PRADA
MILANO
DAL 1913

PRADA spa
(Stock Code: 1913)

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE PERIOD ENDED DECEMBER 31, 2017

- Net sales for the twelve months pro-forma ended December 31, 2017 were Euro 3,008.3 million, -3.8% compared with the twelve months pro-forma ended December 31, 2016 (-2% at constant exchange rates)
- Royalties for the twelve months pro-forma ended December 31, 2017 were Euro 48.2 million, +8.4% compared with the twelve months pro-forma ended December 31, 2016
- EBIT for the twelve months pro-forma ended December 31, 2017 was Euro 360 million, or 11.8% on net revenues
- Group's net income for the twelve months pro-forma ended December 31, 2017 was Euro 248.9 million, or 8.1% on net revenues
- Net Operating cash flows for the eleven-month period ended December 31, 2017 amounted to Euro 446.5 million
- Net financial position standing negative at Euro 103.7 million as at December 31, 2017

Consolidated results for the period ended December 31, 2017

Basis of Preparation

The Board of Director's Financial Review refers to the group of companies controlled by PRADA spa (the "Company"), parent company of the Prada Group (the "Group"). This Review should be read in conjunction with the Consolidated financial statements and the related Notes, which are an integral part thereof.

On May 31, 2017 the Company's General Meeting approved By-Law Article 27, which changed the end of the annual reporting period from January 31 to December 31. For the past few years the proportion of consolidated revenues from the wholesale channel, whose seasonality is concentrated in the middle and at the end of the calendar year, has decreased considerably while that of the retail channel has grown. Therefore, the reasons for changing the end of the reporting period in 2004 to January are no longer applicable.

As a result of the change in the reporting date, the Prada Group's 2017 Statement of Profit or Loss prepared in accordance with IFRS ("2017 IFRS Statement of Profit or Loss") refers to the eleven-month period ended December 31, 2017. Since comparison with the previous IFRS Statement of Profit or Loss for the twelve months ended January 31, 2017 ("2016 IFRS Statement of Profit or Loss") does not provide a proper understanding of the Group's business and financial performance, management has prepared a "Pro-Forma Statement of Profit or Loss" that refers to the twelve months ended December 31, both for 2017 and 2016.

The comments reported herein regarding revenues and operating results refer to the "Pro-Forma Statement of Profit or Loss", whereas those regarding assets, liabilities and equity refer to the IFRS-based Consolidated financial statements as of December 31, 2017 and January 31, 2017.

New accounting standards and amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from February 1, 2017.

Amendments to existing standards	Effective Date for PRADA Group	EU endorsement status
IAS 7 Statement of Cash Flows	February 1, 2017	Endorsed in November 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	February 1, 2017	Endorsed in November 2017

Such amendments did not have a material impact on these Consolidated financial statements.

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 eleven month period ended December 31, 2017", "Statement of consolidated comprehensive income for the eleven month period ended December 31, 2017", Condensed Consolidated statement of cash flows for the eleven month period ended December 31, 2017", "Statement of changes in consolidated shareholders' equity" and some of the "Notes to the Consolidated financial statements" thereto, as set out in this preliminary 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 eleven-month period ended December 31, 2017. The work performed by Messrs. Deloitte & Touche S.p.A. in this respect did 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 preliminary announcement.

The figures in respect of the "Pro-Forma Statement of Profit or Loss" and related details and tables are unaudited.

Key financial information

	IFRS	Pro-forma	Pro-forma	
Key economic figures (amounts in thousands of Euro)	**eleven months closed at December 31 2017**	**twelve months closed at December 31 2017**	**twelve months ended December 31 2016**	**Dec. 31, 2017 vs Dec. 31, 2016**
Net revenues	**2,741,095**	**3,056,475**	**3,170,455**	**-3.6%**
EBITDA	**525,791**	**587,979**	**634,513**	**-7.3%**
EBITDA %	**19.2%**	**19.2%**	**20.0%**	**-**
EBIT	**315,878**	**360,020**	**405,586**	**-11.2%**
EBIT %	**11.5%**	**11.8%**	**12.8%**	**-**
Net income of the Group	**217,721**	**248,925**	**260,231**	**-4.3%**
Earnings per share (Euro)	**0.085**	**0.097**	**0.104**	**-4.3%**

	IFRS	IFRS	IFRS	
Key indicators (amounts in thousands of Euro)	**December 31 2017**	**January 31 2017**	**January 31 2016**	**Dec. 31, 2017 vs Jan. 31, 2017**
Net operating working capital	**546,205**	**556,351**	**665,156**	**(10,146)**
Net invested capital	**2,969,909**	**3,086,089**	**3,212,172**	**(116,180)**
Net financial position surplus/(deficit)	**(103,738)**	**18,441**	**(114,795)**	**(122,179)**
Group shareholders’ equity	**2,844,652**	**3,080,502**	**3,080,340**	**(235,850)**
Average number of employees	**12,112**	**12,326**	**12,414**	**(214)**
Net operating cash flows (*)	**446,517**	**631,850**	**368,465**	**(185,333)**

(*) figure relates to the eleven-month period for December 31, 2017 and to the twelve-month period for previous years

Highlights for the period ended December 31, 2017

During the year, the Prada Group focused on a series of initiatives designed to bolster its commercial performance with strategic prospects of increasing volumes and profitability in the medium term.

