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PRADA Group

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

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2022

- Prada Group reported net revenues of Euro 4,200.7 million, up by 21.3% at constant exchange rates on 2021;
- Retail sales increased by 23.8% at constant exchange rates on 2021;
- All regions, except Asia Pacific, reported double-digit growth compared with 2021, with Europe +63.4%, Japan +30.5%, Middle East +23% and Americas +22.1%, all at constant exchange rates; Asia Pacific contracted by 1.7% over the year, affected by pandemic-related restrictions in China, but returned to growth in the second half of the year;
- Gross margin increased to 78.8% of net revenues, against 75.7% in 2021;
- EBIT Adjusted¹: Euro 845.2 million, corresponding to 20.1% of net revenues, increasing by 69.2% versus 2021 (Euro 499.5 million, 14.8% of net revenues);
- Net financial surplus of Euro 534.9 million at December 31, 2022;
- Proposed dividend distribution of Euro 0.11 per share.

¹ EBIT Adjusted excludes other non-recurring income / (expenses) that, for the twelve months ended December 31, 2022, consisted of Euro 69.2 million (Euro 10 million in 2021).

Presentation of the Prada Group

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

The Group owns 24 production facilities (21 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania) and its products are sold in 70 countries worldwide mainly through its directly operated stores, which numbered 612 at December 31, 2022. The Prada Group's products are also sold directly through the brands' e-commerce activity and indirectly in selected high-end department stores, by independent retailers in very exclusive locations and by important e-tailers.

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

Basis of presentation

The financial information presented herein refers to the group of companies controlled by the Company, the operating parent company of the Prada Group, and it is based on the Consolidated Financial Statements for the twelve-month period ended December 31, 2022.

At the date of presentation of this document, there were no differences between the International Financial Reporting Standards ("IFRS") approved by the European Union ("EU") and applicable to the Prada Group, and those issued by the International Accounting Standard Board ("IASB"), excluding the two amendments not endorsed yet in the table below.

In 2022 the Group applied IAS 29, "Financial Reporting in Hyperinflationary Economies", as already described in the Announcement of the consolidated results for the six-month period ended June 30, 2022.

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

Amendments to existing standards	Effective Date for Prada Group	EU endorsement date
IFRS 3 Business Combinations	January 1, 2022	Endorsed in June 2021
IAS 16 Property, Plant and Equipment	January 1, 2022	Endorsed in June 2021
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022	Endorsed in June 2021
Annual Improvements 2018-2020	January 1, 2022	Endorsed in June 2021

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

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

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

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

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

Key financial information

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

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

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

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

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

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

2022 highlights

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

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

In Interbrand's "Best Global Brands 2022" rankings, Prada registered more than 20% year-on-year value growth for the second year in a row, and ranked among the 15 fastest-growing brands.

Prada also topped the Lyst rankings for the October-December 2022 period; Miu Miu ranked fourth in the same period. Lyst is a data analysis tool that each

quarter explores the purchasing habits of more than 200 million consumers worldwide, providing a snapshot of the most loved brands and products of the moment. According to Lyst, Miu Miu was the “2022 Brand of the Year”: the successful 2022 Fall/Winter fashion show, highly appreciated by both critics and the public, together with the launch of iconic products, increased the popularity of the brand on social media, also due to the support of celebrities and influencers.

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

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

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

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

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

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

The organisation continued to be strengthened at all levels. The appointment of Andrea Guerra as Prada Group CEO, in January 2023, represents a fundamental governance change aimed at further evolving Prada Group and

easing the generational transition. Equally significant is the appointment of Gianfranco D'Attis as CEO of the Prada brand in December 2022.

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

The figures in respect of the Group's "Consolidated statement of financial position", "Consolidated statement of Profit or Loss for the twelve-month period ended December 31, 2022", "Consolidated statement of comprehensive income for the twelve-month period ended December 31, 2022", "Consolidated statement of cash flows for the twelve-month period ended December 31, 2022", "Consolidated statement of changes in equity", as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte & Touche S.p.A., to the amounts set out in the Group's audited Consolidated financial statements for the twelve-month period ended December 31, 2022 and some of the "Notes to the Consolidated financial statements" thereto, except for the effects deriving from the inclusion of the non-IFRS measure "Other non-recurring income (expenses)" and "Recurring Operating Income / (Loss) - EBIT Adjusted". The work performed by Messrs. Deloitte & Touche S.p.A. in this respect does not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by Messrs. Deloitte & Touche S.p.A. on the announcement.

