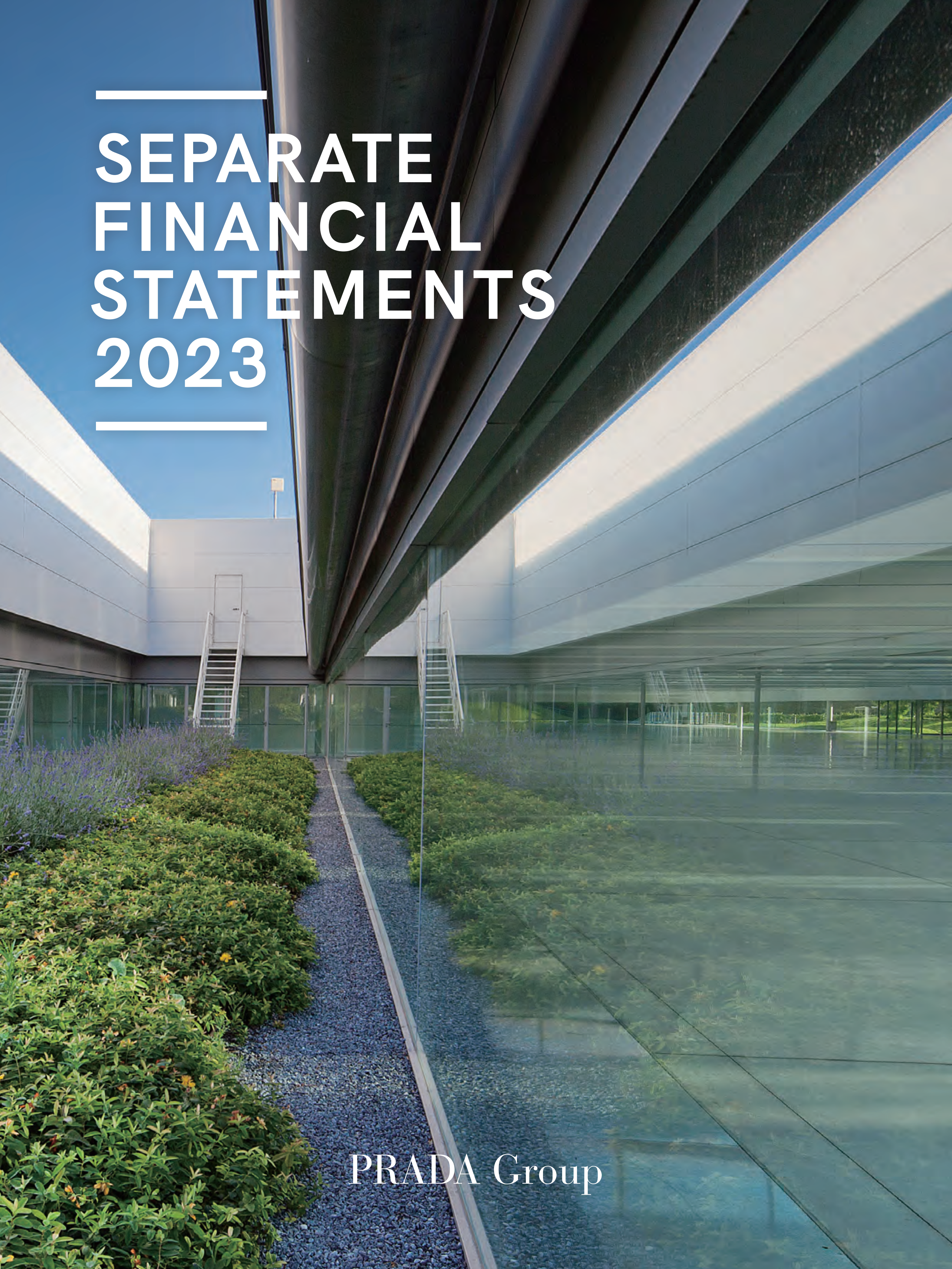
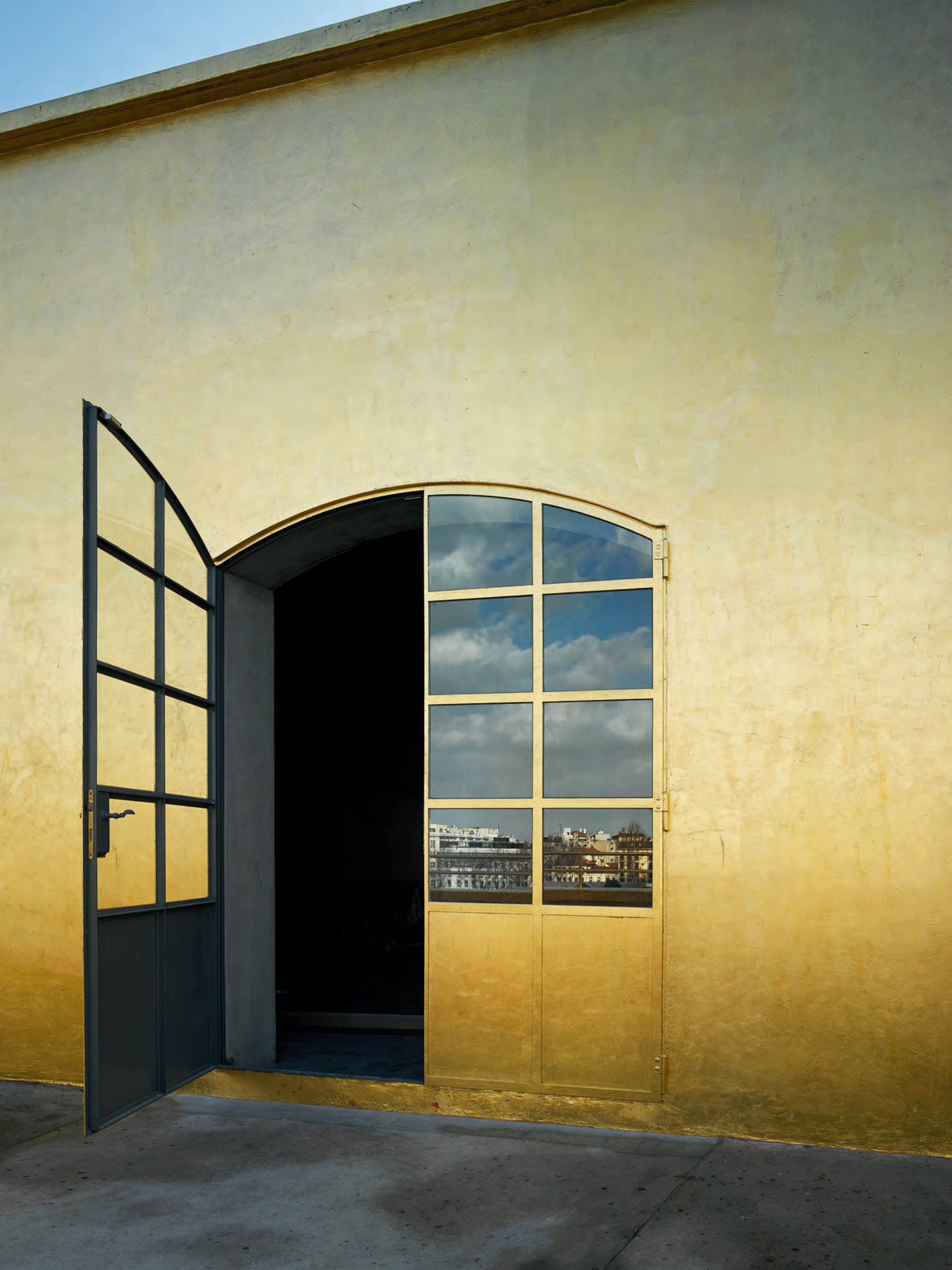
SEPARATE FINANCIAL STATEMENTS 2023

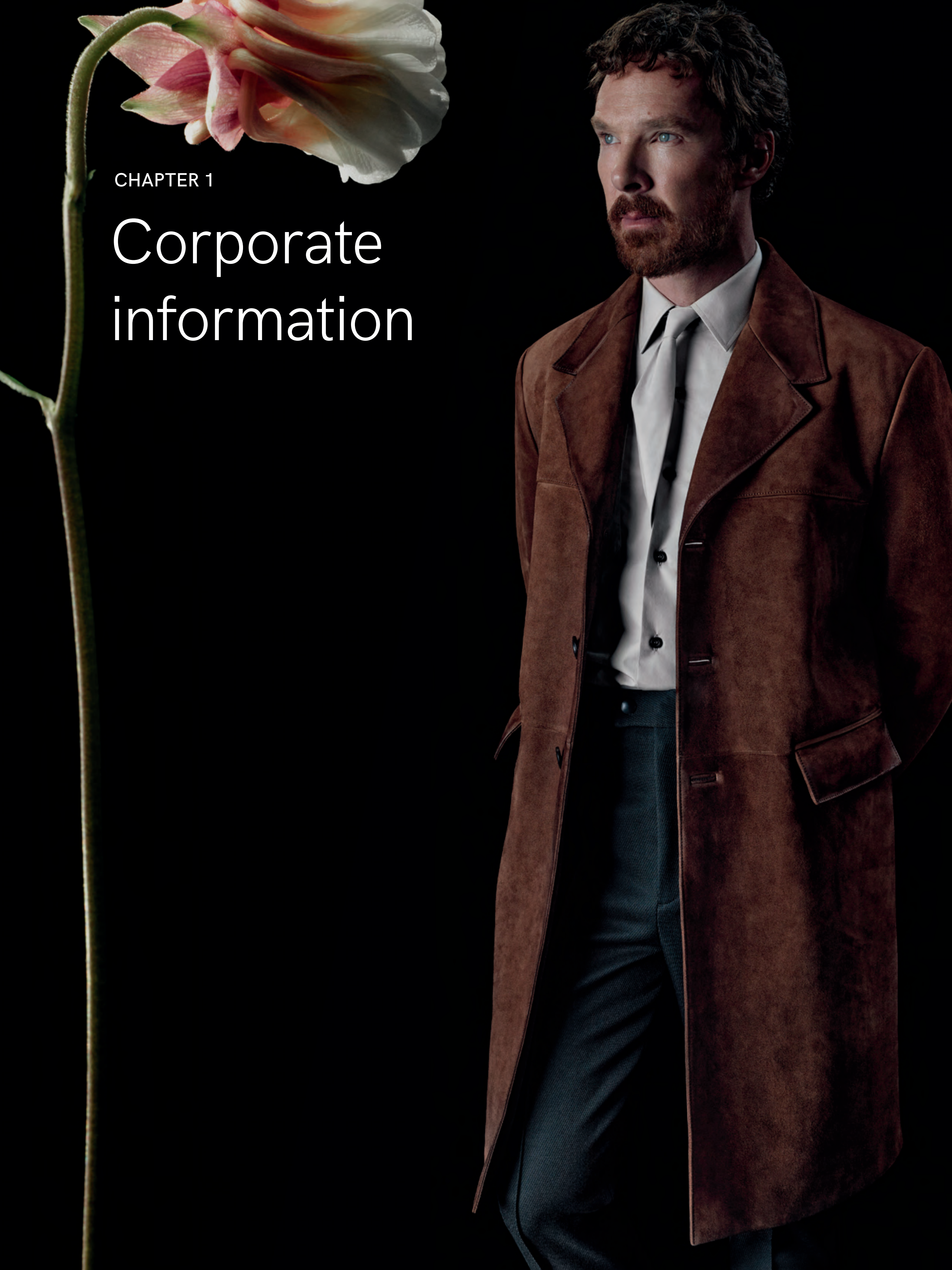


PRADA Group



CHAPTER 1

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	Patrizio Bertelli (Chairman of the Board & Executive Director) Paolo Zannoni (Executive Deputy Chairman of the Board & Executive Director) Andrea Guerra (Chief Executive Officer & Executive Director) Miuccia Prada Bianchi (Executive Director) Andrea Bonini (Chief Financial Officer & Executive Director) Lorenzo Bertelli (Executive Director) Yoël Zaoui (Lead Independent Director & Independent Non-Executive Director) Marina Sylvia Caprotti (Independent Non-Executive Director) Maurizio Cereda (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) Armando Simbari Roberto Spada
Main Shareholder	Prada Holding S.p.A. Via A. Fogazzaro, 28 - 20135 Milan, Italy
Company Secretary	Wendy Pui-Ting Tong 8th Floor, One Taikoo Place 979 King’s Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Authorized Representatives **in Hong Kong S.A.R.**	Patrizio Bertelli Via A. Fogazzaro, 28 - 20135 Milan, Italy Wendy Pui-Ting Tong 8th Floor, One Taikoo Place 979 King’s Road Quarry Bay, Hong Kong S.A.R. (P.R.C.)
Alternate Authorized Representative **to Patrizio Bertelli in Hong Kong S.A.R.**	Cynthia Wing Han Cheng 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

CHAPTER 2

Financial Review

Introduction

Prada S.p.A is the parent company of the PRADA Group. Prada S.p.A acts as a holding company and carries out manufacturing, distribution, retail, and brand management operations in the luxury goods industry, both directly and through its subsidiaries and associates.
Its main activities are as follows:

- production of leather goods, ready to wear, footwear, and accessories bearing the Prada, Miu Miu, Church's and Car Shoe brands;
- wholesale worldwide distribution of leather goods, footwear and ready to wear 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 S.p.A (the "Company"), the operating parent company of the PRADA Group. It is based on the separate financial statements for the year ended December 31, 2023, 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.

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.

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 and the successful opening of Prada Caffè in London and Shanghai, 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.

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 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. 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. 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 Company 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 Company'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.

Analysis of the Statement of Profit or Loss

(amounts in thousands of Euro)	twelve months ended December 31 2023	%	twelve months ended December 31 2022	%
Net sales	2,449,433	96.0%	2,433,852	97.0%
Royalties	102,908	4.0%	75,472	3.0%
Net Revenues	2,552,341	100.0%	2,509,324	100.0%
Cost of goods sold	(819,274)	-32.1%	(829,231)	-33.0%
Gross Margin	1,733,067	67.9%	1,680,093	67.0%
Operating expenses	(882,868)	-34.6%	(711,350)	-28.3%
EBIT	850,199	33.3%	968,742	38.6%
Interest and other financial expenses, net	(66,153)	-2.6%	(159,458)	-6.4%
Dividends from investments	24,584	1.0%	49,594	2.0%
Income before taxation	808,629	31.7%	858,878	34.2%
Taxation	(241,889)	-9.5%	(287,195)	-11.4%
Net income for the year	566,740	22.2%	571,683	22.8%

Net revenues for the year ended December 31, 2023 amounted to Euro 2,552 million, up by 1.7% with respect to the previous year net revenues of Euro 2,509 million.

The gross margin increased of Euro 53 million, up by 3.1% with respect to the previous year; the operating expenses grew as a percentage of the net revenues, resulting in a decrease of the EBIT: from 38.6% to 33.3%. The increase of the operating expenses was attributable primarily to more communication activities, higher personnel expenses, and other general and administrative costs.

The analysis of operating expenses is detailed in the Notes to the Financial Statements (Note 25).

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

- Euro 24 million in dividends received;
- Euro 20.9 million in net exchange losses;
- Euro 13.8 million in net interest income;
- Euro 56.7 million in impairment adjustments and loss coverage of investments in subsidiaries;
- Euro 2.4 million in other financial expenses.

Tax expenses totalled Euro 242 million, corresponding to 29.9% of the pre-tax income; compared to the 33% of 2022. The net income for the period was Euro 567 million (22.2% of net revenues), versus Euro 572 million (22.8%) reported in 2022.

During the reporting period, the Company incorporated the wholly owned subsidiaries Church Italia Srl and Pelletteria Ennepì Srl, with accounting and tax effects from January 01, 2023. As a consequence of this operation, the Company equity decreased for Euro 4.3 million, difference between the value of the investments in the subsidiaries and their net assets at January 01, 2023.

Furthermore, during the reporting period, the Company acquired some businesses in order to further integrate its production divisions. Such business combinations generated an increase of goodwill of Euro 1.8 million.

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 statement of financial position is reclassified below to provide a better view of net invested capital.

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Right of use assets	349,283	337,102
Non-current assets (excluding deferred tax assets)	2,416,106	1,848,421
Trade receivables, net	724,077	929,699
Inventories, net	343,017	301,565
Trade payables	(557,055)	(548,026)
Net operating working capital	510,038	683,238
Other current assets (excluding items of financial position)	205,303	152,465
Other current liabilities (excluding items of financial position)	(322,412)	(461,487)
Other current assets/(liabilities), net	(117,109)	(309,021)
Provision for risks	(10,205)	(3,376)
Long-term employee benefits	(33,851)	(38,177)
Other long-term liabilities	(53,153)	(59,319)
Deferred taxation, net	63,082	48,651
Other non-current assets/(liabilities)	(34,128)	(52,221)
Net invested capital	3,124,190	2,507,520
Shareholder's equity	(2,842,560)	(2,563,426)
Total shareholders' equity	(2,842,560)	(2,563,426)
Long-term financial, net surplus/(deficit)	(124,097)	(197,783)
Short-term financial, net surplus/(deficit)	189,824	587,567
Dividend payable	(2)	(2)
Net financial position surplus/(deficit)	65,725	389,782
Long-term lease liability	(309,764)	(305,073)
Short-term lease liability	(56,945)	(51,085)
Financial Receivables IFRS 16 - leases	19,354	22,283
Total lease liability	(347,355)	(333,875)
Shareholders' equity and net financial position	(3,124,190)	(2,507,520)
Debt to Equity ratio	-2.1%	-15.5%

As of December 31, 2023, the Company had net invested capital of Euro 3,124 million, net financial surplus of Euro 65 million and equity of Euro 2,843 million.

The right of use assets increased by Euro 12 million, mainly as a result of new leases, increase due to merger and re-measurements of existing leases, net of depreciation.

Non-current assets (excluding deferred tax assets) rose by Euro 568 million (Euro 2,416 million at December 31, 2023 versus Euro 1,848 million at December 31, 2022) mainly due to capital expenditures and investments in subsidiaries and associates made during the period, net of depreciation, amortisation and impairment.

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.

Investments in subsidiaries include the capital injection paid to Prada USA Corp for Euro 390 million, for the acquisition of the highly strategic real estate asset at 724, 5th Avenue (New York), which currently hosts a Prada store.

Net operating working capital was Euro 510 million at December 31, 2023, down by Euro 173 million from that of December 31, 2022.

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Net operating working capital	510,038	683,238
Derivative Financial instruments	7,224	10,166
Other receivables from parent, subsidiaries, associated companies and related parties	11,012	19,709
Other current assets	102,477	67,486
Current tax receivables (payables)	37,666	(156,673)
Other liabilities to parent, subsidiaries, associated companies and related parties	(9,801)	(31,042)
Other current liabilities	(265,690)	(218,669)
Other current assets (liabilities), net	(117,111)	(309,024)
Net working capital	392,926	374,215

Net working capital increased by Euro 19 million, resulting from change in other current liabilities which decreased by euro 192 million, balanced by the decrease of the Net operating working capital (Euro 173 million).

