identify the recoverable amount (value in use) consisted of discounting the projected cash flows generated by the net invested capital. The recoverable amount was estimated with the assistance of a leading consulting firm. The cash flow projections used for the impairment test were based on the business plan prepared by management. The rate used to discount the cash flows is the weighted average cost of capital (WACC) in a post-tax configuration. For the year ended December 31, 2023, the WACC used to discount the cash flows generated by the Church’s group of CGUs was 8.6%, and it was determined taking into due consideration the risk profile of the group of CGU’s activities. The "g" rate of growth used to calculate the terminal value was assumed equal to 2.5%, in light of the medium term inflation rate in the medium countries where Church's operates and of the growth outlook for the luxury goods market.

The impairment tests as of 31 December 2023 did not identify any impairment losses.

A sensitivity analysis was carried out to change the key assumptions used to determine the recoverable amount for the group of CGUs. Specifically, a sensitivity test was performed by including an execution risk premium in the WACC calculation which raised from 8.6% to 11.6%. The results of the analysis performed did not showed any potential impairment loss.

9. Right of use assets

The changes in the net carrying amount of the right of use assets for the year ended December 31, 2023 are shown below:

(amounts in thousands of Euro)	Real estate	Other	Total net carrying amount
Opening balance	2,007,660	3,814	2,011,474
New contracts, initial direct costs and remeasurements	603,963	2,850	606,813
Depreciation	(443,251)	(2,214)	(445,465)
Contracts termination	(74,854)	(430)	(75,284)
Exchange differences	(60,201)	(4)	(60,205)
Impairment	(18,633)	-	(18,633)
Revaluation IAS 29	5,852	-	5,852
Closing balance	2,020,536	4,016	2,024,552

The right of use assets increased by Euro 13.1 million, mainly as a result of new leases and remeasurements of existing leases totaling Euro 606.8 million, net of depreciation of Euro 445.5 million, termination of contracts of Euro 75.3 million of which Euro 74.8 million related to the acquisition of real estate investment in 724, 5th Avenue (New York) which was previously leased and has been acquired in 2023 as reported in Note 8 "Capital expenditure", writedowns of Euro 18.6 million and foreign exchange differences impact of Euro 60.2 million.
The increase for new leases, initial direct costs and remeasurements is attributable to lease renewals (largely in Asia and Europe) and the remeasurement of the liability to adjust it to indexes commonly used in the real estate industry (mainly the consumer price index).
Right of use assets "other", amounting to Euro 4 million, includes plant, machinery, vehicles and hardware.

10. Other non-current assets

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Guarantee deposits	70,510	64,216
Prepayments for commercial agreements	45,907	50,080
Pension fund surplus	4,652	6,426
Deferred rental income	-	231
Other long-term assets	10,435	18,449
Total	131,504	139,402

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

11. Payables due to related parties - current

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Financial payables	5,853	3,568
Other payables	5	-
Total	5,858	3,568

12. Trade payables

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Trade payables – third parties	447,615	396,159
Trade payables – related parties	5,772	5,640
Total	453,387	401,799

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

(amounts in thousands of Euro)	Dec. 31 2023	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	453,387	372,015	56,875	8,958	3,473	1,694	10,372
Total December 31, 2023	453,387	372,015	56,875	8,958	3,473	1,694	10,372

(amounts in thousands of Euro)	Dec. 31 2022	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	401,799	330,287	47,513	6,587	436	2,538	14,438
Total December 31, 2022	401,799	330,287	47,513	6,587	436	2,538	14,438

13. Other current liabilities

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Payables for capital expenditure	92,137	73,249
Accrued expenses and deferred income	24,052	28,971
Other payables	185,954	140,086
Total	302,143	242,306

14. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for legal disputes	Provision for tax disputes	Other provisions	Total
Opening balance	884	1,061	49,541	51,486
Exchange differences	(4)	(3)	(2,181)	(2,188)
Reversals	(45)	(212)	(1,701)	(1,958)
Utilisation	(104)	(897)	(5,940)	(6,941)
Increases	402	633	8,433	9,468
Closing balance	1,133	582	48,152	49,867