Consolidated statement of Profit or Loss for the twelve months closed at December 31, 2022 (includes Non-IFRS Measures)

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

Consolidated statement of financial position

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

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

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

Consolidated statement of cash flows for the twelve months closed at December 31, 2022

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

Consolidated statement of comprehensive income for the twelve months closed at December 31, 2022

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

Non-IFRS Measures

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

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

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

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

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

Alternative Performance Measure not further presented

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

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

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

Notes to the consolidated results for the period closed at December 31, 2022

1. Analysis of net revenues

(amounts in thousands of Euro)	twelve months ended December 31 2022		twelve months ended December 31 2021		% change current exc. rates	% change constant exc. rates
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Net revenues

Retail net sales (Directly Operated Stores and e-commerce)	3,736,971	89.0%	2,930,856	87.1%	27.5%	23.8%
Wholesale net sales (independent customers and franchisees)	387,621	9.2%	385,764	11.4%	0.5%	-2.0%
Royalties	76,082	1.8%	49,047	1.5%	55.1%	55.1%
Total net revenues	4,200,674	100%	3,365,667	100%	24.8%	21.3%

Retail net sales by geographical area

Asia Pacific	1,231,659	33.0%	1,192,109	40.7%	3.3%	-1.7%
Europe	1,187,466	31.8%	748,833	25.5%	58.6%	63.4%
Americas	781,825	20.9%	571,692	19.5%	36.8%	22.1%
Japan	368,739	9.9%	296,735	10.1%	24.3%	30.5%
Middle East and other countries	167,282	4.4%	121,487	4.2%	37.7%	23.0%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%

Retail net sales by brand

Prada	3,252,025	87.0%	2,537,061	86.6%	28.2%	24.5%
Miu Miu	431,768	11.6%	346,874	11.8%	24.5%	20.3%
Church's	29,403	0.8%	29,835	1.0%	-1.4%	-2.3%
Other	23,775	0.6%	17,086	0.6%	39.1%	38.9%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%

Retail net sales by product category

Leather goods	1,862,453	49.8%	1,530,418	52.2%	21.7%	18.5%
Clothing	1,085,660	29.1%	825,587	28.2%	31.5%	27.0%
Footwear	690,707	18.5%	520,892	17.8%	32.6%	28.9%
Other	98,151	2.6%	53,959	1.8%	81.9%	77.1%
Total retail net sales	3,736,971	100%	2,930,856	100%	27.5%	23.8%

2. Number of stores

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

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

3. Earnings and dividends per share

Earnings per share basic and diluted

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

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

Dividends per share

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

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

The dividends and the related Italian withholding tax due (Euro 9.3 million), determined by applying the ordinary Italian tax rate to the entire amount of the

dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, were fully paid during the year.

4. Trade receivables, net

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

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

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

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

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

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

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

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

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

5. Inventories, net

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

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

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

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

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial receivables	2,200	-
Other receivables and advances	173	22,866
Total	2,373	22,866

7. Other current assets

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

8. Capital expenditure

The changes in the net carrying amount of property, plant and equipment for the period ended December 31, 2022 are shown below:

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

The changes in the net carrying amount of intangible assets for the period ended December 31, 2022 are shown below:

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

Impairment test

As required by IAS 36 "Impairment of Assets", intangible assets with indefinite useful lives are not amortised, but they are tested for impairment at least once per year. The Group does not report intangible assets with indefinite useful lives other than goodwill. At December 31, 2022, goodwill amounted to Euro 513.7 million, detailed by cash generating unit ("CGU") as shown below:

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

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

Prada Russia CGU

In view of the extraordinary market conditions in Russia, the Prada Russia CGU was tested for impairment at December 31, 2022 (as it had been at June 30, 2022).

The method used to estimate the recoverable amount of the Prada Russia CGU consisted of a multi-scenario approach based on two hypothetical cases that were each assigned a likelihood of occurrence calibrated according to the assumptions made by the Directors, taking into account the information available at the reporting date.

The first scenario assumes the recovery of business in mid-2024, whereas the second one assumes the impossibility of returning to normal market conditions in the medium term and the consequential realisation of the assets through liquidation of the subsidiary. The Discounted Cash Flow method used to identify the recoverable amount (value in use) of the CGU consisted of discounting the projected cash flows generated by the net invested capital of Prada Russia. The business plan used for the impairment test in the scenario of business recovery in 2024 covers an explicit period of five years. The rate used to discount the cash flows is the weighted average cost of capital (WACC). For the year ended December 31, 2022, the WACC used to discount the future cash flows of the Russia CGU was 21%, and it was determined by taking into due consideration the risk profile of the CGU's activities. The "g" rate of growth used to calculate the terminal value was 6%, in light of the inflation and GDP growth outlooks in the local market.

In the second scenario (impossibility of returning to normal market conditions), precise assumptions were made for each of the assets recognised, and an independent expert was employed to assist in estimating the fair values of the buildings owned by the Russian subsidiary.