The other current liabilities (net) amount to Euro 117 million as of December 31, 2023, down by Euro 192 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.

Net financial position

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Long term debt, net of current portion	(272,262)	(351,200)
Payables to parent company, subsidiaries, associates and related parties	-	(13,878)
Total financial payables - non-current	(272,262)	(365,078)
Financial payables and bank overdrafts - current	(129,691)	(90,541)
Payables to parent company, subsidiaries, associates and related parties	(100,069)	(81,529)
Total financial payables - current	(229,760)	(172,070)
Total financial payables	(502,023)	(537,148)
Financial receivables from parent company, subsidiaries, associates and related parties - non-current	148,165	167,294
Financial receivables from parent company, subsidiaries, associates and related parties - current	194,557	238,750
Cash and cash equivalents	225,028	520,888
Total financial receivables and cash and cash equivalents	567,750	926,932
Net financial surplus/(deficit), total	65,727	389,784
Dividend payable	(2)	(2)
Net financial surplus/(deficit)	65,725	389,782
Net financial surplus/(deficit) third parties	(176,928)	79,145
Lease liability	(366,709)	(356,158)
Financial Receivables IFRS 16 (Leases)	19,354	22,283
Net financial surplus/(deficit) including Financial Receivables IFRS 16 and Lease liability	(524,283)	(254,731)
Net financial position surplus/(deficit) including lease liability third parties	(543,637)	(277,014)

As at December 31, 2023, the net financial surplus amounts to Euro 66 million, decreased by Euro 323 million compared with the previous reporting date.
Long-term financial payables decreased by Euro 93 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, 2023 is Euro 604 million, consisting of Euro 400 million committed and Euro 204 million uncommitted.
All financial covenants were fully complied with at December 31, 2023 and they are expected to be complied with in the next 12 months as well.

As shown in the Statement of Cash Flows, net cash flows from operating activities amount to Euro 664 million and net cash used by the investing activities amount to Euro 544 million, including dividends received for Euro 25 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.

Risk factors and management

The Prada Group's business is exposed to various risks that, if they materialize, could adversely affect its operations, results and financial situation, or reputation.
Some of these risks depend on the constantly changing and highly competitive environment for the luxury industry, which primarily concern the desirability of the Group's products. For this reason, some of the main strategies of the Group are (i) guaranteeing constant recognition of the brands as reference points in the industry, (ii) supporting and developing retail sales, as well as (iii) the continuous identification, monitoring and mitigation of the main Group risks.

In order to manage, anticipate and mitigate its risk exposure, and to ensure that it can develop its business sustainably over the long term, the Group has set up a risk management system.

Risk factors are presented as follows:

1. Operational and ESG Risks

1.a. Intellectual property and brand protection

Description	What we do
The Group's brands and other intellectual property rights are fundamental assets. Infringements of the Group's intellectual property rights can have significant negative impacts on its results and damage its image.	The Group pursues an active anti-counterfeiting policy involving both preventive measures and legal actions. Its strategy is based on the following pillars: – the Group's brands, designs, patents and websites are registered to obtain legal protection in all countries throughout the world; – an Intellectual Property Team is responsible for brand protection efforts globally, online and offline, through - among others - monitoring actions (in both traditional markets and on the internet), inspections, contacts with competent local and international authorities and custom agencies, legal actions; for all such actions the team can act directly or with the support of external consultants. In addition, all products have been equipped with a remote frequency identification (RFID) tag, using a technology that makes it possible to verify the authenticity of the products and track them. All retail and wholesale products bearing the RFID tag have also been registered on the blockchain of the Aura Consortium.

1.b. Commercial attractiveness and desirability

Description	What we do
The Group's success is reliant on its ability to create and influence fashion and product trends, to timely anticipate shifts in consumer taste and trends, and to meet and exceed customer expectations. Failure to timely perceive fashion needs or to translate them into the styling, design and development phase could negatively impact the appeal of the Group's brands and, therefore, its results and financial situation.	The Group addresses the risk – first of all – by investing in strong and structured style and design teams, capable of fine-tuning with cultural and consumer changes. The teams – guided by Miuccia Prada and Raf Simons, as for the "Prada" brand, and by Miuccia Prada for the "Miu Miu" brand – are composed of professionals of different nationalities, cultures and talents, to foster creativity. In addition, they are invited to combine a strong sense of fashion with intellectual curiosity, the pursuit of new and unconventional ideas, as well as cultural and social interests. Secondly, the Group pursues cutting edge communication strategies, to be in-tune with – and even to anticipate or create – fashion trends. In addition, the Group invests in regular store renovations (both brick-and-mortar and online) to channel the brands' images and guarantee enhanced customer experiences. Brand attractiveness and customer satisfaction are also pursued through regular training and professional qualification programs for its employees, especially those working in stores.

1.c. Talent management and retention

Description	What we do
The Group's operations require managers, employees and artisans having the right qualifications in the design, product development, production, marketing, merchandising, management and corporate functions. It is therefore key for the Group to retain skilled workforce and to train new generations, especially in a dynamic and evolving job market. Loss of talented and skilled people, high turnover rate, departure of senior executives and disappearance of craftsmanship heritage may impact on the Group's operations, product quality and, consequently, results.	The Group proactively addresses the risk by: (i) carrying out training initiatives, such as through the Prada Academy, where knowledge is shared and skills, techniques, and innovative ideas are shaped in a way to foster talent and hand down the professional expertise essential for the Group; (ii) monitoring the market, to acquire the best, and most fitting, professional skills and métiers; (iii) setting up retention initiatives, such as a performance management process based on individual goals and leadership development, as well as adequate incentive schemes.

1.d. Real Estate	
Description	**What we do**
Should the Group lose strategic retail places, due to difficulties in finding fitting locations or in negotiating new leases at adequate terms and conditions, the Group’s strategy could be undermined, with negative consequences for its results. Conversely, should the Group be compelled to carry out significant construction/renovation projects to align facilities to its standards, or unable to carry out projects timely and on budget, its financial situation could be negatively impacted.	Specific teams are responsible to handle real estate activities, such as market monitoring, conducting negotiations concerning real estate assets (leases and acquisitions) and construction and renovation projects for retail places. Moreover, the Group performs periodical reviews of contracts, site visits and “ad-hoc” counterparty due diligence.

1.e. Corporate image	
Description	**What we do**
The Group’s success in the international luxury goods business is linked to the image and distinct character of its brands, in a highly competitive environment. These features depend on many factors, such as the style and design of the products, the quality of the materials used and production techniques, image and locations of directly operated stores, careful selection of business partners, communication activities and the corporate profile in general. The Group is also mindful of the transparency and accountability demanded by its stakeholders in the rapidly evolving environmental, social and governance landscape in which it operates. Negative events concerning the above – such as unfavourable or inaccurate media coverage, negative campaigns on social network, individual behaviour contrary to the Group’s values of ethics and integrity – can affect the Group’s image and reputation and, consequently, negatively impact results.	The Group pursues the preservation of the image and prestige of the brands by (i) maintaining its innovative features for style, product and communication; (ii) monitoring each internal and external phase of the value chain to reduce the risk of inadequate performance; (iii) oversight of external communication concerning the brands, including through social media. The Group also undertakes ESG specific initiatives, through Prada S.p.A.'s Sustainability Committee, as well as its Board members with significant professional ESG experience, as well as corporate and industrial sustainability dedicated functions.

1.f. Fraud	
Description	**What we do**
Frauds may be perpetrated to obtain money or – among others – property or services, personal or business advantage. Lack of controls and insufficient segregation of duties could lead to fraud and, consequently, economic losses and reputational damages.	The Group has equipped itself with various control tools, preventive and deterrent processes, aimed at improving the efficiency and the monitoring of its treasury activities, such as: (i) various Group procedures in place (Code of Ethics, Anti-corruption policy, Corporate Finance & Treasury policy); (ii) the set up of the Whistleblowing system and its related policy; (iii) providing banking Power of Attorney to a limited number of people, regularly updated and duly approved by Board of Directors; (iv) strengthening Segregation of Duties, access controls to Corporate systems and its internal controls over treasury activities.

1.g. Supply Chain Management	
Description	**What we do**
Inability to source raw materials, manufacture, procure and distribute finished products on a timely basis at the required quality, quantity and cost from suppliers who meet quality and the Group's ethics standards could lead to disruptions in production, negative effects on the Group's results and/or damages to the Group's reputation. Although the Group does not significantly depend on any façon manufacturer, the suspension or termination of a relationship with some of the most significant façon manufacturers could adversely affect the Group's business and, as a consequence, its results.	The Group contracts with several suppliers, to avoid concentration of supply. The fact that production is mainly located in Europe, especially in Italy, grants and adequate level of competence, quality and reliability. In addition, sensitive processes – such as the creation of prototypes and samples, the cutting of hides and controls over raw materials and semifinished goods – take place at the Group's own manufacturing facilities. The Group's technical staff carries out controls to ensure that products meet quality standards and that the entire supply chain complies with Prada S.p.A.'s Code of Ethics, which must be signed by business partners. Moreover, the Group demands – and monitors (including through inspections) – compliance by manufacturers with applicable regulations concerning labor law, social security and occupational health and safety, as well as with the Group's regulations on brand ownership and other intellectual property rights.

1.h. Business resilience	
Description	**What we do**
Business interruption can occur due to a variety of factors, including escalations in geopolitical or social tensions, restrictions to people movement or to exports, cyberattacks, property damages caused by an extreme weather event, public health events, machinery breakdowns, labor disputes and quality control failures on the operations. The resulting losses can be economic (e.g., decreased sales, increased labor costs, need to substitute a key supplier, decreased revenue potential due to natural disasters) and reputational.	The Group addresses these risks through a balanced geographical distribution of its stores, to avoid high concentration; operations/production mainly located in Italy, but in several facilities; operations/production located in new/renewed premises; continuous development of online sales activities; strengthening of the Information System department; insurance programs aimed at mitigating such risks.

1.i. Health, security and safety	
Description	**What we do**
The Group is exposed to risks related to (i) workers' health and safety, such as injuries, occupational diseases and accidents that could lead to physical harm to people, (ii) non-compliance with quality and security standards of products. Such risks can lead to litigation, and related costs affecting the Group's financial situation, as well as damage to the Group's image.	To mitigate these risks, the Group (i) conducts periodic safety training and refresher courses; (ii) undergoes renovations and new constructions; (iii) carries out fire risk assessments on high-risk premises; and with respect to product quality, carries out quality control on manufacturing used in the production process (from sourcing to finishing touches).

1.j. Environmental	
Description	**What we do**
The financial situation and the reputation or the Group could be affected by (i) extreme climatic phenomena, cost increases for raw materials and other similar environmental circumstances capable of affecting its production, (ii) new regulations aimed at containing pollution and climate change, which may trigger compliance costs or failures for the Group and (iii) changes in customer purchasing habits related to evolutions of the environmental context.	To prevent or mitigate these risks, the Group adopted ad hoc internal processes, including the sustainability policy which laid the foundations for the Company's sustainability focus based on three pillars - Planet, People and Culture - where the Group firmly believes it can make the greatest contribution in terms of value creation in its own industry and for the benefit of society as a whole. The Group formalized a sustainability strategy with a clear roadmap for the reduction of greenhouse gas emissions, extensive use of alternative, low impact materials for both finished products and packaging, and a more circular approach to materials used in production and for other purposes such as shows and events, where waste is recycled and reused. The strategy also focuses on the traceability of raw materials and the continuous improvement of social and environmental standards along the supply chain through close collaboration with suppliers.

Description	What we do
	The strategy is an evolving plan that will be improved and updated over time to respond to the needs and expectations of the Group's stakeholders and the changing market conditions in which it operates. In 2023 the organization moved towards identifying and formalizing medium-term targets and internal Key Performance Indicators (KPIs) to monitor the progress, with a particular focus on the decarbonization of its operations and the transition to lower impact materials for its finished products. In addition, the Company enforced the sustainability culture through the promotion of internal and external initiatives (e.g. Sea Beyond, Forestami Academy, corporate on/off-line dedicated trainings).

2. Financial risks

2.a. Credit risk

Description	What we do
Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and other commercial partners, and liquid assets. As part of Credit risk, the financial counterparty risk is managed through a proper diversification of financial counterparties, considering their creditworthiness and solvency: The risk of default of liquid assets substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing surplus operating cash flows. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparties (always investment grade), country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts.	The Company manages credit risk and mitigates the related effects through a control system based on the monitoring of the creditworthiness and solvency of customers, the stipulation of insurance contracts and the use of safe solutions such as advance payments. The Company considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of independent parties involved is fragmented. However, there is a potential risk related to cash shortages at stores. The Group has equipped itself with various control tools, preventive and deterrent, aimed at improving the efficiency of cash management activities.

2.b. Liquidity risk

Description	What we do
Liquidity risk refers to difficulty that the Company could have in securing new funds, leading to a failure in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Group CFO, supported by the Deputy Group CFO, is responsible for optimizing financial resources.	The Directors consider the currently available funds and lines of credit, in addition to the funding that will be generated by operating and financing activities, to be sufficient for enabling the Company to meet its requirements in terms of working capital management, investing activities, punctual loan repayment and the payment of any dividends as planned.

2.c. Foreign exchange risk

Description	What we do
The Company has a vast international presence, and therefore is exposed to the risk that changes in currency exchange rates could adversely impact revenue, expenses, margins and profit. In order to hedge foreign exchange risk, the Company enters into derivative contracts designed to fix the value in Euro (or other functional currency) of identified future cash flows. The future cash flows consist primarily of intercompany inflows of trade and financial receivables and intercompany outflows of trade payables.	The management of foreign exchange risk is described in more detail in the Notes to the Separate Financial Statements.

2.d. Interest rate risk

Description	What we do
Interest rate risk is the risk that future cash flows could be affected by interest rate fluctuations. In order to hedge this risk Prada S.p.A. uses derivatives (such as interest rate swaps or collar) to convert variable-rate debt into fixed-rate debt or debt at rates within a specified range.	The management of interest rate risk is described in more detail in the Notes to the Separate Financial Statements.

3. Legal and regulatory risks

3.a. Risks related to the evolution of the regulatory framework

Description

In the various jurisdictions where it operates, the Group is subject to laws and regulations and, therefore, exposed to the risk of non-compliance, which – in the case of a major breach – could have a material impact on the business and performance of the Group. In addition, new legislation imposing more stringent standards may entail increased compliance or may limit the Group's operations, with negative consequences for its financial performance.

This can concern, in particular, the following:

- risks associated to non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or with other laws or regulations in force in Hong Kong S.A.R. that Prada S.p.A. must observe as it is listed on the Stock Exchange of Hong Kong Limited;
- risks associated with occupational health and safety under Italian Legislative Decree 81/2008 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001, as subsequently amended;
- events that could adversely affect the accuracy of the annual financial statements and the protection of assets;
- manufacturing compliance risks with respect to Italian and international laws and regulations regarding finished goods distributed and raw materials and consumables used.

What we do

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

Prada S.p.A. holds the status of Full Authorized Economic Operator (AEO). This recognition, issued by the Customs Agency, is granted to companies that prove to be competent and virtuous in the management of their business processes, in compliance with both customs regulations and safety standards for goods.

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

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 Separate Financial Statements.

Research and development

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.

Related party transactions

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

Treasury stock

As of December 31, 2023, the Company did not own any treasury stock.

Significant events of the reporting period

The "company information" and "merger and acquisitions" 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 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.

Proposed allocation of the result for the year

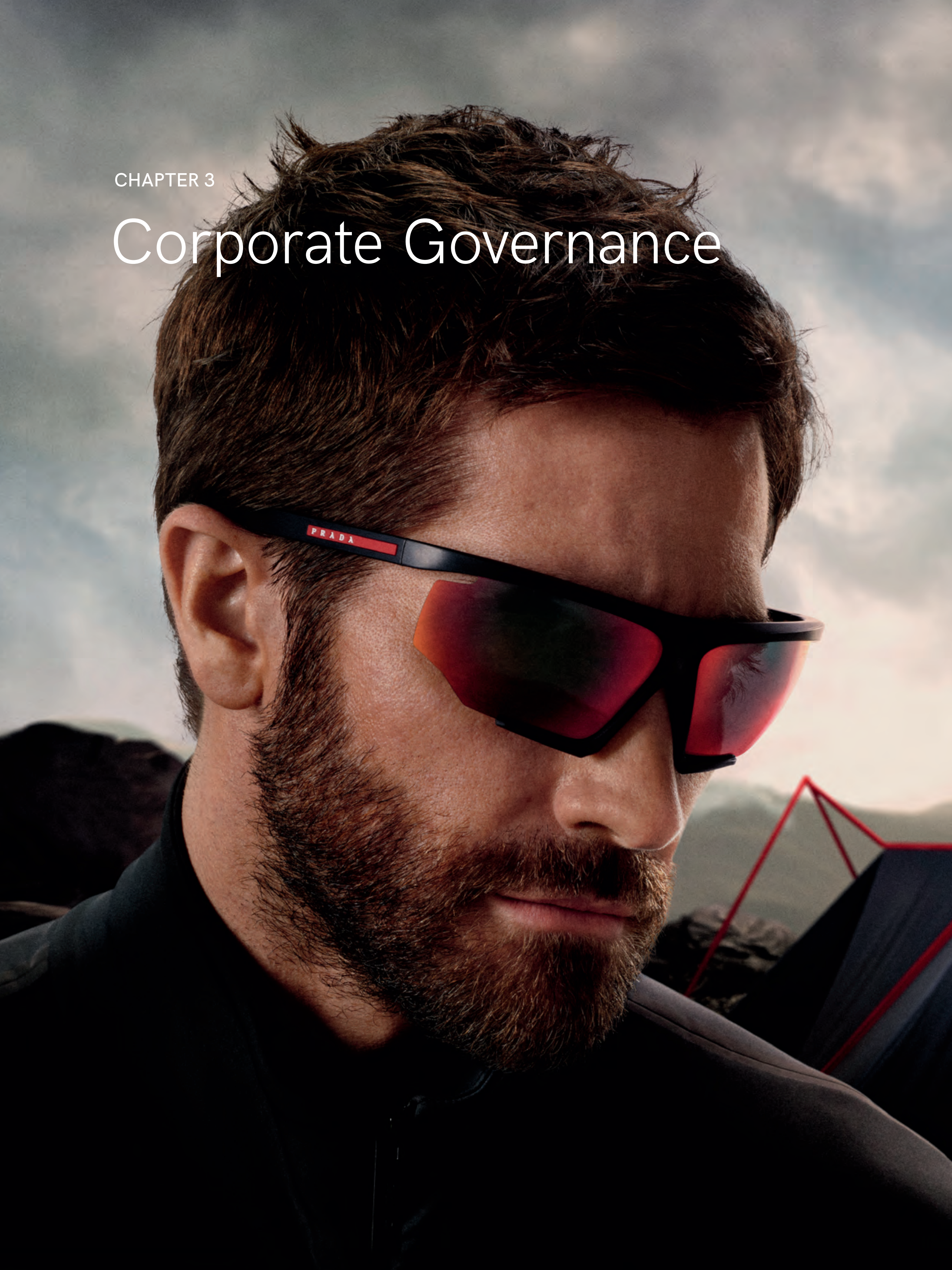
On March 7, 2024 the Board recommended the approval at the Shareholders' General Meeting of the allocation of the net income of the Company, for the year ended December 31, 2023, as follows: (i) Euro 350,558,888.00 to Shareholders as final dividend, in particular to declare and distribute a final dividend of Euro 0.137 per share, and (ii) Euro 216,181,596.21 to retained earnings of the Company.