With this goal in mind, the Group rebalanced the merchandise mix at stores to feature newer products developed thanks to the creative talents of the design team, inspired, as always, by experimentation with shapes, materials and production techniques. The new mix concerns all product categories and is supported by numerous efforts to further enhance the shopping experience and strengthen relationships with customers. Further progress was made on the 2016 plan to update the concept of Prada and Miu Miu stores according to the brands' new aesthetic concepts; Church's stores are next in line for restyling. Meanwhile, the Group’s sales plan was supported by bold action on the digital front even as physical retail remained at the center of its omnichannel strategy. During the year the Group strengthened its partnerships with the major online sales operators. Moreover, the direct e-commerce channel is growing: it has been enlarged in scope and the new graphic and functional version of the prada.com website, unveiled in December in China, will be gradually expanded to all countries in 2018. The new platform is designed to provide a shopping experience reconceived down to the smallest details, while integrating with brick & mortar stores and social networks. The digital strategy has also involved sizable investments in advertising and communications, in the form of additional media content for social networks and the online world in general.

In various markets the Group has been busy promoting "pop-up" events: temporary displays in the world's most prestigious shopping malls that launch new products and emphasize brand identity. The pop-up concept, which will be expanded and evolve throughout 2018, brings in valuable information on consumption patterns that are immediately transferred to the management and stocking of retail stores.

The market's response to the range of marketing initiatives has been encouraging yet varied, both geographically and in terms of products. Overall, sales trends for the year indicate gradual volume growth over the months, and on the profitability front, a greater contribution of full-price items with respect to 2016. These signals reinforce management's confidence in the ability to achieve the medium/long-term goals.

With respect to manufacturing, additional investments were made with a view to strengthening and optimizing production and distribution. The new cutting facility and materials warehouse in Valvigna (Tuscany) is fully up and running and has been expanded to include all manufacturing support operations, for a current workforce of 700. Also in Tuscany, the Group has completed the second part of the new logistics hub, the central facility from which Prada and Miu Miu merchandise is shipped to all corners of the globe, and has opened a third cutting facility. This latter investment is part of a broader project aimed at keeping a crucial phase of the production process within company walls, for the sake of ensuring top quality. The new manufacturing facilities enable to obtain important benefits in terms of controls over processes and quality, and they stand out for their advanced technologies and the utmost consideration for the work environment.

2017 was a year of special strategic projects regarding image and customer relations. In October the Group reopened Rong Zhai Residence, an old Liberty-style mansion, following a long, elaborate restoration; it is now the Group’s cultural venue in China. Late in the year, Prada officialized its run for the 36th America's Cup, where it will sponsor the Luna Rossa team and take on an additional, first-time role as naming and presenting sponsor of the entire sailing competition.

Considerable investments were made in various business areas in 2017. At the same time it was possible to achieve an operating profit in line with that of the previous period.

Consolidated statement of Profit or Loss for the period ended December 31, 2017

(amounts in thousands of Euro)	IFRS eleven months closed at December 31 2017	%	Pro-forma twelve months closed at December 31 2017	%	Pro-forma twelve months closed at December 31 2016	%
Net sales (Note 2)	2,696,644	98.4%	3,008,280	98.4%	3,126,015	98.6%
Royalties	44,451	1.6%	48,195	1.6%	44,440	1.4%
Net revenues	2,741,095	100.0%	3,056,475	100.0%	3,170,455	100.0%
Cost of goods sold	(710,399)	-25.9%	(810,885)	-26.5%	(888,805)	-28.0%
Gross margin	2,030,696	74.1%	2,245,590	73.5%	2,281,650	72.0%
Operating expenses (Note 3)	(1,714,818)	-62.6%	(1,885,570)	-61.7%	(1,876,064)	-59.2%
EBIT	315,878	11.5%	360,020	11.8%	405,586	12.8%
Interest and other financial income/(expenses), net	(6,731)	-0.2%	(6,168)	-0.2%	(19,250)	-0.6%
Dividends from investments	670	0.0%	670	0.0%	2,252	0.1%
Income before taxation	309,817	11.3%	354,522	11.6%	388,588	12.3%
Taxation	(91,800)	-3.3%	(105,284)	-3.4%	(122,405)	-3.9%
Net income for the period	218,017	8.0%	249,238	8.2%	266,183	8.4%
Net income – Non-controlling interests	296	0.0%	313	0.0%	5,953	0.2%
Net income – Group	217,721	7.9%	248,925	8.1%	260,231	8.2%
Basic and diluted earnings per share (in Euro per share) (Note 4)	0.085		0.097		0.104	
Depreciation, amortization and impairment	209,913	7.7%	227,960	7.5%	228,927	7.2%
EBITDA	525,791	19.2%	587,979	19.2%	634,513	20.0%

