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PRADA MILANO DAL 1913

PRADA spa
(Stock Code: 1913)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED JULY 31, 2015

- Net revenues were Euro 1,824.4 million, recording an increase of 4.2% compared with the six months ended July 31, 2014 (-5.9% at constant exchange rates)
- Retail net sales were Euro 1,552.4 million, up by 7.6% compared with the six months ended July 31, 2014 (-3.3% at constant exchange rates)
- EBIT was Euro 293.2 million, representing a margin of 16.1% on net revenues
- Group's net income amounted to Euro 188.6 million
- Net financial position standing negative at Euro 259.7 million as at July 31, 2015

Consolidated results for the six months ended July 31, 2015

The Board of Directors (the "Board") of PRADA S.p.A. (the "Company", or "PRADA spa") announces the unaudited Consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended July 31, 2015, together with the unaudited comparative figures for the same six months period ended July 31, 2014. The following financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Consolidated results of the Group for the year ended January 31, 2015, were audited by Deloitte & Touche S.p.A.

Key financial information

Key information from the Income statement (amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	twelve months ended Jan 31 2015 (audited)	six months ended July 31 2014 (unaudited)	% change vs July 31 2014
Net revenues	1,824,433	3,551,696	1,751,315	4.2%
EBITDA	440,054	954,249	492,835	-10.7%
EBITDA %	24.1%	26.9%	28.1%	-
EBIT	293,214	701,551	373,158	-21.4%
EBIT %	16.1%	19.8%	21.3%	-
Net income of the Group	188,593	450,730	244,848	-23.0%
Earnings per share (Euro)	0.074	0.176	0.096	-23.0%
Capital expenditure	176,235	449,735	289,616	-
Net operating cash flows	63,374	483,597	209,186	-69.7%
Average number of employees	12,365	11,962	11,824	-

Key information from the Statement of financial position (amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at Jan 31 2015 (audited)	as at July 31 2014 (unaudited)	change vs Jan 31 2015
Net operating working capital	747,574	563,409	510,217	184,165
Net invested capital	3,238,133	2,829,359	2,683,766	408,774
Net financial position surplus/(deficit)	(259,749)	188,788	(1,366)	(448,537)
Group shareholders' equity	2,960,909	3,000,737	2,666,923	(39,828)

Highlights for the six months ended July 31, 2015

Net revenues for the first six months of fiscal year 2015 amounted to Euro 1,824.4 million, up by 4.2% compared to the same period of last year at current exchange rates and down by 5.9% at constant exchange rates. The increase of 7.6% achieved by the retail channel was consistent all along the six months and drove the consolidated growth as the wholesale business declined. Sales expansion, essentially driven by the footwear and clothing divisions, benefited also from the persistent weakness of the Euro, which fostered the flow of tourists in the Eurozone and led to an increase in the value of sales made outside the Eurozone. At the same time, results suffered from the ongoing slowdowns in the Asia Pacific region. In particular, the contractions recorded in Hong Kong and Macau had a significant impact on performances for the period, both in terms of sales and margins.

EBIT for the six months ended July 31, 2015, amounted to Euro 293.2 million, or 16.1% on net revenues, down by 21.4% compared to the Euro 373.2 million achieved in the first six months of 2014 when the incidence on net revenues was 21.3%. During the first half of 2015 the management carried on with the actions commenced at the end of 2014, focusing on improving the industrial and operative processes; these actions resulted in a visible improvement in profitability compared to the first quarter of 2015 limiting further pressure on margins. At the same time, despite major part of the retail network expansion plan is done, the Group made further investments in the DOS structure to complete the project with some improvement and renovation, while further increasing the Group's capacity and control over the supply chain. Cost containment actions have been carried at all levels, including advertising and promotion expenses. Nevertheless, some important initiatives were put in place to promote and strengthen the identity of the brands so, besides advertising campaigns and retail events, Prada continued to support the unique initiatives that distinguish the Group for its ability to interact with worlds other than fashion, namely art and culture. Among the most significant projects supported in the period, it is worth mentioning the unveiling of the new Milan headquarters of the Prada Foundation, an art museum built on an overall surface of 19,000 m^2 and designed by OMA, the architectural firm led by Rem Koolhaas. The resonance of this project has been extremely wide all over the world and the location has been since the beginning a "must see" for all visitors in Milan.

At July 31, 2015, the Net financial debt of the Group is Euro 259.7 million, from a net positive position of Euro 188.8 million recorded at January 31, 2015. The reduction was attributable, first, to payment of dividends to PRADA spa shareholders and, second, to the use of cash to support the investment plan for the period and finance increases in net operating working capital.

Consolidated income statement for the six months ended July 31, 2015

(amounts in thousands of Euro)	Note	six months ended July 31 2015 (unaudited)	% on Net revenues	six months ended July 31 2014 (unaudited)	% on Net revenues
Net revenues	3	1,824,433	100.0%	1,751,315	100.0%
Cost of goods sold		(498,520)	-27.3%	(493,715)	-28.2%
Gross margin		1,325,913	72.7%	1,257,600	71.8%
Operating expenses	4	(1,032,699)	-56.6%	(884,442)	-50.5%
EBIT		293,214	16.1%	373,158	21.3%
Interest and other financial income/(expenses), net	5	(9,073)	-0.5%	(9,492)	-0.5%
Dividends received from third parties		1,562	0.1%	455	-
Income before taxes		285,703	15.7%	364,121	20.8%
Taxation	6	(94,139)	-5.2%	(113,075)	-6.5%
Net income for the period		191,564	10.5%	251,046	14.3%
Net income – Non-controlling interests		2,971	0.2%	6,198	0.3%
Net income – Group		188,593	10.3%	244,848	14.0%
Depreciation, amortization and impairment		146,840	8.0%	119,677	6.8%
EBITDA		440,054	24.1%	492,835	28.1%
Basic and diluted earnings per share (in Euro per share)	7	0.074		0.096	