Paolo Zannoni
Executive Deputy Chairman

Milan, March 7, 2024

CHAPTER 3

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 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 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, 2023 (the "2023 Year"). This Corporate Governance Report summarizes how the Company applied the principles and implemented the code provisions contained in the Code for 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. 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 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.

Directors' interests as at December 31, 2023, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code contained in Appendix C3 of the Listing Rules, are set out in the Directors' Report under the Annual Report.

Board of Directors

A. Board Composition
The Board is currently made up of eleven Directors - six Executive Directors and five 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 the 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:

Directors	Age	Gender	Ethnicity *	ED / INED	Committees				Skills and Expertise				
					Audit and Risk	Remuneration	Nomination	Sustainability	Business Management	Strategic Plannign & Risk Management	Financial Reporting / Banking	Legal / ESG	Related Industry Knowledge / Experience
Mr. Patrizio BERTELLI (Chairman of the Board)	77	M	I	ED					x	x			x
Mr. Paolo ZANNONI (Executive Deputy Chairman of the Board	75	M	I	ED		x			x	x	x		x
Mr. Andrea GUERRA (Chief Executive Officer)	58	M	I	ED					x	x			x
Ms. Miuccia PRADA BIANCHI	75	F	I	ED					x	x			x
Mr. Andrea BONINI (Chief Financial Officer)	44	M	I	ED					x	x	x		x
Mr. Lorenzo BERTELLI	35	M	I	ED			x	x	x	x		x	x
Mr. Yoël ZAOUI (Lead Independent Director)	63	M	NI	INED	x	x			x	x	x		x
Ms. Marina Sylvia CAPROTTI	46	F	I	INED	x	x	x		x	x		x	x
Mr. Maurizio CEREDA	60	M	I	INED	x		x		x	x	x		x
Ms. Pamela Yvonne CULPEPPER	59	F	NI	INED				x	x	x		x	x
Ms. Anna Maria RUGARLI	51	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 2023 Year, the Board held six 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, interim and quarterly results), and approve the Group's main investments, corporate reorganisation plans and intragroup mergers, extraordinary transactions, appointment of the new Chief Executive Officer, the Executive Deputy Chairman and the Leading Independent Director, granting of powers to the Executive Directors, remuneration of Directors and Board Committees members, amendments to By-laws, adoption and updating of Group policies, approval of the 2023 Year Audit Plan and the Sustainability Report, and the acquisition of a building in New York (USA). The average attendance rate of the Directors for these six meetings (all held through electronic means) was 83.33%.

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 2023 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. Patrizio BERTELLI[1] (Chairman)	6/6					0/1
Mr. Paolo ZANNONI (Executive Deputy Chairman) [2]	6/6		3/3			1/1
Mr. Andrea GUERRA (Chief Executive Officer) [3]	5/5					1/1
Ms. Miuccia PRADA BIANCHI [4]	1/6					0/1
Mr. Andrea BONINI (Chief Financial Officer)	6/6					1/1
Mr. Lorenzo BERTELLI [5]	5/6			2/2	2/2	0/1
Non-Executive Director						
Mr. Stefano SIMONTACCHI [6]	0/1					
Independent Non-Executive Directors						
Mr. Yoël ZAOUI (Lead Independent Director) [7]	5/6	6/6	3/3			0/1
Ms. Marina Sylvia CAPROTTI [8]	4/6	5/6	3/3	2/2		0/1
Mr. Maurizio CEREDA [9]	5/6	6/6		2/2		1/1
Ms. Pamela Yvonne CULPEPPER [10]	6/6				2/2	1/1
Ms. Anna Maria RUGARLI [11]	6/6				2/2	1/1
Statutory Auditors						
Mr. Antonino PARISI (Chairman)	6/6					0/1
Mr. Roberto SPADA	6/6					1/1
Mr. David TERRACINA	5/6					1/1
Dates of the Meetings	Jan 26, 2023	Jan 25, 2023	Jan 25, 2023	Jan 18, 2023	Mar 2, 2023	Apr 27, 2023
	Mar 9, 2023	Feb 27, 2023	Mar 6, 2023	Mar 1, 2023	Jul 12, 2023	
	May 11, 2023	Mar 8, 2023	Oct 20,2023			
	Jul 27, 2023	May 8, 2023				
	Oct 31, 2023	Jul 26, 2023				
	Dec 18, 2023	Oct 30, 2023				
Average Attendance Rate of the Directors	83.33%	94.44%	100%	100%	100%	54.54%

Notes:

1. Ceased to serve as Chief Executive Officer from January 26, 2023 and appointed as Chairman of the Board on April 27, 2023
2. Member of the Remuneration Committee, ceased to serve as Chairman of the Board from April 27, 2023 and appointed as Executive Deputy Chairman of the Board on May 11, 2023
3. Appointed as Chief Executive Officer on January 26, 2023
4. Ceased to serve as Chief Executive Officer from January 26, 2023
5. Member of the Sustainability Committee and Nomination Committee
6. Ceased to serve as Non-Executive Director from January 26, 2023
7. Chairman of the Audit and Risk Committee and Member of the Remuneration Committee and appointed as Lead Independent Director on May 11, 2023
8. Chairwoman of the Remuneration Committee and Member of the Audit and Risk Committee and the Nomination Committee
9. Chairman of the Nomination Committee and Member of the Audit and Risk Committee
10. Chairwoman of the Sustainability Committee
11. 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 in 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, interim and quarterly 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.

Among the Directors, some, upon the decision of the Board, are granted with specific delegated authorities and with powers to sub-delegate to selected personnel outside the Board. To this respect, the Company has adopted a system of delegated powers and powers of attorneys aimed at ensuring the segregation of duties and the efficient and regular performance of the activities in accordance with the procedures adopted by the Company itself.

During the 2023 Year, all Board members were provided with monthly financial updates, prepared by the Executive Directors with the support of the management. The purpose of such updates was to provide a balanced and comprehensive assessment of the performance, position and prospects of the Group in sufficient detail, in order to enable each Director to perform his/her duties.

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 under the Annual Report and 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, interim, and quarterly 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 and 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 matters relating to the Company's strategy, policy, financial performance, and take the lead on matters where conflicts of interests may arise. The Board also reviews on an annual basis the implementation and effectiveness of the mechanisms established to ensure independent views and input are available to the Board. 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 2023 Year, Mr. Patrizio Bertelli, Mr. Paolo Zannoni, Ms. Miuccia Prada Bianchi, Mr. Andrea Guerra, Mr. Lorenzo Bertelli, Mr. Andrea Bonini, Mr. Yoël Zaoui, Ms. Marina Sylvia Caprotti, Mr. Maurizio Cereda, 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. As Mr. Stefano Simontacchi resigned as Non-Executive Director on January 26, 2023, he did not participate in the director's training provided by the Company during the 2023 Year.

Directors were required to provide the Company with their training records during the 2023 Year. The records are maintained by the Corporate Affairs Department.

Chairman and Chief Executive Officers

As published in the announcement dated April 27, 2023, Mr. Patrizio Bertelli is the Chairman of the Board and, as published in the announcement dated January 27, 2023, Mr. Andrea Guerra is the 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 (Executive Director of the Company) and Mr. Patrizio Bertelli (Chairman of the Board and Executive Director 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. 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. Two Executive Directors, Mr. Andrea Guerra and Mr. Andrea Bonini, were appointed by the Board, respectively on January 26, 2023 and November 8, 2022, and confirmed by the shareholders' meeting of the Company held on April 27, 2023. On 26 January 2023, Mr. Andrea Guerra obtained legal advice as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and he understood the possible consequences of making a false declaration or giving false information to the Exchange and has confirmed his obligations as a director of a listed issuer.

Mr. Stefano Simontacchi resigned as Non-Executive Director on January 26, 2023.

The mandate of all the current Directors will lapse on the date of the forthcoming shareholders' general meeting to

be called to approve the financial statements of the Company for the 2023 Year.
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 in this Corporate Governance Section of the Annual 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 2023 Year, the Board completed the following activities with respect to corporate governance matters:

(i) approved the appointment of the Chief Executive Officer and of the Executive Deputy Chairman;
(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, intragroup merger and extraordinary transactions with third parties;
(vi) reviewed the amendments to the By-laws;
(vii) approved the granting of powers to the Executive Directors;
(viii) reviewed the compensation of the members of the Board and Board committees;
(ix) approved the appointment of the Lead Independent Director; and
(x) reviewed the Group Antitrust Policy and Corporate Finance & Treasury Group Policy.

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 perform 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 perform the duties 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, the 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 examine the work plan of internal audit, to review the relationship with the External Auditor by reference to the work performed by the External Auditor, 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 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 audit plan for the 2023 Year, 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 budget for the 2023 Year, the Sustainability Report for the 2023 Year, 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, 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, 2024 – to examine and recommend to the Board the approval of the 2024 budget of the Group, 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.

External 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 2023 Year and for the year ended December 31, 2022, together with non-audit services, are illustrated below (amounts in thousands of Euro):

Type of service	Audit Firm	twelve months ended December 31 2023	twelve months ended December 31 2022
Audit services	Deloitte & Touche S.p.A.	514	475
Total audit fees to Deloitte Network		514	475
Other advisory services	Deloitte Network	756	374
Total non-audit fees to Deloitte Network		756	374
Total compensation to Deloitte Network		1,270	849

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 the Executive Deputy Chairman and Executive Director, Mr. Paolo Zannoni.
During the 2023 Year, the Remuneration Committee held three meetings (with an attendance rate of 100%) to recommend the remuneration of the Directors vested with special offices, to review the remuneration of the Directors and Board Committees members, to review the remuneration of the senior management of the Company, and to review and update the main terms of the long-term incentive plan for the Directors and senior management for the three-year period 2022-2024.
The Remuneration Committee also held one meeting on March 5, 2024, to review the overall remuneration for the Board, and to review the remuneration of the new members of the Board and of the new Statutory Auditors.

Remuneration Policy

The Group's remuneration policy is aimed at attracting, rewarding, and retaining its personnel, who are considered the key to the success of the Group's business. This "Human Capital" is preserved through constant monitoring, in order both to maintain engagement with the Company and a remuneration policy 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, and to create value in the medium and long term through constant organisational learning and the consolidation of collaborators' experiences and skills.

The policy comprises fixed, variable, direct and deferred components, appropriate for the relevant position and professional qualifications, and is consistent with the needs of the various geographic areas.

The Group has an incentive system that links compensation with the annual performance of the Group, taking into account the Group's economic and financial objectives, as well as the objectives of each department, depending on the role of the specific individual.

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 vests in the eligible executive director, senior manager or key manager, subject to the achievement by the Group of one or more economic and financial 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 operations and manufacturing staff 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 offices (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 Independent Non-Executive Directors receive remuneration in the form of fees and contributions to retirement benefits schemes, 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, 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 2023 Year, the Nomination Committee held two 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 year ended December 31, 2022, 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 review the composition and the size of the Board for the 2023 Year, 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 originally adopted by the Board in September 2013 (the "Board Diversity Policy") and reviewed during the 2023 Year. On January 25, 2024, the Board adopted a new version of the Board Diversity Policy, substantially in line with the previous version, updated to the current applicable Listing Rules, as well as compliant with the most recent best practices. According to the principles set out in the Board Diversity Policy, all Board members' appointments are based on merit, with candidates 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. Throughout the 2023 Year, and up to the date of the Annual Report, the Board had four female Directors (three being Independent Non-Executive Directors), representing approximately 36% of the Board and 60% of the Independent Non-Executive Directors). The Company is committed to maintaining a Board with an appropriate level of female members, which shall be no less than 40% of the Independent Non-Executive Directors and 30% of all members of the Board by year. 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 first 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. On January 25, 2024, the Board adopted a new version of the Director Nomination Policy, substantially in continuity with the previous version, updated to the current applicable Listing Rules, as well as compliant with the most recent best practices.

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 February 20, 2024, and March 5, 2024, to verify the independence of the Independent Non-Executive Directors for the 2023 Year, to recommend the structure of the Board and the election and appointment of eleven directors in total at the forthcoming shareholders' general meeting, and to recommend the proposed candidates for both the Board and the Board of Statutory Auditors, whose appointment is subject to the approval at the forthcoming shareholders' general meeting.

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 section under the Annual Report includes the governance of sustainability issues and how the Company approaches and manages the Group's material ESG topics.

During the 2023 Year, the Sustainability Committee held two meetings (with an average attendance rate of 100%) to discuss the Sustainability Report for the year ended December 31, 2022, to provide updates on the progress and achievements in the ESG strategy of the Group, to present and discuss the Industrial Area roadmap to support the sustainability of operations in Italy, and to review and discuss the ESG information to be included in the presentation of financial results for both the year ended December 31, 2022, and the first half of the 2023 Year.

The Sustainability Committee also held two meetings on January 31, 2024, and February 29, 2024, to provide updates on progress and achievements in ESG, and to approve the Sustainability Report for the 2023 Year and the industrial roadmap for supporting sustainability in Group's operations for the year ending December 31, 2024.

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 (2021-2023). The mandate of the current Board of Statutory Auditors will expire at the forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for the 2023 Year.

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.

Directors' responsibility and auditors' responsibility for Separate Financial Statements

The Directors are responsible for preparing the Separate Financial Statements of the Company for the 2023 Year to ensure such Separate Financial Statements give a true and fair view of the state of affairs of the Company. In preparing these Separate Financial Statements, the Directors have selected suitable accounting policies and made prudent and reasonable judgments and estimates. The Separate 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 2023 Year.
With respect to the External Auditor of the Company, its responsibilities are stated in the auditor's reports on the Separate 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 an Auditor Transactions Policy to support anti-corruption laws and regulations and monitoring the independence of External Auditor.

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.

The Board has 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 a 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 may arise.

In particular, during the 2023 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 2023 Year.
During the 2023 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 2023 Year.

Moreover, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, the training program and the budget of the Company's internal audit and risk management function during the 2023 Year.

"Organismo di Vigilanza"
In compliance with Italian Legislative Decree no. 231 of June 8, 2001 (the "Decree"), the Company established an "Organismo di Vigilanza" whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Organization, Management and Control Model, adopted by the Company pursuant to the Decree. The "Organismo di Vigilanza" has three members appointed by the Board and selected among qualified and experienced individuals. The "Organismo di Vigilanza" consists of Ms. Stefania Chiaruttini (Chairwoman), Mr. Armando Simbari, who was appointed to replace Mr. Yoël Zaoui on July 26, 2023, and Mr. Roberto Spada, Statutory Auditor.

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 an inside information disclosure policy to ensure potential inside information is identified and confidentiality is maintained until timely and proper disclosure is made (the "Inside Information Disclosure Policy"), which has been reviewed and updated by the Board on January 25, 2024;
- has made available on the Company's intranet the Inside Information Disclosure Policy in order to ensure immediate access to it by the entire Group's staff;
- has included in the procedures governing Directors and relevant employees a prohibition on dealing in the Company's shares whilst in possession of inside information; and
- has authorized only the Executive Directors and a few selected members of the management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman (Mr. Patrizio Bertelli), the Executive Deputy Chairman (Mr. Paolo Zannoni) and an 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

During the 2023 Year, Ms. Yuen Ying Kwai was the company secretary of the Company and she undertook over 15 hours of relevant professional training to update her skills and knowledge. Ms. Yuen ceased to serve as the company secretary with effect from December 31, 2023 and Ms. Tong Pui Ting, Wendy has been appointed as the company secretary in place of Ms. Yuen with effect from December 31, 2023. 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

On April 27, 2023, the Company has adopted a new set of By-Laws ("Amended By-Laws") mainly to conform to the core shareholder protection standards set out in Appendix A1 (formerly known as "Appendix 3") to the Listing Rules and to incorporate provisions to allow and facilitate hybrid and electronic meetings, and other provisions aimed at complying with applicable laws and regulations. The Amended By-Laws are available for viewing on the websites of the Company and the Stock Exchange.

Communication with shareholders

A. Dividend Policy

On March 15, 2019, the Board formalized and adopted a Dividend Policy to set out the framework that the Company has put in place in relation to dividend payouts to shareholders. The Company aims to provide its shareholders a sustainable dividend stream, taking into account financial results, cash flow situation, working capital requirements, capital expenditures, investment requirements, future operations and earnings, business conditions and strategies, interests of shareholders and any statutory or regulatory restrictions (including under Italian law and the Company's By-laws) on payment of dividends.

The Board reviews the Dividend Policy from time to time and may adopt changes, as appropriate, to ensure the effectiveness of the Dividend Policy. The Board reviewed the Dividend Policy and adopted changes on January 25, 2024.

At the 2023 AGM, the shareholders approved the distribution of a final dividend of Euro 0.11 per share for the financial year ended December 31, 2022, representing a total dividend of Euro 281,470,640, which was paid on May 19, 2023.

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 has adopted a Shareholders Communication Policy and is subject to review annually to ensure the effectiveness and implementation of the Shareholders Communication Policy. The Company is generally satisfied that the implementation of the Shareholders Communication Policy has functioned effectively throughout the 2023 Year.

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 shareholders' general meeting of the Company held on April 27, 2023 (the "2023 AGM") was held online only. The Directors, including the Chairman of the Board, the Chief Executive Officer, the majority of Independent Non-Executive Directors, the Company Secretary, the External Auditor of the Company, Deloitte & Touche S.p.A., the majority of the members of the Board of Statutory Auditors, and the scrutineer, attended the 2023 AGM.

All resolutions submitted to the shareholders at the 2023 AGM were duly passed and the voting results of such resolutions were disclosed in the announcement of the Company dated April 27, 2023. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2023 AGM.

D. Corporate communications

In order to increase the efficiency in communication with shareholders and to contribute to environmental protection, the Company has adopted electronic dissemination of corporate communications and will only send corporate communications in printed form to shareholders upon request. The English and Chinese versions of all corporate communications are available electronically on the Company's website at www.pradagroup.com and on the HKEXnews website at www.hkexnew.hk.