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

Tax disputes

Since 2016, Prada Asia Pacific Ltd (a retail subsidiary wholly owned by Prada S.p.A.) has been providing Prada S.p.A. with commercial services to support its wholesale distribution business in Asia Pacific, for remuneration (in place until 2021) disclosed, as early as the 2016 tax year, to the Italian Tax Authority through the submission of an advance pricing agreement application and various explanatory documents. The Italian Tax Authority started discussions on the topic on October 2022 and, in order not to have the 2016 fiscal year time barred, on April 28, 2023, it issued two tax notices (IRES and IRAP) in which it challenged in full the deductibility of the remuneration paid to Prada Asia Pacific Ltd in the 2016 fiscal year, setting higher taxes amounting to c. Euro 10.8 million and interest amounting to c. Euro 2.3 million, while recognising (i) the possibility for Prada S.p.A. to deduct the amount that, in the opinion of the Italian Tax Authority, it should have recognised to Prada Asia Pacific Ltd, without however quantifying it, and (ii) the non-application of penalties, by virtue of the

correctness of the Transfer pricing contemporaneous documentation prepared by Prada S.p.A..
Prada S.p.A. has filed an appeal against these tax notices within the legal deadlines and discussions with the Italian Tax Authority are still ongoing.
Since the Italian Tax Authority has not yet formalised a final position on this topic, in order to avoid time barring for the 2017 fiscal year, two preliminary tax notices related to the 2017 fiscal year were also issued ("inviti a comparire" IRES and IRAP) to start a settlement procedure on 29 December 2023. Following a similar approach to that described above for the 2016 fiscal year, in these documents the Italian Tax Authority sets higher taxes amounting to c. Euro 9.8 million, interest amounting to c. Euro 1.9 million and penalties amounting to c. Euro 2.9 million. Prada S.p.A. expects the Italian Tax Authority to cancel these penalties, consistently with the approach adopted for 2016, once it will have validated the correctness of Prada S.p.A.'s 2017 transfer pricing contemporaneous documentation (requested after the notices had been issued).
The Company, also supported by the opinion of a leading Tax consultancy firm, at this stage believes that there is no basis for recording a tax liability in relation to this case.

Other risk provisions
The other risk provisions amount to Euro 48.2 million as of December 31, 2023 and refer primarily to contractual obligations to restore leased commercial properties to their original condition.
In the year, liabilities for customs risk previously presented as provision for tax disputes were reclassified to other risk provision for more accurate representation. Other liabilities for customs duty risks are recognised at the reporting date in an amount of Euro 3.7 million, consisting of Euro 1 million for a mistaken customs classification of footwear imported into the United States and Euro 2.7 million for risks of assessments regarding price adjustments, split among various non-EU countries.
Prada S.p.A. disputed an audit initiated by the Italian Customs Agency in 2012 for the tax years from 2007 to 2011, concerning the customs value of products. The dispute involves three legal actions regarding the 2010 tax year, which concluded with unfavorable rulings from the Supreme Court in 2023, after the Company had filed appeals in 2019 and 2020. The Company had already settled the amounts owed pending judgment. Meanwhile, the Company established a new 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 0.2 million.

Management discussion and analysis for the year ended December 31, 2023

(growth percentages at constant exchange rates, unless differently specified)

The Prada Group generated net revenues of Euro 4,726.4 million in the twelve months ended December 31, 2023, up by 17.2% compared to 2022. Exchange rate fluctuations reduced growth by 4.7%, to 12.5%.

During the twelve months of 2023, retail net sales increased by 17.2% against the same period of 2022; the Group has reported 12 consecutive quarters of retail growth, driven by full price like-for-like sales, with positive contributions from both volumes and average price. Over the period, retail net sales accounted for 88.6% of total net revenues, therefore in line with 2022 level.

As of December 31, 2023, the Group operated 606 stores, following 26 openings and 32 closures over the period.

Sales in the wholesale channel rose by 13% compared to the corresponding period of 2022, with a controlled evolution of independent wholesale, in line with the Group strategy, and a strong increase in the duty free stores channel.

Royalty income grew by 36.1% on 2022, a strong performance driven by the contribution of both eyewear and fragrances.

Brands

Prada retail net sales increased by 12.1% over the year, showing high-quality growth driven by full price like-for-like sales.

Miu Miu reported an excellent performance in the twelve-month period at +58.2% yoy, with strong growth across regions and product categories.

The net revenues by brand amounted to Euro 3,912.3 million for Prada, Euro 753.2 million for Miu Miu, Euro 35.8 million for Church's, and Euro 25.1 million for the other brands.