The results of the impairment test, using the multi-scenario approach, led Directors to write down the fixed assets of the CGU by Euro 43.5 million. Euro 29.7 million of the impairment loss was allocated to reduce the value of the properties owned in Moscow and St. Petersburg, Euro 12.3 million to fully write down the value of the right of use assets referring to leases, and Euro 1.5 million to fully write down the deferred tax assets. The impairment loss of the properties owned was backed up by an appraisal conducted by a leading independent firm of the sector, which estimated the fair value of the two buildings using the Comparative Method of valuation, which compares the real estate being appraised to other comparable assets recently sold or offered on the same market.

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

With respect to the estimated recoverable amount of the buildings, the current volatility characterising the Russian financial system has created significant uncertainty in the real estate industry; in particular, the scarce liquidity in capital markets means, in the case of realising assets through a sale in the short term, more difficulties than those present in normal market conditions. This circumstance entailed using a high level of judgment to estimate the recoverable

amount of the assets tested; therefore, management cannot guarantee that the value of the buildings owned in Russia will not be subject to additional fluctuations (impairment losses or writedown reversals) in the future.

Church's CGU

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

The Discounted Cash Flow method used to identify the recoverable amount (value in use) of the CGU consisted of discounting the projected cash flows generated by the net invested capital of the Church's Group. The recoverable amount was estimated with the assistance of a leading consulting firm and with reference to key valuation parameters. The cash flow projections used for the impairment test were based on the business plan drawn up by management, which covers an explicit period of five years. The rate used to discount the cash flows is the weighted average cost of capital (WACC). For the year ended December 31, 2022, the WACC used to discount the cash flows generated by the Church's CGU was 10.6%, and it was determined taking into due consideration the risk profile of the CGU's activities. The "g" rate of growth used to calculate the terminal value was 2.5%, in light of the prospective inflation in the main countries where the Church's Group operates and of the growth outlook for the luxury goods market.

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

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

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

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

9. Right of Use assets

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

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

The increase for new leases, initial direct costs and remeasurements is attributable to lease renewals (largely in America and Europe) and the remeasurement of the liability to adjust it to indexes commonly used in the real estate industry (mainly the consumer price index).

"Other", amounting to Euro 3.8 million, includes plant, machinery, vehicles and hardware.

10. Other non-current assets

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

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

11. Payables to related parties - current

(amounts in thousands of Euro)	December 31 2022	December 31 2021
Financial payables	3,568	3,360
Other payables	-	5,000
Total	3,568	8,360

12. Trade payables

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

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

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

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

13. Other current liabilities

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

The increase of Euro 62.3 million was due to higher payables for investments, payables to employees and accruals for returns from customers.

14. Provisions for risks and charges

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

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

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

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

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

Management Discussion and Analysis for the year ended December 31, 2022

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

Distribution channels

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

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

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

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

Markets

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

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

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

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

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

Brands

Compared with 2021, Prada retail net sales increased by 24.5% at constant exchange rates (+28.2% at current exchange rates). Miu Miu retail net sales rose

by 20.3% at constant exchange rates (+24.5% at current exchange rates). At constant exchange rate Church's retail net sales fell by 2.3% (-1.4% at current exchange rate) impacted by the reorganisation process and store closures.

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

Product categories

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

Royalties

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

Operating results

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

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

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

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

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

Financial expenses and taxation

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

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

Net income

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

Net invested capital

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

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

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

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

The non-current assets (net) rose by Euro 27 million (Euro 2,517 million at December 31, 2022 versus Euro 2,490 million at December 31, 2021).

The capital expenditures of the year amounted to Euro 276.1 million, against depreciation, amortisation and writedowns of Euro 275.4 million, including the

Euro 29.7 million writedown of assets in Russia and the Euro 19.4 million writedown of the Church's brand.

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

Capital expenditures primarily relate to store restyling and relocation projects, as well as the advancement of the technological and digital roadmap in the retail, manufacturing and corporate areas and continued investments in the manufacturing facilities to strengthen the supply chain.

In addition to the capital expenditures, there was an investment of Euro 19.8 million for the 43.65% stake in Conceria Superior S.p.A., a long-standing supplier of the Group. The acquisition represents another important step towards vertical integration of the Prada Group's supply chain, with the aim of further increasing industrial know-how and quality control along all manufacturing stages. In addition, the investment will accelerate progress on important issues such as traceability of raw materials and transparency of supply chain.