Consolidated income statement for the three months ended July 31, 2015

(amounts in thousands of Euro)	Note	three months ended July 31 2015 (unaudited)	% on Net revenues	three months ended July 31 2014 (unaudited)	% on Net revenues
Net revenues	3	996,244	100.0%	973,575	100.0%
Cost of goods sold		(270,646)	-27.2%	(291,471)	-29.9%
Gross margin		725,598	72.8%	682,104	70.1%
Operating expenses		(523,102)	-52.5%	(465,288)	-47.8%
EBIT		202,496	20.3%	216,816	22.3%
Interest and other financial income/(expenses), net		(7,139)	-0.7%	(3,452)	-0.4%
Dividends received from third parties		-	-	-	-
Income before taxes		195,357	19.6%	213,364	21.9%
Taxation		(64,139)	-6.4%	(71,743)	-7.4%
Net income for the period		131,218	13.2%	141,621	14.5%
Net income – Non-controlling interests		1,371	0.1%	2,104	0.2%
Net income – Group		129,847	13.0%	139,517	14.3%
Depreciation, amortization and impairment		74,847	7.5%	62,072	6.4%
EBITDA		277,343	27.8%	278,888	28.7%

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Assets			
Current assets			
Cash and cash equivalents		549,943	708,966
Trade receivables, net	9	347,493	346,284
Inventories, net	8	778,907	654,545
Derivative financial instruments - current		8,025	6,287
Receivables from, and advance payments to, related parties - current	10	7,843	3,240
Other current assets	12	193,057	180,633
Total current assets		1,885,268	1,899,955
Non-current assets			
Property, plant and equipment	11	1,520,168	1,474,218
Intangible assets	11	946,936	943,304
Associated undertakings		25,769	30,529
Deferred tax assets		296,606	280,983
Other non-current assets	13	101,580	91,353
Derivative financial instruments non-current		1,408	1,106
Receivables from, and advance payments to, related parties – non-current	10	19,765	17,429
Total non-current assets		2,912,232	2,838,922
Total Assets		4,797,500	4,738,877
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans		379,153	263,335
Payables to related parties - current	14	3,124	3,083
Trade payables	15	378,826	437,420
Current tax liabilities		105,510	133,914
Derivative financial instruments - current		37,627	56,772
Obligations under finance leases - current		7	21
Other current liabilities	16	147,423	220,480
Total current liabilities		1,051,670	1,115,025
Non-current liabilities			
Long-term financial payables		428,829	255,203
Post-employment benefits		65,904	85,754
Provision for risks and charges	17	67,859	63,695
Deferred tax liabilities		40,811	41,634
Other non-current liabilities		153,539	128,752
Derivative financial instruments non-current		10,504	17,283
Payables to related parties – non-current	14	-	13,384
Total non-current liabilities		767,446	605,705
Total Liabilities		1,819,116	1,720,730
Share capital		255,882	255,882
Total other reserves		2,345,464	2,163,129
Translation reserve		170,970	130,996
Net profit for the period		188,593	450,730
Total Shareholders' equity – Group		2,960,909	3,000,737
Shareholders' equity – Non-controlling interests		17,475	17,410
Total Liabilities and Shareholders' equity		4,797,500	4,738,877

Net current assets		833,598	784,930
Total assets less current liabilities		3,745,830	3,623,852

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

(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	Equity: Equity attributable to owners of Group	Equity: Non-controlling interests	Equity: Total Equity
Balance at January 31, 2014 (audited)	2,558,824,000	255,882	(49,438)	410,047	3,699	(11,452)	4,108	1,446,923	1,853,325	627,785	2,687,554	13,986	2,701,540
Allocation of 2013 net income	-	-	-	-	-	-	-	627,785	627,785	(627,785)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(6,763)	(288,234)
Acquisition of Marchesi Angelo srl	-	-	-	-	-	-	-	(2,459)	(2,459)	-	(2,459)	107	(2,352)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,589	1,589
Comprehensive income for the six months (recyclable to P&L)	-	-	22,693	-	(6,844)	-	4,531	-	(2,313)	244,848	265,228	6,558	271,786
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	(1,929)	-	-	(1,929)	-	(1,929)	-	(1,929)
Balance at July 31, 2014 (unaudited)	2,558,824,000	255,882	(26,745)	410,047	(3,145)	(13,381)	8,639	1,790,778	2,192,938	244,848	2,666,923	15,477	2,682,400
Acquisition of Marchesi Angelo srl	-	-	-	-	-	-	-	(7)	(7)	-	(7)	-	(7)
Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,615)	(2,615)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	536	536
Comprehensive income for the six months (recyclable to P&L)	-	-	157,741	-	(32,178)	-	2,476	-	(29,702)	205,882	333,921	4,015	337,936
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	(100)	-	-	(100)	-	(100)	(3)	(103)
Balance at January 31, 2015 (audited)	2,558,824,000	255,882	130,996	410,047	(35,323)	(13,481)	11,115	1,790,771	2,163,129	450,730	3,000,737	17,410	3,018,147
Allocation of 2014 net income	-	-	-	-	-	-	-	450,730	450,730	(450,730)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(3,228)	(284,699)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(719)	(719)	-	(719)	(39)	(758)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	409	409
Comprehensive income for the six months (recyclable to P&L)	-	-	39,974	-	16,044	-	(3,571)	-	12,473	188,593	241,040	2,923	243,963
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	1,322	-	-	1,322	-	1,322	-	1,322
Balance at July 31, 2015 (unaudited)	2,558,824,000	255,882	170,970	410,047	(19,279)	(12,159)	7,544	1,959,311	2,345,464	188,593	2,960,909	17,475	2,978,384

Condensed statement of consolidated cash flows

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	six months ended July 31 2014 (unaudited)
Net cash flows from operating activities	63,374	209,186
Cash flows generated/(utilized) by investing activities	(235,889)	(227,670)
Cash flows generated/(utilized) by financing activities	1,902	(62,839)
Change in cash and cash equivalents, net of bank overdrafts	(170,613)	(81,323)