CHAPTER 4

Financial Statements

Statement of financial position

(amounts in thousands of Euro)	Note	December 31 2023	December 31 2022
Assets			
Current Assets			
Cash and cash equivalents	1	225,027,603	520,887,937
Trade receivables, net	2	724,076,692	929,698,529
Inventories	3	343,016,556	301,565,448
Derivative financial instruments - current	4	15,774,225	22,483,293
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties - current	5	208,892,658	261,736,035
Other current assets	6	187,490,642	119,246,342
Total current Assets		1,704,278,376	2,155,617,584
Non-current Assets			
Property, plant and equipment	7	820,241,122	796,668,578
Intangible assets	8	263,013,264	226,335,195
Right of use assets	9	349,283,147	337,102,307
Investments	10	1,318,219,706	797,146,105
Deferred tax assets	27	67,111,253	53,705,038
Other non-current assets	11	59,649,367	72,539,164
Derivative financial instruments - non current	4	889,542	5,812,424
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties - non current	5	164,194,969	186,300,554
Total non-current Assets		3,042,602,369	2,475,609,365
Total Assets		4,746,880,745	4,631,226,949
Liabilities and Shareholders' equity			
Current Liabilities			
Short-term financial payables and bank overdrafts	13	129,691,094	90,541,465
Financial and other payables due to parent company, subsidiaries, associates and to related parties - current	14	109,870,647	112,570,510
Trade payables	15	557,055,472	548,025,691
Tax payables	16	47,347,001	208,434,677
Derivative financial instruments - current	4	8,549,915	12,317,620
Other current liabilities	17	265,689,656	218,668,767
Short-term Lease Liability	12	56,944,880	51,085,028
Total current Liabilities		1,175,148,665	1,241,643,759
Non-current Liabilities			
Long-term financial payables	18	272,262,346	351,199,645
Long-term employee benefits	19	33,851,127	38,176,502
Provision for risk and charges	20	10,205,464	3,376,157
Deferred tax liabilities	27	4,029,566	5,054,017
Other non-current liabilities	21	98,712,865	107,686,761
Derivative financial liabilities - non current	4	347,147	1,712,599
Financial and other payables to parent company, subsidiaries, associates and related parties - non current	14	-	13,877,911
Long-term Lease Liability	12	309,763,992	305,073,119
Total non-current Liabilities		729,172,507	826,156,711
Total Liabilities		1,904,321,172	2,067,800,470
Share capital		255,882,400	255,882,400
Total other reserves		2,019,936,689	1,735,860,904
Net income/(loss) of the year		566,740,484	571,683,175
Shareholders' equity	22	2,842,559,573	2,563,426,479
Total Liabilities and Shareholders' equity		4,746,880,745	4,631,226,949

Statement of profit or loss

(amounts in Euro)	Note	December 31 2023	December 31 2022
Net Revenues	23	2,552,340,867	2,509,323,625
Cost of goods sold	24	(819,274,021)	(829,231,108)
Gross Margin		1,733,066,846	1,680,092,517
Operating expenses	25	(882,868,099)	(711,350,249)
Operating income - EBIT		850,198,747	968,742,268
Interest and other financial expenses, net	26	(60,300,059)	(155,333,147)
Interest income/(expenses) on lease liabilities	26	(5,853,231)	(4,125,102)
Dividends from investments	26	24,583,530	49,593,724
Total financial income/(expenses)		(41,569,760)	(109,864,524)
Income before taxation		808,628,987	858,877,744
Taxation	27	(241,888,503)	(287,194,569)
Net income for the year		566,740,484	571,683,175

Statement of comprehensive income

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Net income for the year	566,740	571,683
Items recyclable to P&L:		
Change in Cash Flow Hedge reserve	(3,449)	27,199
Tax impact	828	(6,528)
Change in Cash Flow Hedge reserve less Tax Impact	(2,621)	20,671
Items not recyclable to P&L:		
Change in Fair Value reserve	1,633	588
Tax impact		
Change in Fair Value reserve less Tax Impact	1,633	588
Change in Actuarial reserve	(1,119)	2,730
Tax impact	269	(655)
Change in Actuarial reserve less Tax Impact	(850)	2,075
Total Comprehensive income for the year	564,902	595,017

Statement of cash flows

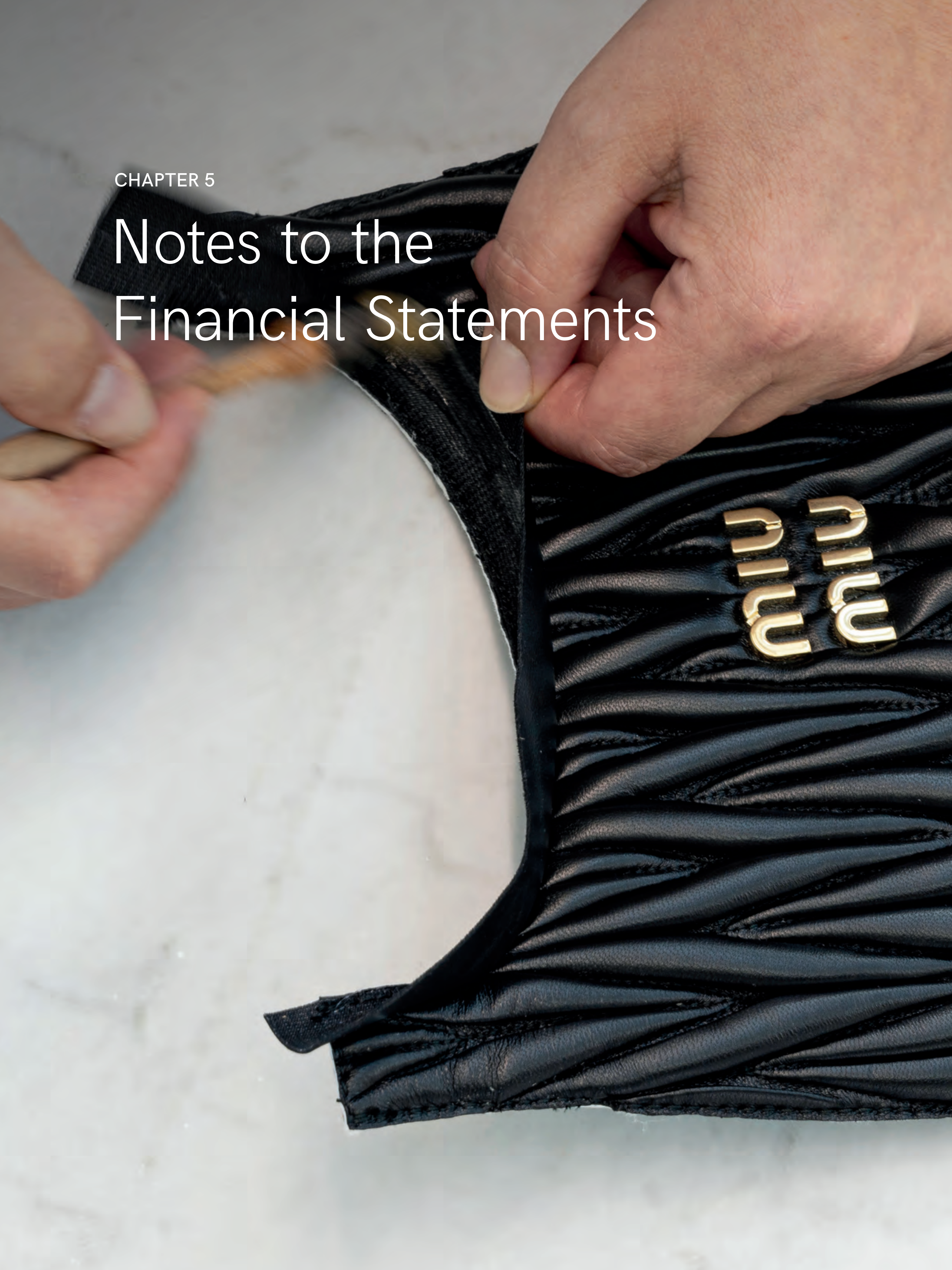
(amounts in thousands of Euro)	December 31 2023	December 31 2022
Income/(loss) before taxation	808,629	858,878
Profit or loss adjustments		
Depreciation of the right of use assets	56,647	50,812
Depreciation and amortization of property, plant and equipment and intangible assets	79,988	76,377
Impairment of property, plant and equipment and intangible assets	1,856	120
Losses / (gains) on disposal of non-current assets	271	256
Impairment of investments	56,689	146,406
Interest expenses on lease liability	5,853	4,125
Non-monetary financial (income) expenses	(37,478)	(58,976)
Other non-monetary (income) expenses	37,617	45,875
Balance sheet changes		
Trade receivables, net	213,088	(254,823)
Inventories, net	(58,398)	(37,039)
Trade payables	10,028	(87,755)
Other current assets and liabilities	(58,856)	(2,036)
Other non-current assets and liabilities	(23,656)	(16,720)
Cash flows generated by operating activities	1,092,278	725,500
Interest received / (paid) net, including interest paid of lease liability	14,925	5,363
Taxes paid	(442,958)	(183,079)
Net cash flows from operating activities	664,245	547,784
Purchase of property, plant and equipment and intangible assets	(113,447)	(88,904)
Cash from real estate sale to related party	-	18,000
Investments in subsidiaries and associates	(455,251)	(32,956)
Dividends received from investments	24,584	49,594
Net cash flow utilised by investing activities	(544,114)	(54,266)
Dividends paid to shareholders	(281,471)	(179,118)
Change in short-term bank loans	50,000	-
Change in intercompany loans	19,516	45,068
Loans repaid by subsidiaries	31,959	23,471
Repayment of lease liability	(59,802)	(54,799)
Loans made to subsidiaries	(87,369)	(31,983)
Repayment of short-term portion of long-term borrowings - third parties	(90,200)	(172,044)
Net cash flows utilised by financing activities	(417,367)	(369,405)
Change in cash and cash equivalents, net of bank overdraft	(297,236)	124,113
Opening cash and cash equivalents, net of bank overdraft from merged companies	1,380	-
Opening cash and cash equivalents, net of bank overdraft	520,884	396,771
Closing cash and cash equivalents, net of bank overdraft	225,028	520,884

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 period	Total Shareholder's equity
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)	-
Acquisition of the Church's wholesale distribution business		-	-	-	-	(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
Net result Allocation		-	-	-	-	571,683	-	-	(571,683)	-
Merger of subsidiaries		-	-	-	-	(4,297)	-	-	-	(4,297)
Dividends paid		-	-	-	-	(281,471)	-	-	-	(281,471)
Comprehensive income/(loss) for the year (recyclable to P&L)		-	-	-	-	-	(2,621)	-	566,740	564,119
Comprehensive income/(loss) for the year (not recyclable to P&L)		-	-	-	-	(850)	-	1,633	-	783
Balance at December 31, 2023	2,558,824,000	255,882	410,047	51,176	182,899	1,379,281	5,306	(8,771)	566,740	2,842,560

CHAPTER 5

Notes to the Financial Statements



Company information

Prada S.p.A. is a joint-stock company, registered and domiciled in Italy. Its registered office is in via A. Fogazzaro 28, Milan, Italy. As of December 31, 2023, approximately 79.98% of Prada S.p.A.'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 Mrs. Miuccia Prada Bianchi and Mr. Patrizio Bertelli.

The Company is not subject to the management and coordination 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 7, 2024.

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, 2023, 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 S.p.A. from January 1, 2023.

Amendments to existing standards	Effective date for Prada S.p.A.	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 Separate Financial Statements.

Prada S.p.A. 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 15 December 2022 (implementing the OECD/G20 Pillar II proposal), in Italy is effective as from 1st of January 2024 as per Italian Legislative Decree No. 209 of 27 December 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 Prada S.p.A. - 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 Company 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 Company, 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 regulation is not effective at 31 December 2023, it had no impact on current taxes in the financial statements.

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

Amendments to existing standards	Effective date for Prada S.p.A.	EU endorsement status
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

New standards and amendments issued by the IASB, but not yet endorsed by the European Union at December 31, 2023.

New IFRS Standards and Amendments to existing standards	Effective date for Prada S.p.A.	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

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 Statement of Profit or Loss is classified by function.
Cash flow information is reported in the Statement of cash flows that is prepared using the indirect method.
The material accounting policies and the notes are an integral part of the Financial Statements.

Material 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%
Assets under construction	0%

(*) 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%
Assets in progress	0%

(*) 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 or loss statement.
In addition, the options for the extension and early termination of the lease agreements are re-evaluated and re-considered when a significant event or a change occurs in the circumstances that are under the control of the Group and this will influence the assessment of the reasonable certainty of the exercise options.
Low value contracts (the price of the asset, when new and 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.

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, allocated to each of the acquirer's cash generating units ("CGU") or group of CGUs that are expected to benefit from the synergies of the combination. CGUs and group of CGUs are determined based on the organisational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets.
When the carrying amount of these assets exceeds their recoverable amount, it is reduced accordingly and the impairment loss is recognised in the profit or loss.
The recoverable amount of the asset is the higher of its fair value less costs of disposal (where there is an active market) and its value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Estimated cash flow is based on budget, forecast and on long-term projections approved by the management. A long-term growth rate is calculated and applied to project future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate post-tax that reflects current market assessments of the time value of money and the risks specific to the asset.
An impairment loss is recognised in the profit or loss for the period whenever the recoverable amount of the cash generating unit or group of cash generating units is lower than its book value. An impairment loss recognised for goodwill is never reversed in subsequent years.

Property, plant and equipment, right of use assets and intangible assets (other than goodwill) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates 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 same process described in the accounting policy "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 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 not 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.

Non-current financial liabilities are initially recognised 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.

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 S.p.A. 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 materialise so that it might be necessary to make adjustments to the values of the liabilities recognised.
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 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.

Impact of climate change-related matters on financial statements
The Group has defined a climate strategy with the objective of reducing greenhouse gases (GHG) emissions, positively contributing to the global goal of fighting climate change. The strategy, which is integrated into Group's business model and operations, includes medium-term carbon reduction targets related to direct GHG emissions (scope 1), indirect GHG energy emissions (scope 2), and other indirect GHG emissions from sources not owned or controlled by the Company itself (scope 3).

The main action on going to reach the targets for scope 1 and scope 2 are the following:
- electrification of industrial sites heating/cooling systems;
- switch to a green company car fleet;
- increase in self-produced energy from owned photovoltaic systems;
- nvestment in renewable energy procurement, including the participation, within the Fashion Pact coalition, to launch a Collective Virtual Power Purchase Agreement (CVPPA) in the European region, which will start in the next few years;
- increase of LEED Gold or Platinum certifications.

The above actions have had and will have an impact on the Company's Financial Statements in terms of new investments and recurring operations (e.g. purchase of certified carbon credits and GOs certificates, purchase of certified raw materials, purchase of sustainable logistics and procurement services).

Management has also assessed the impact of climate change and the measures taken to comply with the climate strategy on the criteria for the preparation of the Financial Statements, with particular reference to the estimates and assumptions as defined in the section "Use of Estimates".
In addition, to align the performance of the Company's key personnel with the interests of the stakeholders and to reinforce the Company's commitment to ESG issues, the Company has established a long-term variable incentive plan that includes financial indicators and the achievement of specified sustainability objectives. Fulfillment of these criteria was taken into account in the evaluation of the long-term incentive plans.
At this stage, management has assessed that the impact on the Company's financial statements is not material as it has not identified any specific asset or liability items that are subject to estimation processes at the reporting date that could be significantly affected by climate change issues.

Use of estimates
In accordance with IFRS, preparation of the 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 recognised 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 obligations for returns, the post-employment benefits or other long term benefits to employees, 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

As a result of the internal reorganisation process of the Church's brand, business transactions were completed in 2023, resulting in the merger of the following companies: Church's English Shoes Switzerland Sa in Prada Switzerland sa, Church Japan Company Ltd in Prada Japan Co Ltd, Church English Shoes Sa in Prada Belgium sprl, Church France Sas in Prada Retail France Sas, and Church Italia S.r.l. in Prada S.p.A..

On May 26, 2023, Caffè Principe S.r.l. was merged into Marchesi 1824 S.r.l. in order to increase the synergies within the Group in the food and beverage sector.

On June 15, 2023, Pelletteria Figline S.r.l. was merged into Figline S.r.l. and on October 30, 2023 Pelletteria Ennepì S.r.l. was merged in Prada S.p.A. in order to rationalise the manufacturing activities of the Group.

On September 5, 2023, Prada S.p.A. and Ermenegildo Zegna signed an agreement for the acquisition of a minority stake in Luigi Fedeli e Figlio S.r.l., an Italian knitwear company located in Monza (near Milan), in order to assure continuity, preserve know-how, and continue to create value for 'Made in Italy' in the name of craftsmanship and innovation. Prada S.p.A. and Ermenegildo Zegna each acquired a 15% stake.

On October 10, 2023, Prada S.p.A. and Store Specialist Inc. have signed a joint-venture agreement with the establishment of the new company Prada Philippines Inc. with the aim of developing the commercial activities in the Philippines. In the new company, Prada S.p.A. owns 60% of the share capital.

Statement of Financial Position

1. Cash and cash equivalents

The composition of cash and cash equivalents as of December 31, 2023 and December 31, 2022 is presented hereunder:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Cash on hand	6,257	3,719
Bank deposit accounts	171,805	473,022
Bank current accounts	46,965	44,147
Total cash and cash equivalents	225,028	520,888

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 2023	December 31 2022
Trade receivables due from third parties	172,642	141,369
Trade receivables due from Parent company	35	18
Trade receivables due from subsidiaries	550,625	787,686
Trade receivables due from associates	775	626
Total trade receivables	724,077	929,699

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 analytical 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 customer, was set up to represent the creditworthiness of wholesale clients.