Markets

Over the period the Group delivered double-digit growth across all regions, excluding Americas which ended the year flat.
In Asia Pacific, retail net sales rose by 24%, on a volatile basis of comparison in 2022. The highest growth rates were reported in Mainland China, Hong Kong and Macau.
In Europe, retail net sales rose by 14%, supported by strong demand from both local clients and tourists. Growth was significant in the first semester, and in the first quarter in particular, with more normalised but solid performance thereafter.
The Americas ended substantially flat over the twelve-month period at +0.3%, with a sequential improvement in the last months of the year.
Japan remained the top performing region, as retail net sales increased by 43.8%, largely driven by domestic spending and increasingly by tourists.

Retail net sales in the Middle East also delivered a solid performance (+10.5%), notwithstanding intensified geopolitical headwinds.

Products

Over the period, leather goods recorded retail net sales growth of +7.7%, supported by both novel and iconic products, with an improving trend in the fourth quarter driven by both Prada and Miu Miu. Ready to wear remained the fastest growing category at +30.6%, thanks to the success of both menswear and womenswear collections. Footwear's performance was also very strong at +17.5% against 2022, across genders and lines (lifestyle, sneakers and formal).

Operating results

The gross margin for the twelve-month period ended December 31, 2023 corresponded to 80.4% on net revenues, up from the 78.8% of 2022. Greater absorption of production overheads, lower logistic costs, better sales mix in terms of distribution channels and higher average prices were the key drivers of this improvement.

Operating expenses totaled Euro 2,740.1 million, up by Euro 273.2 million versus 2022. The increase was attributable primarily to higher variable costs resulting from the increase in sales, marketing spend, personnel expenses, and other general and administrative costs.

The operating income for the period, or EBIT, was Euro 1,061.7 million, 22.5% of net revenues, compared to the Euro 776 million (18.5% of net revenues) of 2022, which included non-recurring expenses of Euro 69.2 million.

Financial expenses and taxation

The net financial expenses of Euro 90.2 million were Euro 25.2 million higher than in 2022. The increase was largely attributable to interest expenses on lease liabilities and higher foreign exchange losses, partially offset by higher financial interest income.

The taxation for the twelve months ended December 31, 2023 was Euro 298.1 million, corresponding to 30.7% of the profit before tax.

Net income

The net income for the year amounted to Euro 673.4 million (14.2% of net revenues), versus Euro 469.2 million (11.2%) reported in 2022.

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 2023	December 31 2022
Right of use assets	2,024,552	2,011,474
Non-current assets (excluding deferred tax assets), net	3,006,998	2,517,042
Trade receivables, net	405,151	331,915
Inventories, net	782,978	760,457
Trade payables	(453,387)	(401,799)
Net operating working capital	734,742	690,573
Other current assets (excluding items of financial position)	276,123	229,575
Other current liabilities (excluding items of financial position)	(422,541)	(522,553)
Other current assets / (liabilities), net	(146,418)	(292,978)
Provision for risks	(49,867)	(51,486)
Post-employment benefits	(60,875)	(67,571)
Other long-term liabilities	(57,459)	(65,590)
Deferred taxation, net	339,116	332,235
Other non-current assets / (liabilities), net	170,915	147,588
Net invested capital	5,790,789	5,073,699
Shareholder's equity – Group	(3,853,795)	(3,482,217)
Shareholder's equity – Non-controlling interests	(23,014)	(18,805)
Total consolidated shareholders' equity	(3,876,809)	(3,501,022)
Long-term financial, net surplus / (deficit)	(338,422)	(394,531)
Short-term financial, net surplus / (deficit)	535,330	929,431
Net financial surplus / (deficit)	196,908	534,900
Net financial surplus / (deficit) to consolidated shareholders' equity ratio	-5.1%	-15.3%
Long-term lease liability	(1,699,599)	(1,715,451)
Short-term lease liability	(411,289)	(392,126)
Total lease liability	(2,110,888)	(2,107,577)
Net financial surplus / (deficit), including lease liability	(1,913,980)	(1,572,677)
Shareholders' equity and net financial surplus / (deficit), including lease liability	(5,790,789)	(5,073,699)

The net invested capital as of December 31, 2023 amounts to Euro 5,791 million, with equity of Euro 3,877 million and lease liabilities of Euro 2,111 million; the net financial position at the end of the period is a surplus of Euro 196.9 million.

The right of use assets increased by Euro 13.1 million, mainly as a result of new leases and remeasurements of existing leases totaling Euro 606.8 million, net of depreciation of Euro 445.5 million, termination of contracts of Euro 75.3 million of which Euro 74.8 million related to the acquisition of real estate investment in 724, 5th Avenue (New York) which was previously leased and has been acquired in 2023 as reported in Note 8 "Capital expenditure", writedowns of Euro 18.6 million and foreign exchange differences impact of Euro 60.2 million.