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	twelve months ended January 31 2015 (audited)	six months ended July 31 2014 (unaudited)
Net income for the period – Consolidated	191,564	459,218	251,046
A) Items recyclable to P&L:			
Change in Translation reserve	39,927	182,519	23,053
Tax impact	-	-	-
Change in Translation reserve less tax impact	39,927	182,519	23,053
Change in Cash Flow Hedge reserve	21,734	(52,817)	(9,279)
Tax impact	(5,690)	13,795	2,435
Change in Cash Flow Hedge reserve less tax impact	16,044	(39,022)	(6,844)
Change in Fair Value reserve	(4,761)	9,343	6,041
Tax impact	1,190	(2,336)	(1,510)
Change in Fair Value reserve less tax impact	(3,571)	7,007	4,531
B) Item not recyclable to P&L:			
Change in Actuarial reserve	1,823	(2,338)	(2,033)
Tax impact	(501)	306	104
Change in Actuarial reserve less tax impact	1,322	(2,032)	(1,929)
Consolidated comprehensive income for the period	245,286	607,690	269,857
Comprehensive income for the period – Non-controlling Interests	2,923	10,570	6,558
Comprehensive income for the period – Group	242,363	597,120	263,299

Notes to the consolidated results for the six months ended July 31, 2015

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. Moreover, in 2014, Prada acquired the 80% of Angelo Marchesi srl, owners of the historic Milanese pastry shop founded in 1824. The Group operates, under licensing agreements, in the eyewear and fragrances sectors. Its products are sold in 70 countries worldwide through a network that includes 605 Directly Operated Stores ("DOS") at July 31, 2015, 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 Antonio Fogazzaro 28, Milan, Italy.

2. Basis of preparation

The financial information for the six months ended July 31, 2015, included in this Announcement refers to the Group of companies controlled by PRADA spa, holding company of the PRADA Group (the "Group"), and is based on its unaudited Interim condensed consolidated financial statements. Such Interim results for the six months ended July 31, 2015, were prepared on a consistent basis compared to the Consolidated financial statements of the Group for the twelve months ended January 31, 2015, with the exception of the revised IFRS issued by the International Accounting Standard Board ("IASB") below reported. IFRS also refer to all the International Accounting Standards ("IAS") and all the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

Amendments issued by the IASB, endorsed by the European Union and applicable to the PRADA Group from February 1, 2015

The following amendments to IFRS have been endorsed by the European Union and are applicable to the PRADA Group effective from February 1, 2015. These changes did not have any significant impact on the figures reported in this Announcement:

- Amendments to "IFRS 3 Business Combinations";
- Amendments to "IFRS 13 Fair Value Measurement";
- Amendments to "IAS 40 Investment Property";
- Amendments to "IAS 19 Employee Benefits";
- Amendments to "IFRS 2 Share-based Payment";
- Amendments to "IFRS 8 Operating Segments";
- Amendments to "IAS 16 Property, Plant and Equipment";

- Amendments to “IAS 24 Related Party Disclosure”;
- Amendments to “IAS 38 Intangible Assets”;

3. Net revenues

Net revenues for the six months ended July 31, 2015 (unaudited)

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)		six months ended July 31 2014 (unaudited)		% change
Net sales by geographical area					
Italy	286,210	15.9%	286,808	16.6%	-0.2%
Europe	379,178	21.0%	361,539	20.9%	4.9%
Americas	264,912	14.7%	233,452	13.5%	13.5%
Asia Pacific	610,266	33.9%	619,221	35.8%	-1.4%
Japan	195,902	10.9%	175,262	10.1%	11.8%
Middle East	61,379	3.4%	51,930	3.0%	18.2%
Other countries	3,509	0.2%	2,688	0.1%	30.5%
Total	1,801,356	100.0%	1,730,900	100.0%	4.1%
Net sales by brand					
Prada	1,461,493	81.2%	1,431,114	82.7%	2.1%
Miu Miu	293,919	16.3%	256,031	14.8%	14.8%
Church's	38,379	2.1%	35,560	2.0%	7.9%
Car Shoe	5,514	0.3%	6,516	0.4%	-15.4%
Other	2,051	0.1%	1,679	0.1%	22.2%
Total	1,801,356	100.0%	1,730,900	100.0%	4.1%
Net sales by product line					
Clothing	288,229	16.0%	275,779	15.9%	4.5%
Leather goods	1,107,761	61.5%	1,110,715	64.2%	-0.3%
Footwear	370,415	20.6%	314,423	18.2%	17.8%
Other	34,951	1.9%	29,983	1.7%	16.6%
Total	1,801,356	100.0%	1,730,900	100.0%	4.1%
Net sales by distribution channel					
DOS	1,552,393	86.2%	1,442,161	83.3%	7.6%
Independent customers and franchises	248,963	13.8%	288,739	16.7%	-13.8%
Total	1,801,356	100.0%	1,730,900	100.0%	4.1%
Net sales	1,801,356	98.7%	1,730,900	98.8%	4.1%
Royalties	23,077	1.3%	20,415	1.2%	13.0%
Total net revenues	1,824,433	100.0%	1,751,315	100.0%	4.2%

Net revenues for the three months ended July 31, 2015 (unaudited)

(amounts in thousands of Euro)	three months ended July 31 2015 (unaudited)		three months ended July 31 2014 (unaudited)		% change
Net sales by geographical area					
Italy	183,122	18.6%	189,855	19.7%	-3.5%
Europe	215,463	21.9%	209,778	21.8%	2.7%
Americas	153,850	15.6%	139,981	14.6%	9.9%
Asia Pacific	301,201	30.6%	311,853	32.4%	-3.4%
Japan	97,129	9.9%	82,874	8.6%	17.2%
Middle East	31,382	3.2%	26,313	2.7%	19.3%
Other countries	2,443	0.2%	1,795	0.2%	36.1%
Total	984,590	100.0%	962,449	100.0%	2.3%
Net sales by brand					
Prada	799,193	81.2%	790,194	82.1%	1.1%
Miu Miu	162,201	16.5%	148,845	15.5%	9.0%
Church's	19,129	1.9%	18,369	1.9%	4.1%
Car Shoe	3,186	0.3%	3,852	0.4%	-17.3%
Other	881	0.1%	1,189	0.1%	-25.9%
Total	984,590	100.0%	962,449	100.0%	2.3%
Net sales by product line					
Clothing	160,925	16.4%	157,093	16.3%	2.4%
Leather goods	591,021	60.0%	593,568	61.7%	-0.4%
Footwear	213,579	21.7%	194,260	20.2%	9.9%
Other	19,065	1.9%	17,528	1.8%	8.8%
Total	984,590	100.0%	962,449	100.0%	2.3%
Net sales by distribution channel					
DOS	803,034	81.6%	744,350	77.3%	7.9%
Independent customers and franchises	181,556	18.4%	218,099	22.7%	-16.8%
Total	984,590	100.0%	962,449	100.0%	2.3%
Net sales	984,590	98.8%	962,449	98.9%	2.3%
Royalties	11,654	1.2%	11,126	1.1%	4.7%
Total net revenues	996,244	100.0%	973,575	100.0%	2.3%