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	as at December 31 2017	as at January 31 2017
Assets			
Current assets			
Cash and cash equivalents		892,610	722,214
Trade receivables, net	5	289,973	285,504
Inventories	6	569,929	526,941
Derivative financial instruments – current		13,923	7,045
Receivables from, and advance payments to, related parties - current	7	6,107	14,964
Other current assets	8	192,072	253,375
Total current assets		1,964,614	1,810,043
Non-current assets			
Property, plant and equipment	9	1,522,782	1,542,684
Intangible assets	9	921,458	921,800
Associated undertakings		8,416	11,775
Deferred tax assets		209,402	247,266
Other non-current assets	10	110,698	123,361
Derivative financial instruments - non-current		2,005	-
Total non-current assets		2,774,761	2,846,886
Total Assets		4,739,375	4,656,929
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdrafts and short-term loans		352,971	151,211
Payables to related parties - current	11	4,488	5,542
Trade payables	12	313,697	256,094
Tax payables		68,116	65,467
Derivative financial instruments - current		7,654	13,634
Other current liabilities	13	157,346	144,827
Total current liabilities		904,272	636,775
Non-current liabilities			
Long-term financial payables		638,954	547,628
Post-employment benefits		61,444	67,211
Provision for risks and charges	14	61,815	82,323
Deferred tax liabilities		32,012	31,140
Other non-current liabilities		167,595	179,072
Derivative financial instruments non-current		7,112	8,250
Total non-current liabilities		968,932	915,624
Total Liabilities		1,873,204	1,552,399
Share capital		255,882	255,882
Total other reserves		2,375,084	2,401,500
Translation reserve		(4,035)	144,791
Net income for the year		217,721	278,329
Equity attributable to owners of Group		2,844,652	3,080,502
Equity attributable to Non-controlling interests		21,519	24,028
Total Equity		2,866,171	3,104,530
Total Liabilities and Total Equity		4,739,375	4,656,929
Net current assets		1,060,342	1,173,268
Total assets less current liabilities		3,835,103	4,020,154

Statement of changes in consolidated shareholders' equity (amounts in thousands of Euro, except for number of shares)

												Equity	
(amounts in thousands of Euro)	Number of Shares	**Share Capital**	**Translation Reserve**	Share premium reserve	Cash flow hedge reserve	Actuarial Reserve	Fair Value Available for sale Reserve	Other reserves	**Total Other Reserves**	**Net income for year**	**Equity attributable to owners of Group**	**Equity attributable to Non-Controll. Interests**	**Total Equity**
Balance at January 31, 2016	2,558,824,000	**255,882**	**138,547**	410,047	(7,100)	(8,161)	933	1,959,304	**2,355,023**	**330,888**	**3,080,340**	**17,037**	**3,097,377**
Allocation of 2015 net income	-	-	-	-	-	-	-	330,888	**330,888**	**(330,888)**	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	**(281,471)**	-	**(281,471)**	**(706)**	**(282,177)**
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	**1,014**	**1,014**
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	(2,008)	**(2,008)**	-	**(2,008)**	**280**	**(1,728)**
Comprehensive income for the period (recycled to P&L)	-	-	**6,244**	-	(797)	-	(2,589)	-	**(3,386)**	**278,329**	**281,187**	**6,401**	**287,588**
Comprehensive income for the period (not recycled to P&L)	-	-	-	-	-	2,454	-	-	**2,454**	-	**2,454**	**2**	**2,456**
Balance at January 31, 2017	2,558,824,000	**255,882**	**144,791**	410,047	(7,897)	(5,707)	(1,656)	2,006,713	**2,401,500**	**278,329**	**3,080,502**	**24,028**	**3,104,530**
Allocation of 2016 net income	-	-	-	-	-	-	-	278,329	**278,329**	**(278,329)**	-	-	-
Dividends	-	-	-	-	-	-	-	(307,059)	**(307,059)**	-	**(307,059)**	**(1,014)**	**(308,073)**
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	**89**	**89**
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	**323**	**323**
Comprehensive income for the period (recycled to P&L)	-	-	**(148,826)**	-	4,624	-	(3,914)	-	**710**	**217,721**	**69,605**	**(1,894)**	**67,711**
Comprehensive income for the period (not recycled to P&L)	-	-	-	-	-	1,604	-	-	**1,604**	-	**1,604**	**(13)**	**1,591**
Balance at December 31, 2017	2,558,824,000	**255,882**	**(4,035)**	410,047	(3,273)	(4,103)	(5,570)	1,977,983	**2,375,084**	**217,721**	**2,844,652**	**21,519**	**2,866,171**

Summarized statement of consolidated cash flows

(amounts in thousands of Euro)	eleven months ended December 31 2017	twelve months ended January 31 2017
Net cash flows from operating activities	446,517	631,850
Cash flows generated/(utilized) by investing activities	(211,609)	(226,327)
Cash flows generated/(utilized) by financing activities	324	(376,218)
Change in cash and cash equivalents, net of bank overdrafts	235,232	29,305