The non-current assets (net) rose by Euro 490 million (Euro 3,007 million as of December 31, 2023 versus Euro 2,517 million at December 31, 2022) following capital expenditures of the year amounting to Euro 752.7 million, against depreciation, amortisation and writedowns of Euro 240.5 million.

(amounts in thousands of Euro)	twelve months ended December 31 2023	twelve months ended December 31 2022
Retail	215,884	168,935
Real estate	381,711	-
Production, logistics and corporate	155,106	107,161
Total	752,701	276,096

Real estate capital expenditures included the investment in a highly strategic building at 724, 5th Avenue (New York), which currently hosts a Prada store, for a consideration equal to US Dollar 425 million (Euro 393 million). The carrying amount (resulting in Euro 366 million, including other direct charges) was determined deducting from the purchase price the net of the lease liability and right of use assets immediately before the purchase (Euro 28.1 million).
In addition, the Group continued to invest in store restyling and relocation projects, in the advancement of the technological and digital roadmap in the retail, manufacturing and corporate areas and in the industrial area.

The net operating working capital as of December 31, 2023 is Euro 734.7 million, up by Euro 44.2 million from December 31, 2022: trade receivables increased by Euro 73.2 million, inventories increased by Euro 22.5 million, and trade payables increased by Euro 51.6 million.

The other current liabilities (net) amount to Euro 146.4 million as of December 31, 2023, down by Euro 146.6 million from December 31, 2022, essentially due to the decrease of the current tax liability as a result of the payment of the income taxes liability accounted as of December 31, 2022.

The other non-current assets (net) of Euro 170.9 million as of December 31, 2023 rose by Euro 23.3 million from December 31, 2022.

Net financial position

The following table provides details of the net financial position:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Bank borrowing – non-current	(338,422)	(395,656)
Financial payables and bank overdrafts - current	(148,338)	(160,847)
Payables to related parties - current	(5,853)	(3,568)
Total financial payables – current	(154,191)	(164,415)
Total financial payables	(492,613)	(560,071)
Cash and cash equivalents	689,519	1,091,622
Financial receivables from related parties - non-current	-	1,125
Financial receivables from related parties - current	2	2,224
Total financial receivables and cash and cash equivalents	689,521	1,094,971
Net financial surplus / (deficit)	196,908	534,900

The net operating cash flow for the twelve-month period, after the payment of the lease liability (Euro 429.7 million), was positive for Euro 725.6 million. After the cash outflows for investing activities (Euro 759.2 million), dividend payments (Euro 281.7 million), net of the devaluation of the items of the net financial position (Euro 17.8 million) and other minor items, the net financial surplus reached Euro 196.9 million at the end of the period.

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Cash flow from operating activities	1,694,951	1,392,805
Net cash, interest received (paid)	5,863	(8,533)
Lease liability: interest paid	(58,825)	(40,989)
Tax paid	(486,708)	(219,586)
Net cash flow from operating activities	1,155,281	1,123,697
Repayment of lease liability	(429,685)	(428,170)
Net operating cash flow	725,596	695,527
Net cash flow utilized by investing activities	(759,191)	(250,209)
Free cash flow	(33,595)	445,318

The total amount of undrawn lines of credit as of December 31, 2023 is equal to Euro 768 million, consisting of Euro 451 million of committed lines and Euro 317 million of uncommitted lines.

All financial covenants were fully complied with as of December 31, 2023 and they are expected to be complied with within the next 12 months as well.

The following table sets forth the lease liability:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Long-term lease liability	1,699,599	1,715,451
Short-term lease liability	411,289	392,126
Total	2,110,888	2,107,577

The lease liability increased from Euro 2,108 million at December 31, 2022 to Euro 2,111 million at December 31, 2023, primarily as a result of remeasurements for lease extensions or modifications for Euro 602.2 million net of the payments of the period for Euro 429.7 million, termination of contracts of Euro 108 million of which Euro 102 million due to the real estate investment in 724, 5th Avenue (New York) which was previously leased and has been acquired in 2023 as reported in Note 8 "Capital expenditure", and the exchange rate differences for the period for Euro 61 million.
The lease liability was concentrated mainly in Japan, the U.S.A. and Italy.