Number of stores

	as at July 31 2015		as at January 31 2015		as at July 31 2014	
	DOS	franchises	DOS	franchises	DOS	franchises
Prada	372	27	362	27	342	27
Miu Miu	174	10	169	8	162	7
Church's	54	-	55	-	54	-
Car Shoe	5	-	8	-	8	-
Total	605	37	594	35	566	34

	as at July 31 2015		as at January 31 2015		as at July 31 2014	
	DOS	franchises	DOS	franchises	DOS	franchises
Italy	52	5	51	6	52	6
Europe	167	-	167	3	159	4
Americas	113	-	110	-	100	-
Asia Pacific	181	27	175	22	164	21
Japan	72	-	70	-	71	-
Middle East	18	5	17	4	17	3
Africa	2	-	4	-	3	-
Total	605	37	594	35	566	34

4. Operating expenses

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	% on net revenues	six months ended July 31 2014 (unaudited)	% on net revenues
Product design and development costs	69,308	3.8%	69,686	4.0%
Advertising and communication costs	98,534	5.4%	76,535	4.4%
Selling costs	751,977	41.2%	639,366	36.5%
General and administrative costs	112,880	6.2%	98,855	5.6%
Total	1,032,699	56.6%	884,442	50.5%

5. Interest and other financial income/(expenses), net

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	six months ended July 31 2014 (unaudited)
Interest expenses on borrowings	(7,592)	(6,020)
Interest expenses IAS 19	(58)	(101)
Interest income	1,548	1,713
Exchange gains / (losses) – realized	3,930	3,031
Exchange gains/ (losses) – unrealized	(5,360)	(6,707)
Other financial income / (expenses)	(1,541)	(1,408)
Total	(9,073)	(9,492)

6. Taxation

(amounts in thousands of Euro)	six months ended July 31 2015 (unaudited)	six months ended July 31 2014 (unaudited)
Current taxation	114,514	123,157
Deferred taxation	(20,375)	(10,082)
Income taxes	94,139	113,075

7. Earnings and dividends per share

Earnings per share

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

	six months ended July 31 2015 (unaudited)	six months ended July 31 2014 (unaudited)
Group net income in Euro	188,593,497	244,847,587
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Earnings per share in Euro, calculated on weighted average number of shares	0.074	0.096

Dividend per share

During the six months ended July 31, 2015, the Company distributed dividends of Euro 281,470,640, as approved by the Shareholders' Meeting held on May 26, 2015, to approve the financial statements for the year ended January 31, 2015.

The payment of the dividends and the related Italian withholding tax liability (Euro 14.6 million), arising from the application of the Italian ordinary withholding tax rate to the whole amount of dividends paid to beneficial owners of the Company shares held through the Hong Kong Central Clearing and Settlement System, was completed by July 31, 2015.

8. Inventories, net

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Raw materials	128,806	106,843
Work in progress	31,176	40,786
Finished products	683,060	571,115
Allowance for obsolete and slow moving inventories	(64,135)	(64,199)
Total	778,907	654,545

The increase in inventories was generally due to the different approach to replenishment and shipping which started in the last few months of 2014 and to the additional 11 DOS (net) since January 31, 2015.

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, 2015 (audited)	26,798	37,401	64,199
Exchange differences	6	6	12
Utilization	-	(76)	(76)
Balance at July 31, 2015 (unaudited)	26,804	37,331	64,135

9. Trade receivables, net

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Trade receivables from third parties	322,342	317,147
Allowance for bad and doubtful debts	(7,907)	(7,784)
Trade receivables from related parties	33,058	36,921
Total	347,493	346,284

Trade receivables from related parties are made up of receivables due from Fratelli Prada spa, a retail company owned by the majority shareholders of parent company PRADA Holding spa, for Euro 24.6 million (Euro 29.3 million at January 31, 2015) and relating to the sale of finished products, services recharges and royalties as provided by the franchising agreement signed with the said related party.

The allowance for doubtful accounts was determined on a specific basis considering all information available at the date the financial statements were prepared. It is revised periodically to bring receivables as close as possible to their fair value.

Movements during the period may be analyzed as follows:

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Opening balance	7,784	10,432
Change in scope of consolidation	-	17
Exchange differences	104	463
Increases	112	109
Utilized	(58)	(3,173)
Reversals	(35)	(64)
Closing balance	7,907	7,784

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

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	355,400	279,619	28,608	13,528	9,721	2,296	21,628
Total	355,400	279,619	28,608	13,528	9,721	2,296	21,628

(amounts in thousands of Euro)	as at January 31, 2015 (audited)	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	354,068	283,878	28,279	11,202	10,029	3,840	16,840
Total	354,068	283,878	28,279	11,202	10,029	3,840	16,840

The following table contains a summary, by due date, of trade receivables less the allowance for doubtful accounts at the reporting date:

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	347,493	278,822	28,608	13,528	9,721	2,296	14,518
Total	347,493	278,822	28,608	13,528	9,721	2,296	14,518

(amounts in thousands of Euro)	as at January 31, 2015 (audited)	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	346,284	283,137	28,279	11,202	10,029	3,840	9,797
Total	346,284	283,137	28,279	11,202	10,029	3,840	9,797

10. Receivables from, and advance payments to, related parties - current and non-current

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Financial receivables	-	11
Other receivables and advance payments	7,843	3,229
Receivables from, and advance payments to, related parties - current	7,843	3,240

The increase in the caption mainly relates to advance payments made in fulfillment of obligations under a consulting agreement signed with PRADA spa.