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Trade receivables, third parties, net	177,733	146,412
Allowance for bad and doubtful debts	(5,091)	(5,043)
Trade receivables, third parties, net	172,642	141,369

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Trade receivables from subsidiaries, associates, related and parent companies, gross	562,531	792,672
Allowance for bad and doubtful debts	(11,097)	(4,342)
Trade receivables from subsidiaries, associates, related and parent companies, net	551,435	788,330
Total	724,077	929,699

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Opening Balance	9,385	7,773
Increase/(decrease) due to merger	84	-
Increases	7,005	1,750
Utilized	(189)	(50)
Reversals	(98)	(88)
Other Movements	1	-
Closing Balance	16,188	9,385

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

			Overdue (in days)				
(amounts in thousands of Euro)	December 31, 2023	Current	1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables third parties	177,733	148,183	21,442	1,184	605	93	6,226
Trade receivables subsidiaries	561,722	356,216	76,185	27,552	21,612	2,311	77,846
Trade receivables associates	775	775	-	-	-	-	
Trade receivables parent companies	35	12	-	-	-	-	23
Total at December 31, 2023	740,264	505,186	97,627	28,735	22,217	2,404	84,095

			Overdue (in days)				
(amounts in thousands of Euro)	December 31, 2022	Current	1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables third parties	146,412	124,906	10,329	2,188	558	26	8,405
Trade receivables subsidiaries	792,028	442,837	129,827	43,694	11,086	11,605	152,979
Trade receivables associates	626	333	288	-	-	-	5
Trade receivables parent companies	18	5	-	-	-	-	13
Total at December 31, 2022	939,084	568,081	140,444	45,882	11,644	11,631	161,402

3. Inventories, net

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Raw materials	109,050	102,413
Work in progress	28,340	23,241
Finished products	250,436	203,025
Returns asset	60,058	57,508
Allowance for obsolete and slow-moving inventories	(104,868)	(84,622)
Inventories, net	343,017	301,565

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at December 31, 2022	32,087	52,535	84,622
Increases	9,370	10,881	20,251
Utilized	-	(5)	(5)
Balance at December 31, 2023	41,457	63,411	104,868

4. Derivative financial instruments: assets and liabilities

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

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Financial assets regarding derivative instruments, current	15,774	22,484
Financial assets regarding derivative instruments, non-current	890	5,812
Total Financial Assets - Derivative financial instruments	16,664	28,296

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

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Financial liabilities regarding derivative instruments, current	(8,550)	(12,317)
Financial liabilities regarding derivative instruments, non-current	(347)	(1,713)
Total Financial Liabilities - Derivative financial instruments	(8,897)	(14,030)
Net carrying amount - current and non-current portion	7,767	14,266

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

(amounts in thousands of Euro)	December 31 2023	December 31 2022	IFRS7 Category
Forward contracts	9,411	12,673	Level II
Options	2,423	6,361	Level II
Interest rate swap - cash flow hedge	3,396	6,699	Level II
Interest rate swap - fair value through profit and loss	1,434	2,563	Level II
Positive Fair Value	16,664	28,296	
Forward contracts	(7,475)	(10,426)	Level II
Options	(69)	(1,140)	Level II
Interest rate swap - cash flow hedge	-	-	Level II
Interest rate swap - fair value through profit and loss	(1,354)	(2,465)	Level II
Negative Fair Value	(8,897)	(14,030)	
Net carrying amount	7,767	14,266	

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 used to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives used 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 rate transactions

The cash flows resulting from the Company's international activities, especially sales-related activities, are exposed to exchange rate volatility. In order to hedge this risk the Company enters into options and forward sale and purchase agreements, so as to protect the value of identified cash flows in Euro.

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, 2023) are listed below.

Contracts in effect as of December 31, 2023 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2023
Currency			
US Dollar	55,204	238,914	294,118
Chinese Renminb	57,318	173,229	230,547
Korean Won	54,406	115,788	170,194
Japanese Yen	-	118,339	118,339
GB Pound	-	77,096	77,096
Canadian Dollar	7,035	17,620	24,655
Taiwan Dollar	-	22,811	22,811
Swiss Franc	-	18,143	18,143
Hong Kong Dollar	8,457	29,312	37,769
Malaysia Ringgit	-	11,620	11,620
Other currencies	4,798	80,766	85,564
Total	187,218	903,638	1,090,856

Contracts in effect as at December 31, 2023 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts	December 31 2023
Currency		
GB Pound	35,671	35,671
Swiss Franc	33,153	33,153
US Dollar	43,514	43,514
Korean Won	20,925	20,925
Taiwan Dollar	8,876	8,876
Malaysia Ringgit	3,939	3,939
Other currencies	26,329	26,329
Total	172,407	172,407

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 Renminb	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

All contracts in place at December 31, 2023 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, 2023 and December 31, 2022 are summarised below:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	Dec. 31 2023	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	23,833	1.46%	May-2030	875	Euro/000	Term Loan	23,833	May-2030
IRS	Euro/000	100,000	1.33%	Apr-2025	2,332	Euro/000	Term Loan	100,000	Apr-2025
IRS	Euro/000	52,200	2.65%	Feb-2026	190	Euro/000	Term Loan	52,200	Feb-2026
Total fair value (amounts in thousands of Euro)					3,397				

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	Dec. 31 2022	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	27,500	1.46%	May-2030	1,688	Euro/000	Term Loan	27,500	May-2030
IRS	Euro/000	100,000	1.33%	Apr-2025	4,280	Euro/000	Term Loan	100,000	Apr-2025
IRS	Euro/000	77,400	2.65%	Feb-2026	731	Euro/000	Term Loan	77,400	Feb-2026
Total fair value (amounts in thousands of Euro)					6,699				

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 amount	Interest rate paid	Interest rate received	Maturity date	December 31, 2023	December 31, 2022	Counterparty
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	45,222	2.77%	Libor GBP/365	31/01/2029	1,434	2,563	Unicredit
IRS	GBP/000	45,222	2.83%	Libor GBP/365	31/01/2029	(1,354)	(2,465)	Kenon Ltd
Total IRS – Fair value through profit or loss						80	98	

Information on financial risks

Capital management

The Company's capital management strategy aims to guarantee a fair economic return to shareholders, protect the interests of other stakeholders, maintain a balanced capital structure with a high degree of creditworthiness, reducing the average cost of debt and minimizing financial risks.

Categories of financial assets and liabilities according to IFRS 7

Financial assets

The following is the detail of financial assets required by IFRS 7 under the categories required by IFRS 9:

(amounts in thousands of Euro)	Financial assets designated at fair value	Held to collect	Held to collect and sale	Other	Equity instruments	Total	Notes
Cash and cash equivalents	-	-	-	225,028	-	225,028	1
Trade receivables, net	-	724,077	-	-	-	724,077	2
Derivative financial instruments	16,664	-	-	-	-	16,664	4
Financial receivables from parent, subsidiary and associated companies and related parties	-	342,722	-	-	-	342,722	5
Financial receivables IFRS16 - lease	-	19,354	-	-	-	19,354	5
Investments in equity instruments	-	-	-	-	5,184	5,184	10
Investments in subsidiaries and associates	-	-	-	-	1,312,798	1,312,798	10
Total at December 31, 2023	16,664	1,086,153	-	225,028	1,317,982	2,645,827	

(amounts in thousands of Euro)	Financial assets designated at fair value	Held to collect	Held to collect and sale	Other	Equity instruments	Total	Notes
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	-	812,088	5
Financial receivables IFRS16 - lease	-	22,283	-	22,283	-	44,566	5
Investments in equity instruments	-	-	-	-	3,551	3,551	10
Investments in subsidiaries and associates	-	-	-	-	793,436	793,436	10
Total at December 31, 2022	28,296	1,358,026	-	949,215	796,987	3,132,524	

Financial liabilities

The following is the detail of financial liabilities required by IFRS 7 under the categories required by IFRS 9:

(amounts in thousands of Euro)	Financial liabilities designated at fair value	Amortised cost	Financial liabilities held for trading	Total	Notes
Financial payables - third party	-	401,953	-	401,953	13, 18
Financial payables - parent, subsidiary and associated companies and related parties	-	100,069	-	100,069	14
Trade payables	-	557,055	-	557,055	15
Derivative financial instruments	8,897	-	-	8,897	4
Lease liabilities (IFRS16)	-	366,709	-	366,709	12
Total at December 31, 2023	8,897	1,425,787	-	1,434,684	

(amounts in thousands of Euro)	Financial liabilities designated at fair value	Amortised cost	Financial liabilities held for trading	Total	Notes
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	14,030	1,441,332	-	1,455,362	

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 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 to which an entity is exposed is represented by all the financial assets recognised in the financial statements.

However, according to management, the Company's credit risk regards essentially the trade receivables generated from sales to independent clients in the wholesale channel and the cash holdings.

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 securing new funds, leading to a failure in meeting its financial obligations. The Directors are responsible for managing liquidity risk, while the Group Chief Financial Officer (CFO), supported by the Deputy Group CFO is in charge of optimising the management of financial resources.

According to the Directors, the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Company to meet its financial requirement arising from investing activities, working capital management, punctual loan repayment and dividend payments in the foreseeable period.
At December 31, 2023, the Company had undrawn cash credit lines of Euro 604 million, of which Euro 400 million committed and Euro 204 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, 2023	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	(7,475)	(3,804)	(3,671)	-	-	-
Net cash flows (outflows/inflows) of options	-	-	-	-	-	-
Interest rate swaps	3,476	1,880	1,033	283	82	200
Net value	(3,999)	(1,924)	(2,638)	283	82	200

(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

Financial liabilities

(amounts in thousands of Euro)	Reported amount at December 31, 2023	Future contractual cash flows at December 31, 2023	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)	366,709	-	-	28,761	28,183	53,123	51,183	48,671	156,788
Financial payables to banks	401,478	401,478	-	95,847	33,989	130,378	129,178	3,667	9,167
Financial payables to subsidiaries, parent company and related parties	100,069	100,069	86,191	13,878	-	-	-	-	-
Total	868,256	501,547	86,191	138,486	62,172	183,501	180,360	52,337	165,955

(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

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.

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, 2023:

	Euro --> + 5%		Euro --> - 5%	
(amounts in thousands of Euro)	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	(198)	2,504	1,118	(1,868)
Hong Kong Dollar	696	2,114	(699)	(2,012)
Japanese Yen	(1,304)	2,763	1,441	(2,127)
Chinese Remnimbi	275	6,333	(32)	(7,221)
US Dollar	(3,462)	6,834	(4,172)	(6,927)
Other currencies	(4,137)	10,179	3,785	(12,768)
Total	(8,131)	30,726	9,786	(32,923)

The total impact on equity (increase of Euro 31 million and decrease of Euro 33 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.

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

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations mainly with regard to interest expense on its financial debt. The Interest rate risk management is under the ultimate responsibility of the Group CFO.

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, 2023.

(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%	(695)	(345)	-0.50%	695	335
GB Pound	+ 0.50%	180	181	-0.50%	(180)	(181)
Hong Kong Dollar	+ 0.50%	12	12	-0.50%	(12)	(12)
US Dollar	+ 0.50%	277	277	-0.50%	(277)	(277)
Other currencies	+ 0.50%	465	465	-0.50%	(465)	(465)
Total		239	590		(239)	(600)

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.

Other risks

Risks factors affecting the international luxury goods market and those specific to the Company are described in the Financial Review in the paragraph "Risks factors and management".

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 2023	December 31 2022
Financial receivables	194,557	238,750
Other receivables	11,012	19,710
Short term receivable IFRS16	3,324	3,277
Financial and other receivables - due within a year	208,893	261,736

The financial receivables include Euro 161.3 million of the principal on the loans to subsidiaries due within 12 months, shown net of the allowance for expected credit losses of Euro 3.3 million.
The amount is broken down by counterparty in Note 28.
Long-term financial receivables due from subsidiaries and associates are set forth below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Financial receivables	148,165	167,294
Long term receivable IFRS16	16,030	19,007
Financial and other receivables - due after or more than a year	164,195	186,301

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 2.3 million.
Some financial receivables were waived to carry out the recapitalisation of some subsidiaries as detailed in Note 10.

6. Other current assets

The other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
VAT	16,910	18,107
Income tax and other tax receivables	68,103	33,654
Other assets	6,567	3,425
Prepayments	94,800	62,554
Deposits	1,111	1,506
Total other current assets	187,491	119,246

The Income tax and other tax receivables at December 31, 2023 consist of the total advances paid net of the current tax liabilities.

Other assets
The other current assets are detailed hereunder:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Advances to suppliers	3,298	2,009
Advances to employees	599	464
Other receivables	2,670	952
Total other current assets	6,567	3,425

Prepayments
The prepayments and accrued income are broken down below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Rental costs	174	125
Insurance	137	791
Design Costs	33,194	29,210
Fashion shows and advances on advertising campaigns	30,798	19,418
Others	30,497	13,010
Total prepayments and accrued income	94,800	62,554

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 improvements	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
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	49,644	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
Historical cost	679,112	254,914	151,385	220,650	126,891	35,865	1,468,817
Accumulated depreciation	(157,886)	(190,168)	(119,130)	(96,350)	(85,042)	-	(648,576)
Net carrying amount at December 31, 2023	521,226	64,746	32,255	124,300	41,849	35,865	820,241

The changes in the carrying amount of "property, plant and equipment" for the year ended December 31, 2023 are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Asset under construction	Total Net carrying amount
Balance at December 31, 2022	505,166	51,258	37,049	127,672	38,352	37,171	796,669
Increase/ (decrease) due to mergers	5	469	189	146	23	31	861
Additions	24,804	18,250	2,331	2,899	6,189	15,766	70,238
Depreciation	(15,145)	(11,117)	(8,969)	(6,555)	(5,831)	-	(47,617)
Disposals	(199)	(69)	(103)	(231)	(178)	(540)	(1,321)
Other movements	7,528	5,956	1,770	384	3,299	(15,669)	3,268
Impairment	(932)	-	(13)	(14)	(2)	(895)	(1,856)
Balance at December 31, 2023	521,226	64,746	32,255	124,300	41,849	35,865	820,241

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 increase in leasehold improvements and furniture & fittings regarded primarily restyling and relocation projects for the retail premises.
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	Development costs and other intangibles	Assets in progress	Total
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	205,586
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
Historical cost	14,456	115,976	33,665	289,358	29,149	49,670	532,274
Accumulated depreciation	(13,951)	(5,544)	(33,665)	(187,066)	(29,035)	-	(269,261)
Net carrying amount at December 31, 2023	505	110,432	-	102,292	114	49,670	263,013

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

The changes in the carrying amount of intangible assets for the year ended December 31, 2023 are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store lease acquisition	Software	Development costs and other intangibles	Assets in progress	Total
Balance at December 31, 2022	431	108,607	188	84,908	1,506	30,695	226,335
Increase/ (decrease) due to merger	3	-	-	-	-	-	3
Additions	193	1,826	-	20,495	18	46,895	69,426
Amortization	(122)	-	(188)	(30,652)	(1,410)	-	(32,371)
Disposals	-	-	-	(355)	-	(25)	(381)
Other movements	-	(1)	-	27,896	-	(27,895)	-
Balance at December 31, 2023	505	110,432	-	102,292	114	49,670	263,013

Goodwill

Impairment test

"Goodwill" as at December 31, 2023 amount to Euro 110.4 million, of which Euro 90.9 million related to the CGU "Prada" and Euro 19.5 million related to the CGU "Miu Miu", as detailed below.
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 Company 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.
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	90,886
Miu Miu	19,546
Total	110,432

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.

Following the impairment tests carried out, no impairment losses were identified.

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.

9. Right of use assets

The changes in the net book value of the Right of Use assets for the period ended December 31, 2023 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	333,638	1,383	2,081	337,102
Increase/ (decrease) due to merger	14,500	-	-	14,500
New contracts, initial direct costs and remeasurement	52,326	1,540	1,767	55,633
Depreciation	(54,739)	(1,079)	(829)	(56,647)
Contracts termination	(194)	(359)	(753)	(1,306)
Closing balance	345,531	1,485	2,266	349,284

Right of use asset increased by Euro 12 million, mainly as a result of the mergers for 14 million and new contracts and remeasurement of existing leases for Euro 56 million, net of depreciation for Euro 57 million.

10. Investments

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Investments in subsidiaries and associated undertakings	1,312,798	793,436
Investments at FVTOCI	5,184	3,551
Other investments	238	159
Total	1,318,220	797,146

The investments as at December 31, 2023 and December 31, 2022 are presented hereunder:

(amounts in thousands of Euro)	Note	December 31 2022	Increases	Decreases	December 31 2023
Investments in subsidiaries:					
Artisans Shoes S.r.l.		2,706	-	-	2,706
Caffè Principe S.r.l.	(2)	3,573	-	(3,573)	-
Church & Co Ltd	(8)	5,349	37,872	(1,023)	42,198
Church English shoes SA	(1)	292	-	(292)	-
Church France Sas	(1)	2,600	-	(2,600)	-
Church Italia S.r.l.	(1)	-	862	(862)	-
Church Japan Company Ltd	(1)	2,016	-	(2,016)	-
Church's Eng. Shoes Sw.SA	(1)	1,225	-	(1,225)	-
Figline S.r.l.	(7)	1,222	-	(1,222)	-
Hipic Prod Impex S.r.l.		11,292	-	-	11,292
IPI Logistica S.r.l.		1,798	-	-	1,798
Kenon Ltd		99,478	-	-	99,478
Luna Rossa Challenge S.r.l.	(7)	17,032	-	(14,711)	2,321
Marchesi 1824 S.r.l.	(7), (8)	5,258	11,555	(16,813)	-
PRM Services S. de R.L. de C.V.		407	-	-	407
Pelletteria Ennepì S.r.l.	(3)	5,272	-	(5,272)	-
Post Development Corp		54,807	-	-	54,807
Prada (Thailand) Co Ltd	(9)	4,845	5,311	-	10,157
Prada Asia Pacific Ltd		4,773	-	-	4,773
Prada Australia Pty Ltd		7,267	-	-	7,267
Prada Austria GmbH	(1)	2,185	1,023	-	3,208
Prada Belgium sprl	(1)	4,004	292	-	4,296
Prada Bosphorus Deri Mamuller Ltd Sirketi	(9)	6,743	8,842	-	15,585
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda		14,859	-	-	14,859
Prada Canada Corp		5,086	-	-	5,086
Prada Czech Republic Sro		1,894	-	-	1,894
Prada Denmark Aps		3,491	-	-	3,491
Prada Germany GmbH		14,122	-	-	14,122
Prada Hellas Sole Partner Llc		21,764	-	-	21,764
Prada Japan Co Ltd	(1)	28,770	2,016	-	30,786
Prada Kazakhstan Llp		4,938	-	-	4,938
Prada Korea Llc		10,631	-	-	10,631
Prada Middle East Fzco		2,106	-	-	2,106
Prada Monte-Carlo Sam	(7), (8)	10,433	3,000	(6,921)	6,511

(amounts in thousands of Euro)	Note	December 31 2021	Increases	Decreases	December 31 2022
Prada Netherlands Bv		3,623	-	-	3,623
Prada New Zealand Ltd		2,192	-	-	2,192
Prada Norway As		8	1	-	9
Prada Panama Sa		906	-	-	906
Prada Philippines Inc.	(4)	-	3,845	-	3,845
Prada Portugal Unipessoal Lda		955	-	-	955
Prada Retail Aruba Nv		1,623	-	-	1,623
Prada Retail France SaS	(9)	48,195	32,600	-	80,795
Prada Retail Malaysia Sdn Bhd	(9)	292	7,099	-	7,392
Prada Retail South Africa (Pty) Ltd		861	-	-	861
Prada Retail UK Ltd		21,170	-	-	21,170
Prada Retail Wll		3,041	-	-	3,041
Prada Rus LLC	(7)	36,840	-	(11,306)	25,534
Prada SA		23,315	-	-	23,315
Prada Saint Barthelemy SARL		1,600	-	-	1,600
Prada Saipan Llc		1,093	-	-	1,093
Prada San Marino S.r.l.		156	-	-	156
Prada Saudi Arabia Ltd		10,671	-	-	10,671
Prada Singapore Pte Ltd		2,478	-	-	2,478
Prada Spain Sl	(8)	29,375	60,300	-	89,675
Prada Sweden AB		8,121	-	-	8,121
Prada Switzerland sa	(8)	59,327	9,847	-	69,174
Prada USA Corp	(5)	145,759	390,097	-	535,856
Prada Ukraine Llc	(7)	6	-	(6)	-
Prada Vietnam Limited Liability Company		5,735	-	-	5,735
Tannerie Limoges Sas		1,374	66	-	1,440
Subsidiaries		770,954	574,628	(67,843)	1,277,739
Investments in associates					
Conceria Superior S.p.A.		20,072	28	-	20,100
Filati Biagioli Modesto S.r.l.	(10)	450	6,700	(2)	7,148
Les Femmes S.r.l.	(8)	1,960	1,128	-	3,088
Luigi Fedeli e Figlio Srl	(6)	-	4,724	-	4,724
Associates		22,483	12,580	(2)	35,060
Investments in other entities		3,710	1,712	-	5,421
Total		797,146	588,920	(67,845)	1,318,220

Investments for which potential impairment indicators have been identified, were tested for impairment. In order to perform the impairment test, management determined 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 plans 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, 2023, the WACC used for discounting purposes ranged between 6.2% and 12%. 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 2.5% and 3.1%, in light of the diverging inflation and GDP outlooks in the various countries, however, the prevalent growth rate was 2.5%, 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.