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	eleven months ended December 31 2017	twelve months ended January 31 2017
Net income for the period – Consolidated	218,017	284,190
A) Items recyclable to P&L:		
Change in Translation reserve	(151,016)	6,784
Tax impact	-	-
Change in Translation reserve less tax impact	(151,016)	6,784
Change in Cash Flow Hedge reserve	5,729	(914)
Tax impact	(1,105)	117
Change in Cash Flow Hedge reserve less tax impact	4,624	(797)
Change in Fair Value reserve	(3,362)	(3,452)
Tax impact	(552)	863
Change in Fair Value reserve less tax impact	(3,914)	(2,589)
B) Item not recyclable to P&L:		
Change in Actuarial reserve	1,921	3,276
Tax impact	(330)	(821)
Change in Actuarial reserve less tax impact	1,591	2,455
Consolidated comprehensive income for the period	69,302	290,043
Comprehensive income for the period – Non-controlling Interests	(1,907)	6,403
Comprehensive income for the period – Group	71,209	283,640

Notes to the consolidated results for the period ended December 31, 2017

1. Presentation of Prada Group

PRADA spa (the “Company”), together with its subsidiaries (jointly the “Group”), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church’s and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements stipulated with industry leaders, and with the recent acquisition of Pasticceria Marchesi 1824, it has made its entry into the food industry, where it is positioned at the highest levels of quality. Its products are sold in 70 countries worldwide through a network that included 625 Directly Operated Stores (DOS) at December 31, 2017, and a select network of luxury department stores, independent retailers and franchise stores.

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy.

2. Net revenues analysis

Net revenues for the year ended December 31, 2017

	Pro-forma		Pro-forma		
(amounts in thousands of Euro)	twelve months ended December 31 2017		twelve months ended December 31 2016		% change
Net Sales	**3,008,280**	**98.4%**	**3,126,015**	**98.6%**	**-3.8%**
Royalties	**48,195**	**1.6%**	**44,440**	**1.4%**	**8.4%**
Net revenues	**3,056,475**	**100.0%**	**3,170,455**	**100.0%**	**-3.6%**

Net sales analysis

(amounts in thousands of Euro)	Pro-forma twelve months ended December 31 2017		Pro-forma twelve months ended December 31 2016		% change
Net sales by geographical area					
Europe	1,169,679	38.9%	1,182,373	37.8%	-1.1%
Americas	431,843	14.4%	455,802	14.6%	-5.3%
Asia Pacific	972,888	32.3%	984,352	31.5%	-1.2%
Japan	336,810	11.2%	394,191	12.6%	-14.6%
Middle East	92,924	3.1%	104,695	3.4%	-11.2%
Other countries	4,136	0.1%	4,602	0.1%	-10.1%
Total	3,008,280	100%	3,126,015	100%	-3.8%
Net sales by brand					
Prada	2,461,246	81.8%	2,512,648	80.4%	-2.0%
Miu Miu	459,338	15.3%	515,312	16.5%	-10.9%
Church's	70,999	2.4%	80,535	2.6%	-11.8%
Other	16,697	0.5%	17,520	0.5%	-4.7%
Total	3,008,280	100%	3,126,015	100%	-3.8%
Net sales by product line					
Leather goods	1,702,824	56.6%	1,793,492	57.4%	-5.1%
Footwear	624,598	20.8%	681,617	21.8%	-8.4%
Clothing	623,988	20.7%	592,560	19.0%	5.3%
Other	56,870	1.9%	58,346	1.8%	-2.5%
Total	3,008,280	100%	3,126,015	100%	-3.8%
Net Sales of direct operated stores (DOS)	2,443,697	81.2%	2,648,843	84.7%	-7.7%
Sales to Independent customers and franchisees	564,583	18.8%	477,172	15.3%	18.3%
Total	3,008,280	100%	3,126,015	100%	-3.8%

Number of stores

	December 31, 2017		January 31, 2017		December 31, 2016	
	Owned	franchises	Owned	franchises	Owned	franchises
Prada	394	25	387	25	390	23
Miu Miu	167	9	171	9	172	8
Church's	57	-	54	-	54	-
Car Shoe	4	-	5	-	5	-
Marchesi	3	-	3	-	2	-
Total	625	34	620	34	623	31

	December 31, 2017		January 31, 2017		December 31, 2016	
	Owned	franchises	Owned	franchises	Owned	franchises
Europe	229	4	220	4	220	4
Americas	112	-	113	-	115	-
Asia Pacific	184	25	187	25	188	22
Japan	79	-	78	-	78	-
Middle East & Africa	21	5	22	5	22	5
Total	625	34	620	34	623	31

3. Operating expenses

(amounts in thousands of Euro)	Pro-forma twelve months ended December 31 2017	% on net revenues	Pro-forma twelve months ended December 31 2016	% on net revenues
Product design and development costs	130,468	4.3%	123,456	3.9%
Advertising and communications costs	184,752	6.0%	172,995	5.5%
Selling costs	1,399,273	45.8%	1,388,985	43.8%
General and administrative costs	171,077	5.6%	190,628	6.0%
Total	1,885,570	61.7%	1,876,064	59.2%

4. Earnings and dividends per share, basic and diluted

Earnings per share

Earnings per share are calculated by dividing the net income of the period attributable to Group’s shareholders by the weighted average number of ordinary shares in issue.

	eleven months ended December 31 2017	twelve months ended January 31 2017
Group net income in Euro	217,721,032	278,328,814
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and Diluted earnings per share in Euro, calculated on weighted average number of shares	0.085	0.109

Dividend per share

The Board of Directors of PRADA spa has proposed a final dividend of Euro 191,911,800 (Euro/cents 7.5 per share) for the eleven months ended December 31, 2017.