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

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Prepaid sponsorship	17,641	12,379
Deferred rental income – long-term	1,383	4,309
Loans	741	741
Receivables from, and advance payments to, related parties – non-current	19,765	17,429

Prepaid sponsorship refers to the amount paid to Luna Rossa Challenge srl in respect of the arrangements in force at July 31, 2015. Deferred rental income – long-term were recognized in application of “IAS 17 Leases” which requires rental income to be recognized on a constant basis.

11. Capital expenditure

Changes in the net book value of Property, plant and equipment in the period ended July 31, 2015, 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 book value
Balance at January 31, 2015 (audited)	477,940	21,176	513,302	178,661	70,273	212,866	1,474,218
Additions	32,044	5,519	45,766	10,815	2,051	58,011	154,206
Depreciation	(5,302)	(4,934)	(86,269)	(24,755)	(5,292)	-	(126,552)
Disposals	-	(77)	(2,403)	(224)	(26)	(76)	(2,806)
Exchange differences	14,586	56	4,889	1,571	55	842	21,999
Other movements	57,811	2,631	47,893	8,588	222	(117,357)	(212)
Impairment	-	(63)	(134)	(455)	(33)	-	(685)
Balance at July 31, 2015 (unaudited)	577,079	24,308	523,044	174,201	67,250	154,286	1,520,168

Changes in the net book value of Intangible assets in the period ended July 31, 2015, are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangible assets	Assets in progress	Total net book value
Balance at January 31, 2015 (audited)	277,232	513,214	106,492	10,828	16,725	18,813	943,304
Additions	153	257	251	1,094	96	20,175	22,026
Amortization	(5,790)	-	(10,486)	(1,968)	(1,006)	-	(19,250)
Disposals	-	-	(1,928)	-	-	-	(1,928)
Exchange differences	3,768	677	(892)	(35)	-	(30)	3,488
Other movements	-	(8)	15,317	1,335	-	(16,996)	(352)
Impairment	-	(80)	(272)	-	-	-	(352)
Balance at July 31, 2015 (unaudited)	275,363	514,060	108,482	11,254	15,815	21,962	946,936

12. Other current assets

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
VAT	62,749	56,934
Income tax and other tax receivables	34,607	53,307
Other assets	29,380	11,454
Prepayments and accrued income	63,398	54,642
Deposits	2,923	4,296
Total	193,057	180,633

13. Other non-current assets

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Guarantee deposits	73,144	70,004
Deferred rental income	13,625	9,056
Pension fund surplus	2,683	2,515
Other long-term assets	12,128	9,778
Total	101,580	91,353

14. Payables to related parties - current and non-current

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Financial payables	2,444	2,371
Other payables	680	712
Payables to related parties – current	3,124	3,083

Financial payables towards other related parties, totaling Euro 2.4 million at July 31, 2015, include an interest-free loan provided by Al Tayer, the non-controlling shareholder of PRADA Middle East fzco, according to the number of shares held by it in said company.

The non-current portion of payables to related parties is detailed as follows:

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Other payables – related parties	-	13,384
Payables to related parties – non-current	-	13,384

As a result of transactions with Non-controlling shareholders of a Group's subsidiary during the six months ended July 31, 2015, Fin-reta srl is no longer a related party but a third party. Consequently, the payables in question are now reported under "Other non-current liabilities".

15. Trade payables

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Trade payables – third parties	355,383	410,977
Trade payables – related parties	23,443	26,443
Total	378,826	437,420

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

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	Current	Overdue				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	378,826	331,478	24,621	8,080	3,718	2,253	8,676
Total	378,826	331,478	24,621	8,080	3,718	2,253	8,676

(amounts in thousands of Euro)	as at January 31 2015 (audited)	Current	Overdue				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	437,420	392,284	21,893	10,967	1,936	1,424	8,916
Total	437,420	392,284	21,893	10,967	1,936	1,424	8,916

16. Other current liabilities

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Payables for capital expenditure	58,313	128,346
Accrued expenses and deferred income	17,632	17,354
Other payables	71,478	74,780
Total	147,423	220,480

17. 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	Provisions for other charges	Total
Balance at January 31, 2015 (audited)	**1,876**	**25,537**	**36,282**	**63,695**
Exchange differences	14	2	654	670
Reversals	(120)	-	(237)	(357)
Uses	(8)	-	(682)	(690)
Increases	151	91	4,299	4,541
Balance at July 31, 2015 (unaudited)	**1,913**	**25,630**	**40,316**	**67,859**

Provisions represent the Directors' best estimate of maximum contingent liabilities. In the Directors' opinion and based on the information available to them as supported by the opinions of independent experts at the reporting date, the total amount provided for risks and charges is reasonable considering the liabilities that might arise. During the six months ended July 31, 2015, there were no significant developments regarding litigation ongoing at January 31, 2015. Moreover, no new contingencies requiring significant adjustment to the provisions for risks and charges reported at July 31, 2015 emerged.

Management Discussion and Analysis for the three months ended July 31, 2015

Net revenues

Consolidated net revenues for the three months ended July 31, 2015, amounted to Euro 996.2 million, up by 2.3% compared to Euro 973.6 million for the same three month period of 2014. The revenue growth was largely driven by favorable exchange rates which boosted tourist flows in the Eurozone and increased the Euro value of sales made in other major currencies. At the same time, the downturn in the entire Asia Pacific region affected performance of both the retail and wholesale channels, thus countering the sales growth recorded in America, Japan and the Middle East. Europe (including Italy) was almost flat in the quarter compared to the same period in the prior year. A net of 2 new shops (9 openings and 7 closures) was added during the three month period ended July 31, 2015.