For some of the subsidiaries the recoverable amount has been determined based on the subsidiary net equity. If the subsidiaries’ net equity is negative a provision for coverage of losses is accounted for.

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

(amounts in thousands of Euro)	Investment impairment	Provision for coverage of losses	December 31 2023
Figline S.r.l.	(1,222)	(4.793)	(6,015)
Luna Rossa Challenge S.r.l.	(14,711)	-	(14,711)
Marchesi 1824 S.r.l.	(16,813)	(184)	(16,997)
Prada Monte-Carlo Sam	(6,921)	-	(6,921)
Prada Rus LLC	(11,306)	-	(11,306)
Prada Ukraine Llc	(6)	(731)	(737)
Total	(50,980)	(5,709)	(56,687)

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. As a result of the internal reorganisation process of the Church's brand, business transactions were completed in 2023, resulting in the merger of the following companies: Church’s English Shoes Switzerland Sa in Prada Switzerland sa, Church Japan Company Ltd in Prada Japan Co Ltd, Church English Shoes Sa in Prada Belgium sprl, Church France Sas in Prada Retail France SaS, and Church Italia S.r.l. in Prada S.p.A..
2. On May 26, 2023, Caffè Principe S.r.l. was merged into Marchesi 1824 S.r.l. in order to increase the synergies within the Group in the food and beverage sector.
3. On October 30, 2023 Pelletteria Ennepì S.r.l. was merged in Prada S.p.A. in order to rationalise the manufacturing activities of the Group.
4. On October 10, 2023, Prada S.p.A. and Store Specialist Inc. have signed a joint-venture agreement with the establishment of the new company Prada Philippines Inc. with the aim of developing the commercial activities in the Philippines. In the new company, Prada S.p.A. owns 60% of the share capital.
5. In December 2023, Prada USA received a capital injection of Euro 390 million in order to invest in a highly strategic building at 724, 5th Avenue (New York), which currently hosts a Prada store.
6. On September 5, 2023, Prada S.p.A. and Ermenegildo Zegna signed an agreement for the acquisition of a minority stake in Luigi Fedeli e Figlio S.r.l., an Italian knitwear company located in Monza (near Milan), in order to assure continuity, preserve know-how, and continue to create value for ‘Made in Italy’ in the name of craftsmanship and innovation. Prada S.p.A. and Ermenegildo Zegna each acquired a 15% stake.
7. The decrease reflects the write-down ensuing from the analysis conducted to determine the recoverable amount.
8. The increase in the investment refers to the capital contribution made by Prada S.p.A. through the waiver of its receivables.
9. The increase in the investment represents the capital contribution paid in by Prada S.p.A., approved by the Board of Directors in 2023.
10. The increase in Filati Biagioli Modesto S.r.l. is made by waiver of receivables (Euro 2.2 million) and by capital contribution paid in (Euro 4.5 million).

Additional information on subsidiaries and associates:

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income (loss) (**)	Shareholders' equity (**)	% interest held
Subsidiaries					
Artisans Shoes S.r.l.	2,706	1,000	423	6,167	66.7%
Church & Co Ltd	42,198	3,234	1,445	22,677	100.0%
Figline S.r.l.	-	(535)	(5,928)	(4,793)	100.0%
Hipic Prod Impex S.r.l.	11,292	5,119	823	5,822	100.0%
IPI Logistica S.r.l.	1,798	600	132	3,093	100.0%
Kenon Ltd	99,478	96,657	2,126	99,579	100.0%
Luna Rossa Challenge S.r.l.	2,321	20	(400)	2,324	100.0%
Marchesi 1824 S.r.l.	-	1,042	(4,954)	(184)	100.0%
Post Development Corp	54,807	78,364	3,704	71,142	100.0%
Prada Asia Pacific Ltd	4,773	348	11,149	363,489	100.0%
Prada Australia Pty Ltd	7,267	8,301	1,845	17,662	100.0%
Prada Austria GmbH	3,208	40	(171)	9,366	100.0%
Prada Belgium sprl	4,296	4,075	162	5,206	100.0%
Prada Bosphorus Deri Mamuller Ltd Sirketi	15,585	10,811	(2,039)	2,515	100.0%
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	14,859	63,412	189	20,914	100.0%
Prada Canada Corp	5,086	205	2,377	39,310	100.0%
Prada Czech Republic Sro	1,894	101	152	1,328	100.0%
Prada Denmark Aps	3,491	3,489	(23)	4,027	100.0%
Prada Germany GmbH	14,122	215	126	14,224	100.0%
Prada Hellas Sole Partner Llc	21,764	4,350	252	21,577	100.0%
Prada Japan Co Ltd	30,786	7,676	26,622	66,457	100.0%
Prada Kazakhstan Llp	4,938	996	463	2,308	100.0%
Prada Korea Llc	10,631	5,667	27,242	119,323	100.0%
Prada Maroc Sarlau	-	8,706	-	1	100.0%
Prada Middle East Fzco	2,106	4,435	3,220	55,052	60.0%
Prada Monte-Carlo Sam	6,511	2,000	(760)	871	100.0%
Prada Netherlands Bv	3,623	20	547	13,821	100.0%
Prada New Zealand Ltd	2,192	2,000	10	2,174	100.0%
Prada Norway As	9	3	(634)	(650)	100.0%
Prada Panama Sa	906	27	(42)	930	100.0%
Prada Philippines Inc.	3,845	6,201	(2)	6,199	60.0%
Prada Portugal Unipessoal Lda	955	5	477	3,506	100.0%
Prada Retail Aruba Nv	1,623	1,820	106	2,162	100.0%
Prada Retail France SaS	80,795	7,252	410	59,655	100.0%
Prada Retail Malaysia Sdn Bhd	7,392	7,090	612	14,467	100.0%
Prada Retail UK Ltd	21,170	5,753	(152)	33,523	100.0%
Prada Retail Wll	3,041	3,723	(977)	7,422	100.0%
Prada Rus LLC	25,534	3	(4,640)	25,534	100.0%
Prada SA	23,315	31	10,948	272,885	100.0%
Prada Saint Barthelemy SARL	1,600	1,600	1,201	2,796	100.0%
Prada Saipan Llc	1,093	1,272	7	2,255	100.0%
Prada San Marino S.r.l.	156	26	68	46	100.0%
Prada Saudi Arabia Ltd	10,671	6,434	(730)	4,562	75.0%
Prada Singapore Pte Ltd	2,478	685	2,496	29,722	100.0%
Prada Retail South Africa (Pty) Ltd	861	2,457	69	876	100.0%
Prada Spain Sl	89,675	240	672	78,442	100.0%
Prada Sweden AB	8,121	45	68	3,838	100.0%
Prada Switzerland sa	69,174	25,918	(1,231)	46,963	100.0%

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Prada (Thailand) Co Ltd	10,157	15,063	1,694	23,879	100.0%
Prada Ukraine Llc	-	5,715	(735)	(731)	100.0%
Prada USA Corp	535,856	524,173	15,499	689,411	100.0%
Prada Vietnam Limited Liability Company	5,735	5,532	77	4,302	100.0%
PRM Services S. de R.L. de C.V.	407	385	(9)	969	100.0%
Tannerie Limoges Sas	1,440	600	-	264	60.0%
Associates					
Conceria Superior S.p.A. (*)	20,100	4,028	36	12,313	43.65%
Filati Biagioli Modesto S.r.l. (*)	7,148	7,900	1,817	3,940	39.88%
Les Femmes S.r.l. (*)	3,088	400	695	1,636	40.00%
Luigi Fedeli e Figlio Srl (*)	4,724	3,358	1,390	7,120	15.00%
	1,312,799				

(*) Statutory figures at 31/12/2022

(**) Exchange rates as at 31/12/2023

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 2023	December 31 2022
Prepaid for commercial agreements	45,907	50,080
Sundry other long-term receivables	10,148	18,168
Long-term guarantee deposits	3,594	4,291
Total	59,649	72,539

Deposits

The security deposits are set forth below by type:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Nature:		
Stores	1,185	1,857
Offices	71	44
Warehouses	18	11
Other	2,320	2,379
Total	3,594	4,291

The security deposits are set forth below by maturity:

(amounts in thousands of Euro)	December 31 2023
Maturity:	
within 1-2 years	43
within 2-3 years	71
within 3-4 years	26
within 4-5 years	55
After 5 years	3,400
Total	3,594

12. Lease liability

The following table sets forth the lease liabilities:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Short-term Lease Liability	56,945	51,085
Long-term Lease Liability	309,764	305,073
Total	366,709	356,158

The Lease Liabilities increased from Euro 356 million at December 31, 2022 to Euro 366.7 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 2023	December 31 2022
Bank overdrafts	7	7
Short-term loans	50,747	558
Current portion of long-term loans	79,089	90,200
Deferred costs on loans	(152)	(224)
Short-term financial payables and bank overdrafts	129,691	90,541

The increase in short-term loans as at December 31, 2023 consist of the use of uncommitted credit lines. 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 2023	December 31 2022
Financial payables	100,069	81,529
Other payables	9,801	31,042
Total payables due within a year	109,871	112,571

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 2023	December 31 2022
Financial payables due to subsidiaries	-	13,878
Total payables due after more than a year	-	13,878

The decrease is due to the short-term reclassification of the Prada SA financial payables.

15. Trade payables

The trade payables are set forth below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Trade payables - Third parties	267,702	232,662
Trade payables - Subsidiaries	285,259	310,428
Trade payables - Associates	4,103	4,937
Trade payables – Related parties	(9)	(1)
Total	557,055	548,026

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, 2023	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables third parties	267,702	215,679	41,519	3,014	975	1,103	5,412
Trade payables subsidiaries	285,259	253,290	15,260	2,508	4,627	2,177	7,397
Trade payables associates	4,103	2,434	1,641	11	18	-	-
Trade payables related	(9)	(9)	-	-	-	-	-
Total at December 31, 2023	557,055	471,395	58,419	5,533	5,620	3,280	12,809

(amounts in thousands of Euro)	December 31, 2022	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables third parties	232,662	186,020	37,887	1,545	367	718	6,125
Trade payables subsidiaries	310,428	285,562	10,222	2,146	1,534	607	10,357
Trade payables associates	4,937	3,872	1,065	-	-	-	-
Trade payables related	(1)	(1)	-	-	-	-	-
Total at December 31, 2022	548,026	475,453	49,174	3,691	1,902	1,325	16,482

16. Tax payables

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Current income taxes	-	163,907
VAT and other taxes	31,590	31,111
Social security and pension contribution liabilities	15,757	13,416
Total	47,347	208,434

Details of "Current income taxes" are provided in Note 27 to the Financial Statements.
"VAT and other taxes" also include 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 follows:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Payables for capital expenditures	49,130	33,363
Payables to employees	62,222	43,159
Provision for returns	137,351	124,600
Accrued expenses and deferred income	6,064	6,971
Other payables	10,923	10,576
Total	265,690	218,669

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 capital expenditures" includes the amounts due for capital expenditure as at December 31, 2023, 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 1.8 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 2023	December 31 2022
Long-term bank borrowings	272,389	351,478
Deferred costs on loans	(127)	(278)
Total	272,262	351,200

In 2023, the current portions of long-term loans were repaid for a total amount of Euro 79 million; no new medium/long-term loans were stipulated.
Prada S.p.A.'s loan covenants were fully complied with at December 31, 2023 and they are expected to be complied within the next 12 months as well.

The long-term bank borrowings as at December 31, 2023, 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 S.p.A.	23,834	Term-loan	EUR	05/2030	2.737%	3,667	20,167	Mortgage loan
Prada S.p.A.	10,000	Term-loan	EUR	10/2024	4.702%	10,000	-	-
Prada S.p.A.	100,000	Term-loan	EUR	04/2025	2.000%	-	100,000	-
Prada S.p.A.	100,000	Term-loan	EUR	07/2026	4.445%	-	100,000	-
Prada S.p.A.	52,200	Term-loan	EUR	02/2026	3.549%	25,200	27,000	-
Prada S.p.A.	11,111	Term-loan	EUR	06/2024	4.535%	11,111	-	-
Prada S.p.A.	21,000	Term-loan	EUR	01/2025	4.574%	18,000	3,000	-
Prada S.p.A.	33,333	Term-loan	EUR	11/2026	4.705%	11,111	22,222	-
Total	351,478					79,089	272,389	

(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 2023	December 31 2022
Post-employment benefits	17,805	15,400
Other long-term employee benefits	16,046	22,777
Total	33,851	38,177

Post-employment benefits
The post-employment benefits recognised as at December 31, 2023 amount to Euro 17.8 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:

(amounts in thousands of Euro)		December 31 2023		December 31 2022
Average duration of plan (years)		9.4		9.4
Discount rate		3.08%		3.76%
Inflation rate:				
	2024:	3.0%	2023:	3.0%
	2025:	2.5%	2024:	2.5%
	2026 and following:	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 follows:

	Defined Benefit Plans (TFR)
Actuarial adjustments due to:	
(a) Changes in financial assumptions	1,430
(b) Other assumptions	(192)
(c) Experience adjustment	(119)
Actuarial (gains)/losses	1,119

Sensitivity analysis conducted on the main actuarial assumptions used as at December 31, 2023 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)	2024	2025	2026	2027	After 2027
Defined Benefit Plans (TFR)	1,324	972	1,054	1,124	20,261

The changes in the liabilities for post-employment benefits as at December 31, 2023 are shown hereunder:

(amounts in thousands of Euro)	Post - employment benefits
Balance at December 31, 2022	15,400
Increase due to business combinations	459
Current service cost	593
Increase due to mergers	1,469
Actuarial (Gains)/Losses	1,119
Indemnities paid	(1,235)
Balance at December 31, 2023	17,805

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, 2023, calculated using PUCM and fair value methodologies, resulted in Euro 16 million (Euro 22.8 million as at December 31, 2022), according to an independent actuarial appraisal.

The following table presents the changes in other long-term employee benefits for the year ended December 31, 2023:

(amounts in thousands of Euro)	Other long term employee benefits
Balance at December 31, 2022	22,777
Current service cost	16,056
Increase due to merger	194
Utilization for payments	(22,980)
Balance at December 31, 2023	16,046

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 litigations	Provision for coverage of losses of subsidiaries / associates	Other provisions	Total
Balance at December 31, 2022	-	-	3,376	3,376
Increases	106	5,709	2,059	7,874
Increases due to mergers	-	-	456	456
Utilisation for payments	-	-	(206)	(206)
Reversals	-	-	(1,295)	(1,295)
Balance at December 31, 2023	106	5,709	4,391	10,205

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.

Main tax disputes

The Company's main tax disputes at the reporting date are described hereunder.

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 recognizing (i) the possibility for Prada S.p.A. to deduct the amount that, in the opinion of the Italian Tax Authority, 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 provisions
In the year, liabilities for customs risk previously presented as provision for tax disputes were reclassified to other risk provision for more accurate representation.
PRADA spa 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.
The other provisions also include some contractual obligations.

Provision for coverage of losses of subsidiaries
The provision for coverage of losses of subsidiaries has been accrued as at December 31, 2023, as described in Note 10.

21. Other non-current liabilities

The other non-current liabilities are as follows:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Deferred income for commercial agreements	98,713	107,687
Total	98,713	107,687

Deferred income for commercial agreements decreased by Euro 9 million compared to December 31, 2022.

22. Equity

Equity composition is set forth hereunder:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
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	1,379,281	1,094,216
Fair value reserve	(8,771)	(10,404)
Cash flow hedge reserve	5,306	7,927
Net profit (loss) for the year	566,740	571,683
Total	2,842,560	2,563,426

Share capital
As at December 31, 2023, approximately 80% of Prada S.p.A.'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, 2023.

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 4.3 million deriving from the incorporation of the fully owned subsidiaries Church Italia S.r.l. and Pelletteria Ennepì S.r.l., whose book value of equity was lower than the value of the investment held by Prada S.p.A.. As described in Assirevi's OPI 2 document, parent-subsidiary mergers do not fall within the scope of IFRS 3 ("Business Combinations") applicability because they are restructuring operations that do not involve trade transactions or acquisitions.

Dividends
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.

Availability of equity

				Summary of utilisation in the last of three years	
(amounts in thousands of Euro)	December 31 2023	Possible utilisation	Amount distributable	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	1,379,281	A, B, C	1,358,767	16,176	268,677
Fair value reserve	(8,771)				
Time value reserve	(57)				
Intrinsic value reserve	5,363				
Distributable amount			1,951,713	16,176	268,677

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 2.6 billion.
Royalty income is Euro 102.9 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 36.4% on 2023.
The amount is broken down by counterparty in Note 28.

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Net Sales	2,449,433	2,433,852
Royalties	102,908	75,472
Net revenues	2,552,341	2,509,324

24. Cost of goods sold

The cost of goods sold is summarised below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Purchases of raw materials and production costs	766,945	758,151
Logistic costs, duties and insurance	83,705	101,120
Change in Inventories	(31,376)	(30,040)
Total	819,274	829,231

The incidence of the cost of goods sold on net revenues for the twelve months ended December 31, 2023 was 32%, compared to the 33% of 2022.
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 amount is broken down by counterparty in Note 28.