During the period ended December 31, 2017, the Company distributed dividends of Euro 307,058,880 (Euro/cents 12 per share) as approved by Shareholders at the General Meeting held on May 31, 2017 to approve the financial statements for the fiscal year ended January 31, 2017.

The dividends and the related Italian withholding tax (Euro 16 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 paid by December 31, 2017.

5. Trade receivables, net

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Trade receivables – third parties	284,602	268,223
Allowance for bad and doubtful debts	(7,892)	(6,654)
Trade receivables – related parties	13,263	23,935
Total	289,973	285,504

Trade receivables from related parties refer principally to sales of products to Fratelli Prada spa, a related party and franchisee of the Prada Group.

Movements of the allowance for doubtful debts during the period were as follows:

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Opening balance	6,654	6,546
Exchange differences	(171)	(78)
Increases	1,926	578
Reversals	-	(202)
Utilization	(517)	(190)
Closing balance	7,892	6,654

The following table contains a summary of total receivables by due date before the allowance for doubtful debts:

(amounts in thousands of Euro)	as at December 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade receivables	297,865	267,271	9,871	6,225	2,052	1,622	10,824
Total	297,865	267,271	9,871	6,225	2,052	1,622	10,824

(amounts in thousands of Euro)	as at January 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade receivables	292,158	226,210	22,631	16,259	5,766	3,193	18,099
Total	292,158	226,210	22,631	16,259	5,766	3,193	18,099

The following table contains a summary of trade receivables by due date after the allowance for doubtful debts:

(amounts in thousands of Euro)	as at December 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade receivables less allowance for doubtful accounts	289,973	267,133	9,871	6,225	2,052	1,622	3,070
Total	289,973	267,133	9,871	6,225	2,052	1,622	3,070

(amounts in thousands of Euro)	as at January 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade receivables less allowance for doubtful accounts	285,504	225,905	22,613	16,259	5,766	3,193	11,768
Total	285,504	225,905	22,613	16,259	5,766	3,193	11,768

6. Inventories, net

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Raw materials	102,246	103,679
Work in progress	30,556	26,368
Finished products	484,709	444,049
Allowance for obsolete and slow moving inventories	(47,582)	(47,155)
Total	569,929	526,941

Net inventories rose by Euro 43 million from January 31, 2017 due to the planned expansion of the product range at the stores.

Materials being processed by third parties are included in raw materials. Work in progress refers to goods being manufactured by PRADA spa, other manufacturing companies included in the consolidation perimeter and contract manufacturers.

Movements on the allowance for obsolete and slow moving inventories are analyzed as follows:

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at January 31, 2017	25,676	21,479	47,155
Exchange differences	-	(116)	(116)
Increases	98	2,693	2,791
Reversal	(2,000)	-	(2,000)
Utilization	-	(248)	(248)
Balance at December 31, 2017	23,774	23,808	47,582

7. Receivables from, and advance payments to, related parties – current

Receivables from, and advance payments to, related parties current are detailed as follows:

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Prepaid sponsorship	-	8,741
Other receivables and advances	6,107	6,223
Receivables from and advances to related parties - current	6,107	14,964

8. Other current assets

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
VAT	42,444	48,582
Income tax and other tax receivables	69,652	117,244
Other assets	18,755	27,218
Prepayments	52,779	55,676
Deposits	8,442	4,655
Total	192,072	253,375

9. Capital expenditure

Changes in the net book value of Property, plant and equipment in the period ended December 31, 2017 are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Balance at January 31 2017	656,524	36,987	507,871	182,844	82,668	75,790	1,542,684
Additions	22,799	15,799	61,059	29,533	22,390	68,161	219,741
Depreciation	(15,211)	(7,492)	(106,643)	(29,696)	(10,275)	-	(169,317)
Disposals	(2)	(73)	(4,082)	(558)	(68)	-	(4,783)
Exchange differences	(8,319)	(55)	(31,792)	(10,065)	(715)	(2,377)	(53,323)
Other movements	3,559	571	35,214	9,557	274	(50,483)	(1,308)
Impairment	-	-	(4,628)	(6,144)	(55)	(85)	(10,912)
Balance at December 31 2017	659,350	45,737	456,999	175,471	94,219	91,006	1,522,782

Changes in the net book value of Intangible assets in the period ended December 31, 2017 are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total net carrying amount
Balance at January 31, 2017	248,444	518,597	88,986	25,099	12,907	27,767	921,800
Additions	9,722	-	-	11,875	644	8,674	30,915
Amortization	(10,851)	-	(9,205)	(7,231)	(2,397)	-	(29,684)
Disposals	-	-	-	(3)	-	(1)	(4)
Exchange differences	(1,325)	(261)	(3,052)	(18)	-	(35)	(4,691)
Other movements	3,000	-	-	5,363	102	(5,343)	3,122
Balance at December 31, 2017	248,990	518,336	76,729	35,085	11,256	31,062	921,458

10. Other non-current assets

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Guarantee deposits	66,511	77,007
Deferred rental income	13,004	16,807
Pension fund surplus	13,021	10,233
Other long-term assets	18,161	19,314
Total	110,697	123,361

11. Payables to related parties - current

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Financial payables	4,423	4,934
Other payables	65	608
Payables to related parties - current	4,488	5,542

The financial payables due to related parties regard two interest-free loans granted by non-controlling shareholders of the Group's subsidiaries in the Middle East.