Operating results

In the three months ended July 31, 2015, consolidated gross margin was 72.8%, recording an improvement compared to 70.1% achieved in the same three months in prior year for the reasons highlighted before when commenting on the half year results. The EBITDA totaled Euro 277.3 million, or 27.8% on net revenues, slightly down compared to 28.7% for the same period in prior year. The improvement recognized at gross margin level was offset by the higher incidence of operating expenses. The EBIT went down from Euro 216.8 million for the three months ended July 31, 2014, or 22.3% on net revenues, to Euro 202.5 million, or 20.3% on net revenues, for a higher incidence of depreciation and amortization. The second quarter, nevertheless, saw a marked improvement compared to the first quarter of this year (when the EBIT was 11% on net revenues) due to a slightly better top line performance and the cost containment initiatives undertaken so far.

Management Discussion and Analysis for the six months ended July 31, 2015

Distribution channels

In the six months ended July 31, 2015, retail sales amounted to Euro 1,552.4 million, up by 7.6% compared to Euro 1,442.2 million achieved for the same period of last year. At constant exchange rates there was a 3.3% decrease. The overall improvement in performance was driven only by the favorable exchange rate trends and by new openings. In the first six months of 2015, the number of Directly Operated Stores (DOS) rose from 594 at January 31, 2015, to 605 at July 31, 2015 (20 openings and 9 closures).

The wholesale channel generated total net sales of Euro 249 million, down by 13.8% compared to Euro 288.7 million for the six months ended July 31, 2014. The decrease was determined by the ongoing selective strategy as well as by a significant slow-down in the duty-free channel in South Korea, following a decline of tourist flows impacted, above all, by the MERS outburst.

Markets

In Asia Pacific, net sales amounted to Euro 610.3 million, down by 1.4% compared to Euro 619.2 million reported for the same period of 2014 (-17.5% at constant exchange rates). The performance was significantly penalized by Hong Kong and Macau which failed to show any signs of recovery throughout the six month period at industry level. The Greater China recorded net sales for Euro 384.5 million, down by 1.2% as reported and down by 19.3% at constant exchange rates. In the period the Group opened its first store in Hanoi, Vietnam.

Net sales generated in Europe totaled Euro 379.2 million, up by 4.9% as reported and up by 2.5% at constant exchange rates. The growth was entirely delivered by the retail channel. In the first six months of 2015 just one DOS was opened. Net sales in the wholesale channel were down compared to the corresponding period of prior year, also at current exchange rates, as a result of the Group’s ongoing highly selective policy in the region and the impact of the conversion program in Switzerland.

The Italian market contributed Euro 286.2 million to consolidated net sales, basically the same amount compared to the same six month period of last year when net sales totaled Euro 286.8 million. The positive performance achieved by the stores directly operated by the Group (+14.9%) was counterbalanced by a significant reduction recorded in the wholesale channel. The only opening in the first half of 2015 was the Prada store in Galleria Vittorio Emanuele II, Milan which became a DOS after a period when it was operated under a franchise agreement by a related party.

Net sales on the American market totaled Euro 264.9 million, up by 13.5% compared to Euro 233.5 million for the same period of 2014. At constant exchange rates, net sales fell by 6.1%. As reported, the retail channel achieved double-digit growth, while at constant exchange rates it decreased, also because of the impacts of a strong US Dollar. Wholesale business grew single-digit as reported, but decreased double-digit at constant exchange rates. In the period, the Group opened its first Prada store in Panama City.

In Japan net sales totaled Euro 195.9 million, 11.8% up on Euro 175.3 million reported for the same period of 2014 (4.9% up at constant exchange rates), despite the very unfavorable comparison base of the first two months when 2014 results largely benefitted from anticipated purchases ahead of a VAT increase that came into force from April 2014.

The Middle East generated net sales of Euro 61.4 million, up by 18.2% compared to Euro 51.9 million for the six months ended July 31, 2014. At constant exchange rates net sales were down by 2%. It is worth highlighting the positive performance of the Miu Miu brand which also grew at constant exchange rates. In the period, the Group opened its first Miu Miu store in Jeddah, Saudi Arabia.

Products

In the six months ended July 31, 2015, leather goods generated net sales of Euro 1,107.8 million which were down by 0.3% compared to Euro 1,110.7 million for the same period of 2014. At constant exchange rates, the reduction was equal to 10%.

Net sales in the ready-to-wear department amounted to Euro 288.2 million, up by 4.5% as reported and down by 5.3% at constant exchange rates, with a significative impact of the reduced wholesale business. This product category was weak in all regions except Japan, where there was double-digit sales growth.

The footwear division continued its growth in all regions and, despite being hit by the wholesale business reduction, posted net sales of Euro 370.4 million, showing an increase of 17.8% compared to Euro 314.4 million reported for the same six month period in prior year. At constant exchange rates there was 5.8% growth.

Brands

The Prada brand generated net sales of Euro 1,461.5 million recording an increase of 2.1% compared to Euro 1,431.1 million reported for the same period of 2014. At constant exchange rates there was a 7.9% decrease, essentially determined by the performances of the leather goods division and especially in Asia Pacific. In terms of channels the retail grew, although mainly thanks to better exchange rates, while the wholesale declined double-digit both as reported and at constant exchange rates.

In the six months ended July 31, 2015, the Miu Miu brand contributed net sales of Euro 293.9 million, a 14.8% increase as reported and a 3.3% increase at constant exchange rates compared to Euro 256 million for the same period of last year. All regions recorded sales growth at constant exchange rates with the sole exception of Asia Pacific. In absolute terms, the growth was driven by the retail channel with leather goods and footwear both performing well.

In the period under analysis the Church's brand recorded net sales of Euro 38.4 million, a 7.9% increase compared to Euro 35.6 million for the same period of last year. At constant exchange rates the increase became a slight decrease of 0.8% due to the UK Pound movements. The retail channel achieved growth at constant exchange rates and also on a SSSG basis thanks to the good performances recorded mainly in Europe. The wholesale business decreased following the selective policy applied to some independent accounts and the DOS expansion in Europe.