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 2023	December 31 2022
Depreciation of Right of Use	1,270	834
Depreciation, amortisation and impairment	12,210	12,318
Labour costs	104,946	91,853
Short term and low value lease (IFRS 16)	15	-
Fixed Rent	4	2
Total	118,445	105,007

25. Operating expenses

The operating expenses are summarised below:

(amounts in thousands of Euro)	December 31 2023	% of net revenues	December 31 2022	% of net revenues
Advertising and promotion expenses	241,608	9.5%	193,296	7.7%
Product design and development costs	120,015	4.7%	113,426	4.5%
Selling expenses	387,355	15.2%	289,289	11.5%
General and administrative costs	133,889	5.2%	115,340	4.6%
Total	882,868	34.6%	711,350	28.3%

The total operating expenses were Euro 883 million, up by Euro 172 million from those of 2022. The increase is attributable primarily to higher variable costs ensuing from greater communication activities, higher personnel costs and other general and administrative expenses.
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 242 million in the twelve months ended December 31, 2023, were up by Euro 48 million from the same period of 2022.
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 134 million in the twelve months ended December 31, 2023, showed an increase of Euro 19 million.
The following table sets forth depreciation, amortisation, impairment, labour costs and rent expense included within the operating expenses in accordance with the requirements of IAS 1:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Depreciation of Right of Use	54,938	49,559
Depreciation, amortisation and impairment	65,608	60,462
Labour costs	257,745	217,079
Pure Variable Lease (IFRS 16)	5,545	3,659
Short term and low value lease (IFRS 16)	379	556
Fixed Rent	781	629
Total	384,996	331,944

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 2023	December 31 2022
Interest expenses on borrowings	(22,722)	(7,688)
Interest income	37,274	14,128
Interest income/(expenses) IAS 19	(681)	104
Exchange gains/(losses) - realised	(14,076)	(17,414)
Exchange gains/(losses) - unrealised	(6,829)	(1,288)
Other financial income/(expenses)	(53,267)	(143,177)
Interest and other financial income/(expenses), net	(60,301)	(155,333)
Interest income/(expenses) on lease liabilities	(5,853)	(4,125)
Dividends from investments	24,584	49,594
Total	(41,570)	(109,865)

The exchange gains and losses refer exclusively to financial assets, including the effects of derivatives.
The interest on lease liabilities represents the present value adjustment of lease liabilities.
The other financial expenses mainly regard 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 2023	December 31 2022
Prada Asia Pacific Ltd	-	27,849
Prada Japan Co Ltd	3,681	2,071
Post Development Corp	19,775	-
Prada SA	-	17,999
Artisans Shoes S.r.l.	500	1,201
Other equity investments	627	474
Total	24,583	49,594

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 2023	December 31 2022
Current taxation	255,862	283,999
Prior year taxes	(1,128)	17,666
Deferred taxation	(12,845)	(14,470)
Total	241,889	287,195

Tax expenses totalled Euro 242 million, corresponding to 29.9% of the pre-tax income.
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 2023	December 31 2022		
Employee benefits - defined benefit plans	504	235	-	268
Inventories	30,163	24,572	5,591	-
Property, plant and equipment	3,377	2,639	691	-
Intangible assets	(1,241)	(262)	(1,060)	-
Provisions for risks and charges	23,078	19,728	3,347	-
Allowance for doubtful debts	(581)	(1,369)	788	-
Derivative instruments	(1,675)	(2,503)	-	828
NOL carryforward	-	-	(20)	-
Other temporary differences	9,457	5,611	3,509	-
Total	63,082	48,651	12,845	1,096

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	194,071	24.00%	31,800	3.93%	225,871	27.93%
Dividends exempted	(5,605)	-0.69%	-	-	(5,605)	-0.69%
ACE	(5,700)	-0.70%	-	-	(5,700)	-0.70%
Impairment adjustment to investments	12,235	1.51%	-	-	12,235	1.51%
Other permanent differences	9,548	1.18%	(9,799)	-1.21%	(251)	-0.03%
Adjustments in annual tax return "UNICO"	(773)	0.10%	(623)	0.08%	(1,397)	-0.18%
Dividend withholding tax	1,289	0.16%	-	-	1,289	0.16%
Difference between income before taxation and net value of production	-	-	15,446	1.91%	15,446	1.91%
Taxes for period	205,065	25.36%	36,823	4.55%	241,888	29.91%
Temporary differences	11,432	1.41%	1,145	0.14%	12,577	1.55%
Current taxation	216,497	26.77%	37,968	4.69%	254,465	31.46%

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 S.p.A. (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 2023	Trade payables December 31 2023	Trade receivables December 31 2022	Trade payables December 31 2022
Subsidiaries	561,721	285,259	792,028	310,428
Artisans Shoes S.r.l.	383	18,237	433	14,863
Caffè Principe S.r.l.	-	1	13	-
Church & Co (USA) Ltd	-	-	142	2
Church & Co Ltd	3,813	5,726	12,588	13,650
Church Austria Gmbh	-	-	59	-
Church Denmark Aps	-	1	124	4
Church English shoes SA	-	-	53	-
Church Footwear (Shanghai) Co Ltd	-	-	86	1
Church Footwear Ab	-	-	175	1
Church France Sas	-	2	291	15
Church Germany Gmbh	-	-	71	-
Church Hong Kong Retail Ltd	-	2	118	-
Church Ireland Retail Ltd	-	-	(0)	-
Church Italia S.r.l.	-	-	3,764	1,142
Church Japan Company Ltd	-	-	23	-
Church Korea Llc	-	-	94	-
Church Netherlands Bv	-	-	193	-
Church Spain Sl	-	-	38	-
Church UK Retail Ltd	-	(20)	1,017	11
Church's Eng. Shoes Sw.SA	-	-	156	7
Church's Singapore	-	-	178	-
Figline S.r.l.	1,087	465	461	1,286
Hipic Prod Impex S.r.l.	858	5,466	516	3,357
IPI Logistica S.r.l.	582	929	596	639
Kenon Ltd	4	-	10	-
Luna Rossa Challenge S.r.l.	1,764	7	1,763	-
Marchesi 1824 S.r.l.	2,595	3,317	10,155	1,813
Marchesi 1824 S.r.l. - UK Branch	157	316	106	-
Pelletteria Ennepì S.r.l.	-	-	372	1,181
Pelletteria Figline S.r.l.	-	-	8	-
Post Development Corp	21	-	19	-
Prada (Thailand) Co Ltd	3,619	706	15,394	284
Prada Asia Pacific Ltd	7,449	20,812	4,364	64,044
Prada Australia Pty Ltd	3,741	1,262	5,302	878
Prada Austria GmbH	2,560	1,292	2,805	1,896
Prada Belgium sprl	3,614	1,326	3,211	883
Prada Bosphorus Deri Mamuller Ltd Sirketi	18,039	748	18,232	184
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	14,890	2,324	12,262	841
Prada Canada Corp	3,849	4,663	11,414	5,484
Prada Company SA	(8)	-	12	-
Prada Czech Republic Sro	2,734	227	3,550	126
Prada Denmark Aps	3,349	826	2,808	1,281
Prada Dongguan Trading Co Ltd	49	45	38	63
Prada Emirates Llc (*)	2,364	1,047	1,745	540
Prada Fashion Commerce (Shanghai) Co Ltd	76,654	32,707	170,460	29,114
Prada Germany GmbH	8,945	11,131	9,537	5,788
Prada Guam LLC	195	1,139	1,391	1,598
Prada Hawaii Corp.	-	7	-	7
Prada Hellas Sole Partner Llc	2,425	120	2,239	114

(amounts in thousands of Euro)	Trade receivables December 31 2023	Trade payables December 31 2023	Trade receivables December 31 2022	Trade payables December 31 2022
Prada Japan Co Ltd	43,462	1,296	19,237	2,201
Prada Kazakhstan Llp	13,626	569	13,363	95
Prada Korea Llc	65,694	12,265	77,517	3,792
Prada Kuwait Wll (*)	1,544	31	924	31
Prada Macau Co Ltd	6,804	541	6,893	13,758
Prada Middle East Fzco	28,973	11,586	39,309	1,284
Prada Monte-Carlo Sam	3,274	1,476	1,222	3,261
Prada Netherlands Bv	5,624	591	6,075	208
Prada New Zealand Ltd	298	633	610	945
Prada Norway As	167	-	13	-
Prada Philippines Inc.	37	-	-	-
Prada Portugal Unipessoal Lda	4,786	416	4,458	271
Prada Retail Aruba Nv	130	780	2,543	598
Prada Retail France SaS	26,634	16,513	25,551	27,748
Prada Retail Malaysia Sdn Bhd	2,205	1,714	2,937	82
Prada Retail Mexico S. de R.L. de C.V.	8,438	493	9,949	1,599
Prada Retail South Africa (Pty) Ltd	518	1,515	515	1,521
Prada Retail UK Ltd	51,646	25,973	39,753	11,569
Prada Retail UK Ltd - Ireland Branch	2,860	574	2,429	796
Prada Retail Wll	2,240	2,408	1,623	222
Prada Rus LLC	22,663	20	28,367	121
Prada SA	57	28	46	28
Prada Sa - Swiss Branch	710	12,273	2,014	4,166
Prada Saint Barthelemy SARL	2,903	663	4,213	401
Prada Saipan Llc	78	551	888	1,264
Prada San Marino S.r.l.	2,255	70	2,209	227
Prada Saudi Arabia Ltd	944	3,443	1,254	2,190
Prada Singapore Pte Ltd	4,553	1,154	15,846	67
Prada Spain Sl	5,767	651	15,303	408
Prada Sweden AB	1,912	927	595	620
Prada Switzerland sa	7,498	6,372	6,549	4,910
Prada Taiwan Ltd - Taipei Branch	3,764	3,144	10,335	1,590
Prada USA Corp	70,969	58,774	147,120	72,352
Prada Ukraine Llc	1,204	1,540	1,201	-
Prada Vietnam Limited Liability Company	1,668	890	2,772	385
Tannerie Limoges Sas	84	553	13	622
Associates	775	4,103	626	4,937
Conceria Superior S.p.A.	-	1,460	-	2,926
Filati Biagioli Modesto S.r.l.	59	171	27	67
Les Femmes S.r.l.	716	2,470	599	1,944
Luigi Fedeli e Figlio Srl	-	2	-	-
Parent companies	35	-	18	-
BELLATRIX S.P.A.	3	-	-	-
PRADA HOLDING S.P.A.	32	-	18	-

(amounts in thousands of Euro)	Trade receivables December 31 2023	Trade payables December 31 2023	Trade receivables December 31 2022	Trade payables December 31 2022
Related	-	(9)	-	(1)
Immobiliare Rivalsa SpA (**)	-	8	-	-
LUDO DUE S.R.L.	-	(14)	-	(7)
Peschiera Immobiliare S.r.l.	-	(3)	-	6
Total	562,531	289,353	792,672	315,364

Note:
(*) Company consolidated based on definition of control per IFRS10
(**) Immobiliare Rivalsa S.p.A., previously an independent third party that owns a real estate property in Milan leased by the Company since 2019, was acquired in 2023 by a subsidiary of Prada Holding S.p.A. (the "Acquisition"). The right of use asset and lease liability amounts are recognised under a lease agreement entered into between the Company and Immobiliare Rivalsa S.p.A. prior to the Acquisition.

(amounts in thousands of Euro)	Financial receivables December 31 2023	Other receivables December 31 2023	Financial receivables December 31 2022	Other receivables December 31 2022
Subsidiaries	367,688	11,010	429,109	19,710
Artisans Shoes S.r.l.	8,872	322	2,964	238
Caffè Principe S.r.l.	-	-	501	-
Church & Co Ltd	1,440	153	57,888	153
Church Italia S.r.l.	33	-	19	8,425
Figline S.r.l.	7,019	537	2,123	-
Hipic Prod Impex S.r.l.	14,198	-	18,463	-
IPI Logistica S.r.l.	-	36	-	14
Luna Rossa Challenge S.r.l.	16,323	9,427	6,270	10,014
Marchesi 1824 S.r.l.	27,612	44	32,190	120
Pelletteria Ennepì S.r.l.	-	-	291	-
Pelletteria Figline S.r.l.	-	-	4,125	338
Prada (Thailand) Co Ltd	7,910	-	-	-
Prada Asia Pacific Ltd	-	256	-	189
Prada Austria GmbH	5,190	-	5,043	-
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	-	-	-	5
Prada Denmark Aps	4,946	-	2,075	-
Prada Dongguan Trading Co Ltd	-	28	-	38
Prada Fashion Commerce (Shanghai) Co Ltd	-	26	-	6
Prada Germany GmbH	28,021	-	27,498	-
Prada Guam LLC	1,571	-	-	-
Prada Korea Llc	21,086	-	-	-
Prada Maroc Sarlau	-	3	-	3
Prada Middle East Fzco	13,181	-	13,145	5
Prada Monte-Carlo Sam	39,483	-	42,249	-
Prada New Zealand Ltd	1,468	-	1,515	-
Prada Norway As	3,542	125	-	-
Prada Retail France SaS	34,908	-	58,156	-
Prada Retail Malaysia Sdn Bhd	4,003	-	5,429	-
Prada Retail UK Ltd	37,273	47	20,739	35
Prada Retail UK Ltd - Ireland Branch	1,955	-	1,928	-
Prada Retail Wll	20,435	-	21,129	-
Prada Saipan Llc	454	-	471	-
Prada Saudi Arabia Ltd	10,388	-	3,164	-

(amounts in thousands of Euro)	Financial receivables December 31 2023	Other receivables December 31 2023	Financial receivables December 31 2022	Other receivables December 31 2022
Prada Spain Sl	7,771	-	60,836	-
Prada Sweden AB	2,111	-	-	-
Prada Switzerland sa	28,567	-	32,846	121
Prada Taiwan Ltd - Taipei Branch	8,891	-	-	-
Prada USA Corp	-	5	-	5
Prada Ukraine Llc	982	-	707	-
Tannerie Limoges Sas	8,052	-	7,347	-
Associates	2	-	3,349	-
Filati Biagioli Modesto S.r.l.	-	-	2,218	-
Les Femmes S.r.l.	2	-	1,131	-
Related	-	1	-	-
Peschiera Immobiliare S.r.l.	-	1	-	-
Total	367,690	11,012	432,458	19,710

(amounts in thousands of Euro)	*Fair value IRS "fair value through profit or loss"*	
	December 31 2023	December 31 2022
Kenon Ltd	1,434	2,563

(amounts in thousands of Euro)	Financial payables December 31 2023	Other payables December 31 2023	Financial payables December 31 2022	Other payables December 31 2022
Subsidiaries:	100,069	9,801	95,407	31,042
Artisans Shoes S.r.l.	-	656	-	124
Church & Co Ltd	-	43	-	15,539
Church Italia S.r.l.	-	-	-	266
Figline S.r.l.	-	727	-	490
IPI Logistica S.r.l.	2,951	2	3,088	4
Marchesi 1824 S.r.l.	-	2,911	-	11,699
Pelletteria Ennepì S.r.l.	-	-	-	111
Post Development Corp	148	-	153	-
Prada Asia Pacific Ltd	-	6	-	-
Prada Australia Pty Ltd	-	16	-	3
Prada Belgium sprl	-	13	-	-
Prada Bosphorus Deri Mamuller Ltd Sirketi	-	10	-	-
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	-	3	-	4
Prada Canada Corp	-	38	-	27
Prada Dongguan Trading Co Ltd	-	61	-	61
Prada Emirates Llc (*)	-	1	-	-
Prada Fashion Commerce (Shanghai) Co Ltd	-	2,947	-	7
Prada Germany GmbH	423	530	6,083	528
Prada Japan Co Ltd	-	7	-	13
Prada Middle East Fzco	-	-	-	8
Prada Netherlands Bv	8,842	-	10,835	-
Prada Retail France SaS	21	23	4,021	-
Prada Retail Mexico S. de R.L. de C.V.	-	1	-	1
Prada Retail South Africa (Pty) Ltd	-	5	-	5
Prada Retail UK Ltd	-	23	-	-
Prada Retail UK Ltd - Ireland Branch	1,157	-	796	-
Prada Sa - Swiss Branch	86,510	1,572	66,996	1,572
Prada Singapore Pte Ltd	-	(7)	-	-
Prada Spain Sl	1	30	3,210	29
Prada Switzerland sa	16	160	14	134
Prada Taiwan Ltd - Taipei Branch	-	(4)	-	(1)
Prada USA Corp	-	26	210	419
Total	100,069	9,801	95,407	31,042

(*) Company consolidated based on definition of control per IFRS10

(amounts in thousands of Euro)	Other liabilities December 31 2023	Other liabilities December 31 2022
Remuneration of Board of Directors	8,575	4,405

Statement of profit or loss

(amounts in thousands of Euro)	Net Revenues December 31 2023	Net Revenues December 31 2022	Cost of goods sold December 31 2023	Cost of goods sold December 31 2022
Subsidiaries	1,718,917	1,886,673	115,402	118,414
Artisans Shoes S.r.l.	29	4	61,180	61,770
Church & Co Ltd	24	3,131	3,259	12,564
Church Austria Gmbh	-	-	361	-
Church Denmark Aps	-	-	42	-
Church English shoes SA	145	-	-	-
Church Footwear (Shanghai) Co Ltd	-	-	1,948	-
Church Footwear Ab	(458)	-	-	-
Church France Sas	1,129	1	-	-
Church Germany Gmbh	-	-	48	-
Church Hong Kong Retail Ltd	(734)	-	1,361	-
Church Italia S.r.l.	(1)	1	1	-
Church Japan Company Ltd	(259)	-	-	-
Church UK Retail Ltd	-	1	-	-
Church's Singapore	28	-	-	-
Figline S.r.l.	4	2	6,505	6,835
Hipic Prod Impex S.r.l.	13	7	16,121	11,845
IPI Logistica S.r.l.	-	-	639	617
Luna Rossa Challenge S.r.l.	71	55	-	-
Marchesi 1824 S.r.l.	84	3	38	29
Pelletteria Ennepì S.r.l.	-	1	(161)	6,602
Prada (Thailand) Co Ltd	27,422	40,121	87	15
Prada Asia Pacific Ltd	29,974	(35,582)	1,271	1,826
Prada Australia Pty Ltd	15,814	24,944	8	35
Prada Austria GmbH	18,829	17,268	5	9
Prada Belgium sprl	3,855	4,572	57	2
Prada Bosphorus Deri Mamuller Ltd Sirketi	38,258	31,224	101	(1)
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	12,310	17,915	-	-
Prada Canada Corp	29,551	43,172	(2)	-
Prada Czech Republic Sro	3,219	4,283	-	3
Prada Denmark Aps	1,804	3,417	4	-
Prada Dongguan Trading Co Ltd	-	-	615	902
Prada Emirates Llc (*)	(115)	91	(2)	12
Prada Fashion Commerce (Shanghai) Co Ltd	254,654	274,762	19	2
Prada Germany GmbH	44,048	60,095	145	76
Prada Guam LLC	(570)	(519)	-	-
Prada Hellas Sole Partner Llc	6,366	5,561	4	3
Prada Japan Co Ltd	179,241	134,289	354	624
Prada Kazakhstan Llp	8,511	9,897	(1)	-
Prada Korea Llc	234,860	257,679	326	164
Prada Kuwait Wll (*)	-	(1)	(1)	(1)
Prada Macau Co Ltd	26,590	2,320	-	2
Prada Middle East Fzco	68,555	98,157	(193)	-
Prada Monte-Carlo Sam	7,836	4,710	749	1
Prada Netherlands Bv	23,153	22,432	-	1
Prada New Zealand Ltd	56	1,090	-	-
Prada Portugal Unipessoal Lda	13,237	12,666	2	22
Prada Retail Aruba Nv	511	1,205	-	-
Prada Retail France SaS	101,572	88,680	3,494	2,560
Prada Retail Malaysia Sdn Bhd	14,832	17,406	3	6