12. Trade payables

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017)
Trade payables – third parties	302,847	241,901
Trade payables – related parties	10,850	14,193
Total	313,697	256,094

Trade payables increased by Euro 57.1 million, consistently with the dynamics regarding the increase in finished product inventories.

The following table contains a summary of trade payables by due date:

(amounts in thousands of Euro)	as at December 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade payables	313,697	284,005	13,227	7,097	1,411	748	7,159
Total	313,697	284,005	13,227	7,097	1,411	748	7,159

(amounts in thousands of Euro)	as at January 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 < 120	≥ 120
Trade payables	256,094	221,125	15,884	4,670	2,955	582	10,878
Total	256,094	221,125	15,884	4,670	2,955	582	10,878

13. Other current liabilities

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Payables for capital expenditure	62,357	56,639
Accrued expenses and deferred income	20,943	18,636
Other payables	74,046	69,552
Total	157,346	144,827

14. Provisions for risks and charges

Movements in provisions for risks and charges are summarized as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other Provisions	Total
Balance at January 31, 2017	**1,788**	**24,905**	**55,630**	**82,323**
Exchange differences	(110)	(167)	(3,837)	(4,114)
Reversals	(552)	(17,644)	(1,184)	(19,380)
Utilized	-	(747)	(4,653)	(5,400)
Increases	1,968	3,581	2,837	8,386
Balance at December 31, 2017	**3,094**	**9,928**	**48,793**	**61,815**

The provisions for risks and charges represent management's best estimate of the maximum amount of potential liabilities. According to management based on the information available to them, and in the opinion of independent experts, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

Management Discussion and Analysis for the period ended December 31, 2017

Distribution channels

The pro-forma retail sales for the twelve months ended December 31, 2017 show a decrease of 7.7% at current exchange rates and 5.8% at constant exchange rates. The trend in the second half of the year shows less decline in all markets, especially in Asia-Pacific, where sales in the final months show an increase compared with the same period of 2016. The number of directly operated stores, with 25 openings and 23 closures, rose from 623 at December 31, 2016 to 625 at December 31, 2017.

Sales from the wholesale channel grew by 18.3% at current exchange rates and by 19% at constant rates. Growth in this channel benefited from partnerships forged in 2016 with leading online retailers ("e-tailers") and from an important increase in purchasing carried out early in the year by the retail partner in the Asia-Pacific region.

Markets

Net sales in the Asia-Pacific market were substantially in line with 2016 (-1.2% at current exchange rates and +0.8% at constant exchange rates). Greater China produced net sales of Euro 645.9 million in the pro-forma twelve-month period, up by 4.6% at current exchange rates and 7.7% at constant exchange rates.

Net sales in Europe, down by 1.1% at current exchange rates and by 0.1% at constant exchange rates, were consistent with those of 2016. The decline in tourism due to the stronger Euro had an adverse effect on sales in the major countries in the region.

Net sales in the Americas fell by 5.3% at current exchange rates (-3.9% at constant rates). The performance in this region was affected by declines in both tourist flows and local demand.

Japan reported a 14.6% decrease in net sales compared with the same period of the prior year (-10.6% at constant exchange rates). The downturn in local demand impacted the results of the period.

Net sales in the Middle East, which suffered from an adverse geopolitical context, fell by 11.2% at current exchange rates (-9.4% at constant exchange rates).

Products

Clothing sales rose by 5.3% (+7.3% at constant exchange rates). This product segment experienced growth in all regions except Japan, where it had a modest contraction.

Sales of leather goods fell by 5.1% (-3.4% at constant exchange rates). The downward trend improved gradually over the year thanks to the increasingly important contribution of new handbag models. In addition, sales of travel bags and accessories performed well.

Footwear sales fell by 8.4% (-6.7% at constant exchange rates). The decline, which coincides with an important internal reorganization of the division, lessened steadily over the year.

Brands

The Prada brand generated net sales in line with those of the prior year at constant exchange rates (-2% at current exchange rates and -0.3% constant exchange rates). Over the twelve-month period, clothing sales improved steadily and the declines reported for footwear and leather goods in the first part of the year diminished. Overall the brand achieved a growth trend in the last months of 2017 compared with the same months a year earlier.

Miu Miu sales fell by 10.9% at current exchange rates (-9.1% at constant exchange rates), as they were affected by store closings in the initial months of 2017 and numerous restyling projects. The decrease was particularly significant in Europe and in Japan, whereas it was modest in Asia-Pacific.

Sales of Church's brand products fell by 11.8% (-8.6% at constant exchange rates), mainly as a result of the reorganization of the wholesale distribution channel. Most of the contraction occurred in the European market.