Royalties

In the six months ended July 31, 2015, licensing agreements generated royalties income of Euro 23.1 million, 13% more than the Euro 20.4 million reported for the same period of prior year. This encouraging performance reaffirms the global appeal of the brands and regarded both the eyewear and fragrance businesses. In addition, it was achieved without the benefit of the launch of the first Miu Miu fragrance distribution of which commenced in August 2015.

Operating results

Gross margin for the six months ended July 31, 2015, amounted to Euro 1,325.9 million, or 72.7% on net revenues. The improvement compared to the 71.8% gross margin reported for the previous period was due, despite a less favorable product and geographical mix, to improvements on industrial costs as well as to the positive impact of exchange rates.

EBITDA for the six months amounted to Euro 440.1 million, or 24.1% on net revenues, down from Euro 492.8 million for the first six months of 2014, or 28.1% on net revenues. The dilution in profitability was caused by the negative operational leverage, especially at selling expenses level and in advertising and communication expenses, mainly for a concentration of spending in the early months of the current year. The dilution was recorded at the EBIT level also as a result of the increased level of depreciation and amortization charges. At the end of the six months the EBIT totaled Euro 293.2 million, or 16.1% on net revenues, down by 21.4% compared to the Euro 373.2 million achieved in the previous six month period when the incidence on net revenues was 21.3%.

Net financial expenses amounted to Euro 7.5 million, showing overall a decrease compared to the expense of Euro 9 million recorded in the same period of prior year. In addition to higher interest on bank borrowings during the period – because of higher average financial debt – there were lower exchange financial losses and higher dividends from financial investments.

Net invested capital

The following table contains the Statement of financial position reclassified in order to provide a better picture of the composition of the Net invested capital.

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Non-current assets (excluding deferred tax assets)	2,614,885	2,557,198
Trade receivables, net	347,493	346,284
Inventories, net	778,907	654,545
Trade payables	(378,826)	(437,420)
Net operating working capital	747,574	563,409
Other current assets (excluding financial position items)	208,926	190,149
Other current liabilities (excluding financial position items)	(291,241)	(411,878)
Other current assets/(liabilities), net	(82,315)	(221,729)
Provisions for risks	(67,859)	(63,695)
Post-employment benefits	(65,904)	(85,754)
Other long-term liabilities	(164,043)	(159,419)
Deferred taxation, net	255,795	239,349
Other non-current assets/(liabilities), net	(42,011)	(69,519)
Net invested capital	3,238,133	2,829,359
Shareholders' equity – Group	(2,960,909)	(3,000,737)
Shareholders' equity – Non Controlling Interests	(17,475)	(17,410)
Total consolidated Shareholders' equity	(2,978,384)	(3,018,147)
Long-term financial payables	(428,088)	(254,462)
Short-term financial , net surplus/(deficit)	168,339	443,250
Net financial position surplus/(deficit)	(259,749)	188,788
Shareholders' equity and Net of positive financial position	(3,238,133)	(2,829,359)
Debt to Equity ratio	0.09	n.a.

At July 31, 2015, Net invested capital amounts to Euro 3,238.1 million, an increase of Euro 408.8 million compared to the figure of Euro 2,829.4 million reported at January 31, 2015.

Non-current assets (deferred tax assets excluded) increased from Euro 2,557.2 million at January 31, 2015, to Euro 2,614.9 million at July 31, 2015. The increase of Euro 57.7 million was driven by capital expenditure for the period amounting to Euro 176.2 million, of which Euro 113.2 million for the expansion and improvement of the retail network, Euro 25.3 million for the strengthening of the industrial facilities and processes and Euro 37.7 million for the corporate area. Intangible assets recognized at July 31, 2015, include goodwill of Euro 514.1 million in respect of which management did not identify any indicators of impairment. In accordance with the requirements of "IAS 36 Impairment of assets", mandatory impairment tests will be performed at year end.

Net operating working capital increased from Euro 563.4 million at January 31, 2015, to Euro 747.6 million. The Euro 184.2 million increase was mainly due to the higher level of inventories as a result of both a different approach to replenishment and shipping which started in the last few months of 2014 and new openings (39 since July 31, 2014), as well as to a decrease of trade payables following a different phasing of the procurement strategy of raw materials which was anticipated compared to the past. Finished products and raw materials in inventory at period end are measured at estimated realizable value and are stated net of obsolescence and slow moving provision of Euro 64.1 million.

Other current liabilities, net, decreased from Euro 221.7 million at January 31, 2015, to Euro 82.3 million, following settlement of payables for investments in tangible and intangible assets and expiry of hedging derivative contracts which had a negative fair value at January 31, 2015.

Other non-current liabilities, net, amount to Euro 42 million. They decreased by Euro 27.5 million compared to the figure at January 31, 2015, as a result of higher level of deferred tax assets recognized on temporary differences between the tax values and the amounts reported in the consolidated financial statements for finished products, as well as because of payment of some Euro 23 million of long-term employee benefits.

The Group's net equity at July 31, 2015, amounts to Euro 2,960.9 million. During the year, dividends of Euro 281.5 million were distributed to shareholders of PRADA spa, as approved by the Annual General Meeting held on May 26, 2015, with reference to the financial statements for the year ended January 31, 2015.

Net financial position surplus/(deficit)

(amounts in thousands of Euro)	as at July 31 2015 (unaudited)	as at January 31 2015 (audited)
Long-term debt	(428,829)	(255,203)
Long-term financial receivables due from related parties	741	741
Long-term financial payables	(428,088)	(254,462)
Bank overdraft and short-term loans	(379,153)	(263,335)
Payables to related parties	(2,444)	(2,371)
Receivables from related parties	-	11
Obligations under finance leases	(7)	(21)
Cash and cash equivalents	549,943	708,966
Short-term net financial surplus/(deficit)	168,339	443,250
Net financial position surplus/(deficit)	(259,749)	188,788

At July 31, 2015, the Net financial position of the group is negative and stands at Euro 259.7 million. There was an overall decrease of Euro 450 million compared to the figure at January 31, 2015, as a result of the use of cash flows generated by operating activities, together with existing cash, to finance the investment plan (Euro 235.9 million) and to pay dividends to the shareholders of PRADA spa (Euro 281.5 million) and to the non-controlling shareholders of the Group' subsidiaries (Euro 9.4 million). It should be noted that, following some supply chain processes reengineering, purchases of raw materials were brought forward compared to previous standard for incoming fall/winter deliveries and had a significant impact in terms of cash consumption as the net operating working capital increased from Euro 563.4 million at January 31, 2015, to Euro 747.6 million at July 31, 2015.