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

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

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

Net financial surplus / (deficit)

The following table presents the composition of the net financial position:

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

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

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

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

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

The following table sets forth the lease liability:

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

The lease liability increased from Euro 2,045 million at December 31, 2021 to Euro 2,108 million at December 31, 2022, primarily as a result of remeasurements for lease extensions or modifications (Euro 496.2 million) net of the payments of the period (Euro 428.2 million).

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

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

Events after the reporting date

No significant events to be reported.

Outlook

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

Corporate Governance Practices

The Company is committed to maintaining the highest standards of corporate governance to create long-term sustainable value for all its stakeholders, including its shareholders.

The corporate governance model adopted by the Company consists of a set of rules, standards and structured procedures aimed at establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders, to enhance shareholders value and to uphold the Group's credibility and reputation. The corporate governance model adopted by the Company complies with the applicable laws and regulations in Italy, where the Company is incorporated, as well as with the principles set out in the Corporate Governance Code (the "Code") in Appendix 14 of the Rules Governing the Listing

of Securities on The Stock Exchange of Hong Kong Ltd (the "Listing Rules"). Full details on the Company's corporate governance practices are set out in the Company's 2022 Annual Report.

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and it is satisfied that such practices have complied with the code provisions set out in the Code, for the year ended December 31, 2022 (the "2022 Year").

Directors' Securities Transactions

The Company has adopted a written procedure governing Directors' securities transactions on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. In response to specific enquiries by the Company, all Directors confirmed that they complied with the required standard set out in the Model Code and the Company's procedure at all applicable times during the 2022 Year. There were no incidents of non-compliance during the 2022 Year.

The Company has also adopted a written procedure governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. This procedure is on terms no less exacting than those set out in the Model Code.

Audit and Risk Committee

The Company has established an Audit and Risk Committee in compliance with Rule 3.21 of the Listing Rules, where at least one member possesses related financial management expertise to discharge the responsibility of the Audit and Risk Committee. The membership of the Audit and Risk Committee consists of three Independent Non-Executive Directors, namely, Mr. Yoël Zaoui (Chairman), Ms. Marina Sylvia Caprotti and Mr. Maurizio Cereda.

During the 2022 Year, the Audit and Risk Committee held five meetings (with an attendance rate of 93.3%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Audit and Risk Committee's Terms of Reference and to make relevant recommendations to the Board. The Audit and Risk Committee's review covered the audit plan for the 2022 Year, the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group for 2021, tax and legal updates and the financial reporting matters (including the annual results for the year ended December 31, 2021 and the interim financial results as at June 30, 2022), before recommending them to the Board for approval.

The Audit and Risk Committee also held three meetings on January 25, 2023, February 27, and March 8, 2023, to examine and recommend to the Board the approval of the 2023 budget of the Group, to discuss the audit activities for the

certification of the 2022 Year Separate Financial Statements and Annual Report of the Company presented by Deloitte & Touche S.p.A., to evaluate the methodology applied to the impairment test, to discuss the status of the major pending litigations, including tax litigations, of the Group, to have an update on the internal audit and risk management activities, to present the 2023 Audit Plan, to review, for the Year 2022, the annual results, the Sustainability Report, the continuing connected transactions, and the Internal Audit Department and Audit and Risk Committee reports.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 2022 Year.

Shareholders' general meeting

The Shareholders' general meeting of the Company will be held on Thursday, April 27, 2023 (the "AGM").

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

Final Dividend

The Board recommends, for the 2022 Year, a final dividend of Euro 281,470,640 (Euro 0.11 per share). The payments shall be made:

- (i) in Euro to the shareholders recorded in the section of the Company's shareholders register kept by the Company at its registered office in Milan (Italy), and
- (ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong.

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

Subject to the shareholders' approval at the AGM of the final dividend, such dividend will be paid by Friday, May 19, 2023.

Book Closure and Record Dates

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

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan (<i>Note 1</i>)	April 24, 2023 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) (<i>Note 2</i>)	From April 25 to April 27, 2023 (both days inclusive)
Record date	April 25, 2023

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

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan (<i>Note 1</i>)	May 4, 2023 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) (<i>Note 2</i>)	May 5, 2023
Record Date	May 5, 2023
Dispatch date of dividend warrants	May 19, 2023

Notes:

1. *All transfers accompanied by the relevant share certificate(s) must be lodged with:*
 - (i) *the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited whose address is at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself; or*
 - (ii) *the Company's registered office at Via Antonio Fogazzaro no. 28, Milan 20135, Italy, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself.*
2. *No transfer of shares will be registered on the book closure date.*

Publication of Annual Results Announcement and Annual Report

This Annual Results Announcement is published on the Company's website at www.pradagroup.com and on the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. The Company's 2022 Annual Report will be published on the same websites and dispatched to shareholders of the Company in due course.

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

Milan (Italy), March 9, 2023

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