"Other brands" refers to sales of Marchesi 1824 brand patisserie products, which rose from the prior period, and of the Car Shoe footwear, which decreased in both distribution channels.

Royalties

In the pro-forma twelve-month period ended December 31, 2017, licensing agreements generated royalties of Euro 48.2 million, an increase of 8.4% compared with the same period of 2016 due primarily to the success of the new fragrances.

Operating results

The gross margin grew from 72% of net revenues for the 2016 pro-forma twelve-month period to 73.5% for the same period of 2017. The exchange rate trend and a more favorable sales mix in terms of full-price sales versus discounted sales were largely responsible for the improvement. The 2017 operating expenses rose slightly from those of 2016. The increase was attributable mainly to advertising and communication initiatives, such as more expenditure for acquiring digital and other media space, pop-up events and the initiative related to the Rong Zhai venue in Shanghai.

(amounts in thousands of Euro)	Pro-forma twelve months ended December 31 2017	% on net revenues	Pro-forma twelve months ended December 31 2016	% on net revenues
Product design and development costs	130,468	4.3%	123,456	3.9%
Advertising and communications costs	184,752	6.0%	172,995	5.5%
Selling costs	1,399,273	45.8%	1,388,985	43.8%
General and administrative costs	171,077	5.6%	190,628	6.0%
Total Operating expenses	**1,885,570**	**61.7%**	**1,876,064**	**59.2%**

EBITDA for the twelve months ended December 31, 2017 was Euro 588 million, or 19.2% of net sales, falling by 80 basis points compared with the same pro-forma period of 2016.

EBIT for the twelve months ended December 31, 2017 was Euro 360 million, or 11.8%

of net sales, down from Euro 405.6 million or 12.8% of net sales for the previous period.

The net finance expenses were reduced by the strengthening of the Euro currency occurred during 2017, resulting in foreign exchange gains on financial items.

The effective tax rate was 29.6%, down slightly from the 2016 rate. The benefit ensuing from lower Italian and U.S. income tax rates was offset by a less favorable geographical sales mix and the negative effect of the United States tax reform on deferred taxation.

Net invested capital

The following table contains the statement of financial position, as reclassified in order to provide a better picture of the composition of Net Invested Capital.

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Non-current assets (excluding deferred tax assets)	2,565,359	2,599,620
Trade receivables, net	289,973	285,504
Inventories, net	569,929	526,941
Trade payables	(313,697)	(256,094)
Net operating working capital	546,205	556,351
Other current assets (excluding items of financial position)	212,102	275,384
Other current liabilities (excluding items of financial position)	(233,181)	(224,536)
Other current assets/(liabilities), net	(21,079)	50,848
Provision for risks	(61,815)	(82,323)
Post-employment benefits	(61,444)	(67,211)
Other long-term liabilities	(174,706)	(187,322)
Deferred taxation, net	177,389	216,126
Other non-current assets/(liabilities)	(120,576)	(120,730)
Net invested capital	2,969,909	3,086,089
Shareholder's equity – Group	(2,844,652)	(3,080,502)
Shareholder's equity – Non-controlling interests	(21,519)	(24,028)
Total Consolidated shareholders' equity	(2,866,171)	(3,104,530)
Long-term financial payables	(638,954)	(547,628)
Short-term financial, net surplus/(deficit)	535,216	566,069
Net financial position surplus/(deficit)	(103,738)	18,441
Shareholders’ equity and net financial position	(2,969,909)	(3,086,089)
Net Debt to Consolidated equity ratio	3.5%	n/a

As of December 31, 2017, the Group has net invested capital of Euro 2,969.9 million, net financial indebtedness of Euro 103.7 million and total Consolidated Shareholder's equity of Euro 2,866.2 million.

Non-current assets, consisting essentially of property plant, equipment and intangible assets, remained approximately the same because the reduction of Euro 209.9 million attributable to depreciation, amortization and impairment and the foreign exchange losses of Euro 58 million were practically offset by capital expenditure of Euro 250.7 million. The capital expenditure is detailed below:

(amounts in thousands of Euro)	eleven months closed at December 31 2017	twelve months closed at January 31 2017
Retail	110,026	151,218
Production, logistics and corporate	140,638	100,289
Total	250,664	251,507

Capital expenditure was invested in the retail area primarily for store restyling and relocation projects, and also for the store openings of the period. Other capital expenditure was used to complete activities begun in 2015 under a three-year plan to tighten control over the production process by gradually insourcing the most sensitive manufacturing phases and streamlining the logistics operations. Capital expenditure was used in the corporate area to expand and remodel offices and for the IT infrastructure of the industrial, retail and digital areas.

The net working capital as of December 31, 2017 is Euro 546.2 million, slightly below that of January 31, 2017:

- trade receivables are fairly consistent;
- inventories rose by Euro 43 million due to the planned expansion of the product range at the stores;
- trade payables, essentially linked to the dynamics regarding inventory, rose by Euro 57.6 million.

Other current assets, net, decreased by Euro 71.9 million mainly as a result of lower tax credits due to the netting of current tax liabilities with advances paid in the previous year.