In terms of maturity of bank borrowings, the Group managed to improve its financial flexibility, while also taking advantage of the favorable conditions on the credit market. It did so by signing during the six month period new long-term facilities in Euro and Japanese yen for a total amount of approximately Euro 80 million. The total amount of available and unused credit lines amount to Euro 295.1 million at July 31, 2015.

Outlook

The global economic environment is still volatile and recent instability in Asia has not helped ease the situation so visibility will probably remain low for the time being.

Given this challenging environment, management has continued to perform the wide-ranging review of critical processes that began in the previous year, focusing on supply chain management (planning, procurement, manufacturing and logistics organization, product development), the product offering and pricing structure. This ongoing process is aimed at streamlining operations and reducing costs but also at adapting our business to immediate and long-term market challenges. Moreover, from a shorter term perspective, action has been taken to cut discretionary expenditure. Some initial positive effects of these measures are already visible in the last quarter.

Management remains committed and confident that, thanks to the work that has been done so far and all the efforts that are being made in relation to industrial, marketing and retail activities, the Group will be in a position to face the current and future evolution of the international markets while also leveraging global awareness of the brands, coupled with the broad international footprint guaranteed by direct retail network expansion.

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 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").

Corporate governance practices adopted by the Company during the six months ended July 31, 2015 (the "Reviewed Period"), are in line with those practices set out in the Company's 2014 Annual Report and the Code.

Compliance with the Code

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

The Board

The Board of Directors of the Company (the "Board") is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group.

As resolved at the shareholders' general meeting of the Company on May 26, 2015, the following persons were re-elected as members of the Board and Mr. Carlo Mazzi was elected as the Chairman of the Board for a term of three financial years, ending on the date of the shareholders' meeting called to approve the financial statements for the last year of the Board's office, and the other executive roles were conferred at the first Board meeting thereafter in accordance with Italian law and the by-laws of the Company (the "By-laws"):

Mr. Carlo Mazzi as executive director and Chairman of the Board;
Ms. Miuccia Prada Bianchi as executive director and Chief Executive Officer;
Mr. Patrizio Bertelli as executive director and Chief Executive Officer;
Mr. Donatello Galli as executive director and Chief Financial Officer;
Ms. Alessandra Cozzani as executive director;
Mr. Gaetano Micciché as non-executive director;
Mr. Gian Franco Oliviero Mattei as independent non-executive director;
Mr. Giancarlo Forestieri as independent non-executive director; and
Mr. Sing Cheong Liu as independent non-executive director.

The Board has established the following committees with written terms of reference, which are of no less exacting terms than those set out in the Code:

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules of which at least one member possesses appropriate professional qualifications in accounting or related financial management expertise to discharge the responsibility of the Audit Committee. 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. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the activities of the Company's financial reporting process and internal control and risk management systems, to oversee the external audit process and the internal audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee held four meetings on February 26, 2015, March 26, 2015, June 12, 2015, and September 15, 2015, with an attendance rate of 100%, mainly to review with the senior management, the Group's internal and external auditors and the board of statutory auditors the audit plan for the year 2015, the auditing and internal controls activities, the Group's continuing connected transactions for 2014, the update on risk assessment and the financial reporting matters (including the annual results for the year 2014 and the first quarterly results and interim results for the year 2015 before recommending them to the Board for approval).

Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one executive director, Mr. Carlo Mazzi. The Remuneration Committee held two meetings on March 17, 2015, and May 26, 2015, with an attendance rate of 100%, to recommend certain updates to the long term incentive plan, the proposed allocation of the aggregate basic remuneration of the Board to the directors (subject to the aggregate basic remuneration being approved by the shareholders at the general meeting on May 26, 2015) and the additional remuneration of the directors vested with special authorities (that is to the executive directors and members of the Board's committees).

Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of independent non-executive directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and adoption, where appropriate. The Nomination Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one executive director, Mr. Carlo Mazzi. The Nomination Committee held a meeting on March 26, 2015, with an attendance rate of 100%, to perform the annual review of the independence of independent non-executive directors and to recommend the re-election of all the directors of the Company at its shareholders' general meeting held on May 26, 2015.

Supervisory Body

In compliance with Italian Legislative Decree 231 of June 8, 2001 (the "Decree"), the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including independent non-executive directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Franco Bertoli.

Board of Statutory Auditors

Under Italian law, the Company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the law and the By-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and on its functioning.

As resolved at the shareholders general meeting of the Company on May 26, 2015, the following persons were elected/re-elected as members of the board of statutory auditors or alternate statutory auditors of the Company (as the case may be) for a term of three financial years, ending on the date of the shareholders' meeting called to approve the financial statements for the last year of the board of statutory auditors' office:

Mr. Antonino Parisi as statutory auditor and Chairman of the board of statutory auditors;
Mr. Roberto Spada as statutory auditor;
Mr. David Terracina as statutory auditor;
Ms. Stefania Bettoni as alternate statutory auditor; and
Mr. Cristiano Proserpio as alternate statutory auditor.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in a general shareholders' meeting.

On March 27, 2015, the Board of the Company recommended the payment of a final dividend for the financial year 2014 of Euro/cents 11 per share in the capital of the Company, representing a total dividend of Euro 281,470,640. The shareholders approved this dividend at the shareholders' general meeting of the Company held on May 26, 2015. The dividend was paid on June 15, 2015.

No dividends have been declared or paid by the Company in respect of the Reviewed Period.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written procedures. Specific written confirmations have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

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.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company is published on the websites of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and the Company at *www.pradagroup.com*. The interim report will be available on the same websites and dispatched to the shareholders of the Company in due course.

By Order of the Board
PRADA S.p.A.
Mr. Carlo Mazzi
Chairman

Milan (Italy), September 15, 2015

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