(amounts in thousands of Euro)	Net Revenues December 31 2023	Net Revenues December 31 2022	Cost of goods sold December 31 2023	Cost of goods sold December 31 2022
Prada Retail Mexico S. de R.L. de C.V.	13,174	17,891	-	11
Prada Retail UK Ltd	68,927	91,008	3,951	1,698
Prada Retail UK Ltd - Ireland Branch	4,286	4,432	-	-
Prada Retail SPC	(1)	36	-	-
Prada Rus LLC	(22)	9,104	-	1
Prada Saint Barthelemy SARL	2,710	3,474	-	-
Prada Saipan Llc	(629)	(435)	-	-
Prada San Marino S.r.l.	2,532	2,132	-	-
Prada Saudi Arabia Ltd	75	257	88	78
Prada Singapore Pte Ltd	34,961	45,240	38	46
Prada Spain Sl	48,457	48,510	54	42
Prada Sweden AB	833	2,569	-	2
Prada Switzerland sa	10,549	19,820	129	109
Prada Taiwan Ltd - Taipei Branch	19,411	31,972	19	-
Prada USA Corp	349,076	461,412	5,395	3,312
Prada Ukraine Llc	(1,539)	353	-	-
Prada Vietnam Limited Liability Company	1,668	3,837	173	166
Tannerie Limoges Sas	1	1	7,166	6,424
Associates	-	-	23,178	25,085
Conceria Superior S.p.A.	-	-	10,107	13,456
Filati Biagioli Modesto S.r.l.	-	-	4,327	4,150
Les Femmes S.r.l.	-	-	8,742	7,479
Luigi Fedeli e Figlio Srl	-	-	2	-
Parent companies	2	-	-	-
BELLATRIX S.P.A.	2	-	-	-
Related	-	-	(5)	(5)
Peschiera Immobiliare S.r.l.	-	-	(5)	(5)
Total	1,718,919	1,886,676	138,575	143,494

(*) Company consolidated based on definition of control per IFRS10

(amounts in thousands of Euro)	Operating expenses December 31 2023	Operating expenses December 31 2022	Interest and other financial income (expenses), net December 31 2023	Interest and other financial income (expenses), net December 31 2022
Subsidiaries:	(88,694)	(23,498)	21,335	13,392
Artisans Shoes S.r.l.	(2,201)	(2,147)	254	31
Caffè Principe S.r.l.	-	13	4	1
Church & Co (USA) Ltd	-	3	-	-
Church & Co Ltd	(4,626)	(3,254)	1,336	3,213
Church Austria Gmbh	14	16	-	-
Church Denmark Aps	1	11	-	-
Church English shoes SA	9	14	-	-
Church Footwear (Shanghai) Co Ltd	(1)	21	-	-
Church Footwear Ab	2	13	-	-
Church France Sas	28	61	-	1
Church Germany Gmbh	8	17	-	-
Church Hong Kong Retail Ltd	(2)	14	-	-
Church Italia S.r.l.	58	341	-	1
Church Japan Company Ltd	21	42	-	-
Church Korea Llc	(25)	8	-	-
Church Netherlands Bv	3	10	-	-
Church Spain Sl	-	9	-	-
Church UK Retail Ltd	(52)	136	-	-
Church's Eng. Shoes Sw.SA	-	13	-	-
Church's Singapore	3	10	-	-
Figline S.r.l.	128	(3)	227	24
Hipic Prod Impex S.r.l.	308	786	889	795
IPI Logistica S.r.l.	200	164	(83)	(3)
Kenon Ltd	8	10	(706)	994
Luna Rossa Challenge S.r.l.	(14,968)	(14,983)	257	29
Marchesi 1824 S.r.l.	(1,746)	44	370	469
Marchesi 1824 S.r.l. - UK Branch	(265)	39	-	-
Pelletteria Ennepì S.r.l.	(161)	416	-	3
Pelletteria Figline S.r.l.	-	16	75	60
Post Development Corp	2	3	-	-
Prada (Thailand) Co Ltd	1,808	875	143	31
Prada Asia Pacific Ltd	(5,202)	(6,412)	(3)	(4)
Prada Australia Pty Ltd	1,675	1,379	-	24
Prada Austria GmbH	1,191	909	201	50
Prada Belgium sprl	678	514	-	-
Prada Bosphorus Deri Mamuller Ltd Sirketi	16,149	18,419	24	31
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda	462	380	-	-
Prada Canada Corp	(5,578)	(3,822)	-	-
Prada Company SA	-	16	-	-
Prada Czech Republic Sro	312	344	-	-
Prada Denmark Aps	827	416	199	63
Prada Dongguan Trading Co Ltd	49	38	-	-
Prada Emirates Llc (*)	2,985	1,835	-	-
Prada Fashion Commerce (Shanghai) Co Ltd	(2,096)	3,522	-	-
Prada Germany GmbH	3,989	3,893	1,210	354
Prada Guam LLC	112	135	125	-
Prada Hellas Sole Partner Llc	351	378	-	2
Prada Japan Co Ltd	4,164	6,244	-	-
Prada Kazakhstan Llp	4,096	3,615	-	-
Prada Korea Llc	5,637	5,552	163	-
Prada Kuwait Wll (*)	740	515	-	-

(amounts in thousands of Euro)	Operating expenses December 31 2023	Operating expenses December 31 2022	Interest and other financial income (expenses), net December 31 2023	Interest and other financial income (expenses), net December 31 2022
Prada Macau Co Ltd	868	727	-	-
Prada Middle East Fzco	801	502	662	-
Prada Monte-Carlo Sam	1,160	476	3,944	1,533
Prada Netherlands Bv	1,022	843	(66)	(9)
Prada New Zealand Ltd	82	(60)	82	39
Prada Norway As	153	13	96	-
Prada Philippines Inc.	37	-	-	-
Prada Portugal Unipessoal Lda	659	629	5	5
Prada Retail Aruba Nv	76	50	-	-
Prada Retail France SaS	4,798	1,620	3,382	2,225
Prada Retail Malaysia Sdn Bhd	980	611	326	332
Prada Retail Mexico S. de R.L. de C.V.	2,128	4,821	-	-
Prada Retail South Africa (Pty) Ltd	3	-	-	-
Prada Retail UK Ltd	4,562	3,991	2,447	848
Prada Retail UK Ltd - Ireland Branch	234	186	108	56
Prada Retail Wll	(2,803)	1,378	1,711	404
Prada Rus LLC	221	555	-	5
Prada SA	10	7	1	-
Prada Sa - Swiss Branch	(24,723)	(23,384)	(1,168)	(454)
Prada Saint Barthelemy SARL	(805)	536	-	-
Prada Saipan Llc	56	82	40	2
Prada San Marino S.r.l.	242	224	1	1
Prada Saudi Arabia Ltd	(4,372)	(1,460)	165	-
Prada Singapore Pte Ltd	1,617	1,120	-	47
Prada Spain Sl	2,263	1,888	2,181	560
Prada Sweden AB	733	295	20	-
Prada Switzerland sa	1,582	868	2,323	1,393
Prada Taiwan Ltd - Taipei Branch	1,408	841	158	-
Prada USA Corp	(90,381)	(42,666)	(1)	50
Prada Ukraine Llc	1	13	35	7
Prada Vietnam Limited Liability Company	(504)	1,214	-	1
Tannerie Limoges Sas	103	(6)	198	178
Associates	(241)	27	88	47
Conceria Superior S.p.A.	(140)	122	-	-
Filati Biagioli Modesto S.r.l.	(113)	(48)	77	36
Les Femmes S.r.l.	12	(47)	11	11
Parent companies	(73)	(68)	(2)	(1)
PRADA HOLDING S.P.A.	(73)	(68)	(2)	(1)
Related	(2,896)	(1,678)	(216)	(158)
Immobiliare Rivalsa SpA (**)	(1,206)	-	(75)	-
LUDO DUE S.R.L.	(1,115)	(1,119)	(118)	(131)
Peschiera Immobiliare S.r.l.	(575)	(559)	(23)	(27)
Total	(91,906)	(25,217)	21,205	13,280

(*) Company consolidated based on definition of control per IFRS10

(**) Immobiliare Rivalsa S.p.A., previously an independent third party that owns a real estate property in Milan leased by the Company since 2019, was acquired in 2023 by a subsidiary of Prada Holding S.p.A. (the "Acquisition"). The right of use asset and lease liability amounts are recognised under a lease agreement entered into between the Company and Immobiliare Rivalsa S.p.A. prior to the Acquisition.

Commitments

Guarantees given

The guarantees concern:
- sureties of Euro 246 million given to third parties and related parties on behalf of Group companies;
- letters of comfort for Euro 281.5 million issued to banks on behalf of subsidiaries.

Other committments

The Company had no significant binding purchase commitments as at December 31, 2023.
In 2011, Prada S.p.A. and Al Tayer Insignia llc ("Al Tayer") stipulated an agreement expiring on December 31, 2021 to develop the Prada and Miu Miu brands in the Middle East retail business (the "joint venture"). That agreement resulted in the establishment of subsidiary Prada Middle East fzco, followed by Prada Emirates llc and Prada Kuwait llc. During the financial year 2023, Prada and Al Tayer managed the joint venture under principles of ordinary administration while negotiating the expired contractual terms. In September 2023 Prada and Al Tayer signed a new JV agreement that provides for the acquisition by Prada S.p.A. of an additional 19% of the shares held by Al Tayer, bringing the Prada S.p.A.'s stake in Prada Middle East fzco to 79% with effect from the registration date of the share transfer on the local authority register (JAFZA's portal). The above mentioned registration took place on January 9, 2024 and, based on the agreed terms, on January 10, 2024 Prada paid the consideration agreed for the share transfer, that has been defined for an amount that does not exceed the corresponding non-controlling interest in equity stated in the financial statement.

Additional information

Board of Director remuneration

Remuneration of Prada S.p.A. Board of Directors for the year ended December 31, 2023 is as follow:

(amounts in thousands of Euro)	December 31 2023
Directors' fees	43,631
Remuneration and other benefits	2,905
Bonuses and other incentives	3,507
Benefits in kind	93
Pension, healthcare and TFR contributions	1,647
Total	51,783

The Board remuneration includes the allocation of the amounts decided at the General Meetings held on April 27, 2023, 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.

Statutory Auditors fees

The Statutory Auditors fees amount to Euro 140 thousands for the period.

Fees in thousands of euro	December 31 2023
Statutory Auditors fees:	
Prada S.p.A.	130
Merged companies	10
Total fees for period	140

Deloitte & Touche S.p.A. fees

The total fees of the independent audit firm, Deloitte & Touche S.p.A. for the audit of Prada S.p.A. accounts (audit of the separate financial statements and Group consolidated financial statements), amount to Euro 514 thousand.

Type of service	Audit firm	Fees in thousands of euro
Audit services	Deloitte & Touche S.p.A.	514
Other advisory services	Deloitte Network	756
Total fees of audit firm for period ended December 31, 2023		1,270

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:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Production	2,234	1,893
Product design and development	956	921
Communications	102	87
Selling	1,126	1,005
General and administrative services	657	560
Total	5,075	4,466

(1) Agency workers included

Headcount [1]	December 31 2023	December 31 2022
Executive	127	115
Manager	478	405
Staff	2,363	2,202
Labor	1,924	1,754
Total	4,892	4,476

(2) Agency workers not included

Employee remuneration

The remuneration of employees by business division as at December 31, 2023 and December 31, 2022 is presented below:

(amounts in thousands of Euro)	December 31 2023	December 31 2022
Production	117,504	103,603
Product design and development	75,281	60,017
Advertising and Communications	10,158	8,970
Selling	94,629	81,848
General and administrative services	81,792	60,587
Total	379,364	315,025

By order of the Board of Directors

Paolo Zannoni
Executive Deputy Chairman

Milan, 7 March 2024

CHAPTER 6

Independent Auditor's Reports

Independent Auditor's Reports

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 Auditor’s 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, 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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 10 to the financial statements, the Company accounts for investments in subsidiaries of Euro 1,277.7 million. In accordance with IAS 36 - Impairment of assets, in light of specific identified impairment indicators, Management carried out impairment tests for some of these investments. In order to measure the recoverable amount of most of the tested assets, Management determined the value in use using present value techniques based on estimates and assumptions using, among others, projected cash

	flows of the subsidiaries, 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 56.7 million have been recognized on investments in subsidiaries. Taking in account 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 identify impairment indicators and to test 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 WACC and g-rate used by Management; • Verification of the mathematical accuracy of the model used to determine the recoverable amount of the tested assets; • 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 2023 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

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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.

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- 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 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 7, 2024

Deloitte.

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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, 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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, 2023, 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, 2023 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, 2023 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.

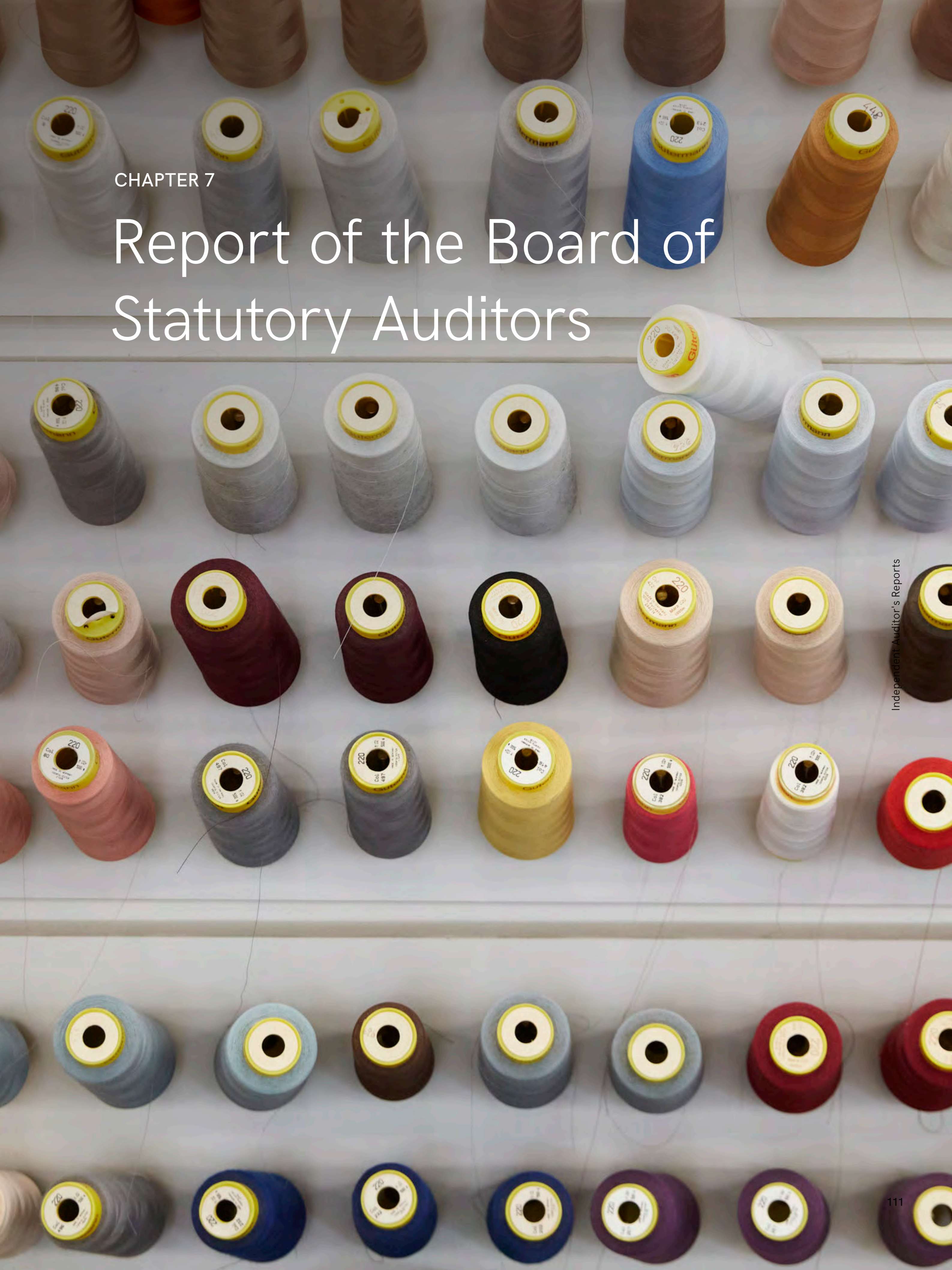
Signed by
Marco Ricci
Partner

Milan, Italy
March 7, 2024

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.

CHAPTER 7

Report of the Board of Statutory Auditors



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, 2023 pursuant to art. 2429, second paragraph of the Italian Civil Code

Dear Shareholders,

during the financial year closed as at December 31st, 2023, 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, 2023 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, 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 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 Statutory Auditors examined the Annual Report of the Audit and Risk Committee for 2023.

The Board of Statutory Auditors reviewed the 2023 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 favoured 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, 2023 and until today's date.

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

2

The Board of Statutory Auditors examined the separate financial statements as of December 31st, 2023 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 di 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 adopted impairment test procedure, examined by the Audit and Risk Committee and approved by the Board of Directors.

With regard to significant events occurred during 2023, the Board of Statutory Auditors acknowledged the information contained in the Directors' Report.

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, 2023, which give a true and fair view of the financial position of the Company as of December 31st, 2023, 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, 2023 and is compliant with the law. The Independent Auditors' Report on the separate financial statements does not contain any exceptions or requests for disclosure.

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, 2023 which give a true and fair view of the financial position of the Group as of December 31st, 2023, of its operating and cash flows of the period, in compliance with 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, 2023 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 reason hindering the approval of the financial statements closed as at December 31st, 2023 showing a net profit of Euro 566,740,484.21, agreeing with the Directors' proposal on the appropriation of the net profit for the year.

Milan, 7 March 2024

The Board of Statutory Auditors

The Chairman

Antonino Parisi