Other non-current liabilities, net, are approximately the same because the decrease in deferred tax assets was offset by a reduction of the risk provisions.

During the year the Group paid dividends to PRADA spa shareholders for an amount of Euro 307.1 million.

Net financial position surplus/(deficit)

(amounts in thousands of Euro)	as at December 31 2017	as at January 31 2017
Bonds – non current	-	(130,000)
Bank borrowing – non-current	(638,954)	(417,628)
Total financial payables – non-current	**(638,954)**	**(547,628)**
Bond – current	(130,000)	-
Financial payables and bank overdrafts - current	(222,971)	(151,211)
Payables to parent company and related parties	(4,423)	(4,934)
Total financial payables – current	**(357,394)**	**(156,145)**
Total financial payables	**(996,348)**	**(703,773)**
Cash and cash equivalents	892,610	722,214
Total financial receivables and cash and cash equivalents - current	**892,610**	**722,214**
Total financial receivables and cash and cash equivalents	**892,610**	**722,214**
Net financial surplus/(deficit), total	**(103,738)**	**18,441**
Net financial surplus/(deficit) excluding related party balances	**(99,315)**	**23,375**
Net financial surplus/(deficit)/EBITDA ratio (*)	**-17.7%**	**n/a**

(*) The ratio of the Net financial deficit at December 31, 2017 on EBITDA was determined taking into account the EBITDA pro-forma for the 12 months of 2017

The net financial position as of December 31, 2017 is indebtedness of Euro 103.7 million, whereas it was a positive Euro 18.4 million as of January 31, 2017. In the eleven months ended December 31, 2017, the Group distributed dividends for an amount of Euro 307.1 million, made investments of Euro 211.6 million, and generated net cash flow from operating activities of Euro 446.5 million. In the second half of the year the major currencies depreciated against the Euro, reducing the net financial position by Euro 50 million due to the significance of the foreign subsidiaries' cash holdings against indebtedness that is essentially in Euro.

In consideration of its financial requirements and the favorable credit market conditions, the Group extended the time horizon of its bank borrowings by replacing short-term credit lines with long-term loans. Financing was obtained in the form of a Euro 200 million loan and a Euro 100 million loan, a new credit line in Japan of approximately Euro 81.5 million (JPY 11 billion), of which Euro 25.9 million (JPY 3.5 billion) was used, and a Euro 16.7 million loan in the Middle East.

The total amount of undrawn lines of credit as of December 31, 2017 is Euro 681 million.

Events after the reporting date

No significant events.

Outlook

The Group will continue to nurture its creativity with its unique way to observe the contemporary society and to interpret market trends to meet customers' expectations, while respecting the iconic heritage of the Group's world renowned brands.

Improving the productivity of its global retail network and further strengthening the integration between offline and online will remain one of the key priorities for the Group.

Management, supported by the encouraging results achieved in the first months of 2018, is confident that the year to come would mark the beginning of a new sustainable long-term growth period.

Corporate Governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Company and its subsidiaries (the "Group"), to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Full details on the Company's corporate governance practices are set out in the Company's 2017 Annual Report.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or possesses related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu.

During the eleven-month period from February 1, 2017 to December 31, 2017 (the "Reviewed Period"), the Audit Committee held eight meetings (with an average attendance rate of 91.6%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, significant internal and external audit findings and financial matters as required under the Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covers the audit plans as well as the findings of both the internal and external auditors, internal controls, risk assessment, annual review of the continuing connected transaction of the Group, tax updates and financial reporting matters (including the annual results for the year ended January 31, 2017 and the interim financial results as at July 31, 2017) before recommending them to the Board for approval.

The Audit Committee also held one meeting on March 7, 2018, to review the final results for the Reviewed Period, before recommending it to the Board for approval.

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, for the entire Reviewed Period.

Directors' Securities Transactions

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

The Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

The Company has adopted policies to ensure that inside information are handled and disseminated in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

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

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

Shareholders' general meeting

The Shareholders' general meeting of the Company will be held on Friday, April 27, 2018 (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 Reviewed Period, a final dividend of Euro 191,911,800 (or Euro/cents 7.5 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 of the payment of the final dividend at the forthcoming shareholders' general meeting of the Company to be held on Friday, April 27, 2018, such dividend will be paid on Wednesday, May 23, 2018.

Book Closure and Record Dates

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

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan *(Note 1)*	April 24, 2018 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) *(Note 2)*	From April 25 to April 27, 2018 (both days inclusive)

Record date	April 25, 2018

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

Latest time to lodge transfer documents with the Company's Hong Kong Share Registrar or the Company in Milan *(Note 1)*	May 4, 2018 - 4:30 pm HK time/10:30 am CET time
Book closure (both sections) *(Note 2)*	May 7, 2018
Record Date	May 7, 2018
Dispatch date of dividend warrants	May 23, 2018

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 2017 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. Carlo Mazzi
Chairman

Milan (Italy), March 9, 2018

As at the date of this announcement, the Company's executive directors are Mr. Carlo MAZZI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI and Ms. Alessandra COZZANI; the Company's non-executive directors are Stefano SIMONTACCHI and Mr. Maurizio CEREDA and the Company's independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI and Mr. Sing Cheong LIU.