The net financial indebtedness, including the lease liability, amounted to Euro 1,914 million as of December 31, 2023 (Euro 1,573 million as of December 31, 2022).

Events after the reporting date

No significant events to be reported.

Outlook

The Group is mindful of persisting geopolitical and macro-economic uncertainties and of the high comparison base going forward. Against this backdrop, the Group priority for 2024 remains to drive brand desirability and retail excellence further. As with 2023, while quarterly growth trajectory may not be linear through the year, the Group retains the firm ambition of delivering solid, sustainable, above-market growth.

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 shareholder 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 C1 (formerly known as "Appendix 14") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd (the "Listing Rules"). Full details on the Company's corporate governance practices are set out in the Company's 2023 Annual Report.

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, 2023 (the "2023 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 (formerly known as "Appendix 10") of the Listing Rules. 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 during the 2023 Year. There were no incidents of non-compliance during the 2023 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.

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 perform 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.

During the 2023 Year, the Audit and Risk Committee held six meetings (with an attendance rate of 94.44%) 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 2023 audit plan, the findings of both the internal and the External Auditor, internal controls, risk assessment, annual review of the continuing connected transactions of the Group for 2022, the Group 2023 budget, the 2023 Sustainability Report, corporate reorganisation plans, intragroup merger and extraordinary transactions with third parties, Group policies, the methodology applied to the impairment test, and tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2022 and the interim financial results as at June 30, 2023, and the quarterly results as at March 31, 2023, and September 30, 2023), before recommending them to the Board for approval.

The Audit and Risk Committee also held two meetings on January 22, 2024 and March 4, 2023, to examine and recommend to the Board the approval of the 2024 Group budget, to discuss the audit activities on the 2023 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, and to review, for the 2023 Year, the annual results, the Sustainability Report, the continuing connected transactions, and the Internal Audit Department and Audit and Risk Committee reports.

Purchase, sale or redemption of the Company’s listed securities

During the 2023 Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Shareholders’ general meeting

The Shareholders’ general meeting of the Company will be held on Wednesday, April 24, 2024 (the “AGM”).

Notice of the AGM will be published on the Company’s website at www.pradagroup.com and on the Hong Kong Exchanges and Clearing Limited’s website at www.hkexnews.hk and dispatched to the shareholders of the Company in due course.

Final dividend

The Board recommends, for the 2023 Year, a final dividend of Euro 350,558,888 (Euro 0.137 per share). The payments shall be made:

(i) in Euro to the shareholders recorded in the section of the Company’s shareholders register kept by the Company at its registered office in Milan (Italy), and

(ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong.

The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day the final dividend is approved by the shareholders.

Subject to the shareholders' approval at the AGM of the final dividend, such dividend will be paid by Friday, May 17, 2024.

Book closure and record dates

For determining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan (*Note 1*)	April 19, 2024 – 4:30 pm HK time/10:30 am CET time
Book closure (both sections) *(Note 2)*	From April 22 to April 24, 2024 (both days inclusive)
Record date	April 22, 2024

For determining shareholders' entitlement to the payment of the proposed final dividend:

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan (*Note 1*)	April 30, 2024 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) (*Note 2*)	May 2, 2024
Record Date	May 2, 2024
Dispatch date of dividend warrants	May 17, 2024

Notes:

1. *All transfers accompanied by the relevant share certificate(s) must be lodged with:*

   (i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited whose address is at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself; or

(ii) the Company's registered office at Via Antonio Fogazzaro no. 28, Milan 20135, Italy, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself.

2. *No transfer of shares will be registered on the book closure date.*

Publication of Annual Results Announcement and Annual Report

This Annual Results Announcement is published on the Company's website at www.pradagroup.com and on the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. The Company's 2023 Annual Report will be published on the same websites and dispatched to shareholders of the Company in due course.

By Order of the Board
Prada S.p.A.
Mr. Paolo Zannoni
Executive Deputy Chairman

Milan (Italy), March 7, 2024

As at the date of this announcement, the Company's executive directors are Mr. Patrizio BERTELLI, Mr. Paolo ZANNONI, Ms. Miuccia PRADA BIANCHI, Mr. Andrea GUERRA, Mr. Andrea BONINI and Mr. Lorenzo BERTELLI; and the Company's independent non-executive directors are Mr. Yoël ZAOUI, Ms. Marina Sylvia CAPROTTI, Mr. Maurizio CEREDA, Ms. Pamela Yvonne CULPEPPER and Ms. Anna Maria RUGARLI.