PRADA

MILANO

DAL 1913

Annual Report 2011

PRADA spa
(Hong Kong Stock code: 1913)

Annual Report 2011

Index


Patrizio Bertelli


Miuccia Prada

The PRADA Group

The structure of
Terranuova Bracciolini (AR)

The first store Prada,
Galleria Vittorio Emanuele II
Milan

The PRADA Group

Presentation

"For Prada, fashion, luxury and style have always been core aspects of a project that goes beyond production of clothes, footwear and handbags.

Careful observation and interest in the world, society and culture are at the core of Prada's creativity and modernity. This has pushed Prada beyond the physical limitations of boutiques and showrooms, leading us to interact with diverse, seemingly distant worlds, and introducing, very naturally, a new way of creating fashion."
Miuccia Prada and Patrizio Bertelli

These values have formed the basis for all of the activities that have, over the years, transformed a family business into one of the world's leading luxury goods groups with the Prada, Miu Miu, Church's and Car Shoe brands.

The Group operates in more than 70 countries through 388 directly operated stores, 26 franchise operated stores and a network of selected high-end multi-brand stores and luxury department stores.

Prada's distinctive features and prestige derive from its particular industrial process management which allows the Group to offer its customers products of unequalled quality, creativity and exclusivity.

A focus on quality permeates every aspect of the Group's business. The individual heritage and identity of each brand is rigorously defended with the Group's designers and craftsmen being constantly challenged to keep tradition alive through a continuous process of re-invention and innovation. Each step of the process, both inside and outside the company, is carefully monitored in order to guarantee uncompromised quality.

The result is an exclusive relationship between each customer and the PRADA Group brands, its products, its communications and its stores. This is why customers recognize in Prada's products a personal and important part of their desire for self-expression and communication with the world around them.

The first Prada Epicenter Concept Store,
Broadway, New York
by architect Rem Koolhaas and Studio OMA

The third Prada Epicenter Concept Store,
Los Angeles, Beverly Hills
by architect Rem Koolhaas and Studio OMA

The second Prada Epicenter Concept Store,
Aoyama, Tokyo
by architects Herzog & de Meuron

Prada Store
by architect Roberto Baciocchi

Prada Store
by architect Roberto Baciocchi

Miu Miu Store
by architect Roberto Baciocchi

Miu Miu Store
by architect Roberto Baciocchi

Spring/Summer 2012
Advertising campaign
for Prada

Spring/Summer 2012
Advertising campaign
for Prada

History of PRADA Group

The Prada brand dates back to the beginning of the last century. In 1913, Mario Prada opened a luxury store in the Galleria Vittorio Emanuele II in Milan, selling leather handbags, travelling trunks, leather accessories and beauty cases, luxury accessories and articles of value. Thanks to its exclusively designed goods, handcrafted using fine materials and sophisticated techniques, Prada rapidly became a reference point for European aristocracy and the most elegant members of the *haute-bourgeoisie* in Europe.

In 1919, PRADA became an official supplier to the Italian Royal family. Over the years, the Prada name gained increasing renown and prestige.

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario's granddaughter, launched a partnership with Tuscan businessman Patrizio Bertelli, a partnership that combined creativity and business ideas to commence a new era.

In 1977, Patrizio Bertelli set up I.P.I. spa to consolidate the production resources that he had built up over the previous ten years. In the same year, I.P.I. spa obtained an exclusive license from Miuccia Prada to produce and distribute leather goods bearing the Prada brand name. In the following years, the activities of the two families were gradually brought together within a single Group.

In 1983, the Prada family opened a second store in the prestigious Via della Spiga in Milan. The new store showcased the new brand image as it blended traditional elements with a modern architectural setting and would represent a revolution and a benchmark for luxury retail. In response to the growing demand for and appreciation of Prada products, the range was extended from leather goods (such as bags, luggage and accessories) to include footwear, as well as men's and women's ready-to-wear apparel.

A new brand, Miu Miu, was launched in 1993.

The Prada *"Linea Rossa"* leisure range, with its distinctive "Red Line", was launched in 1997.

In 1999 Prada acquired full control of Church's, one of the most prestigious brands of English footwear.

In 2001 Prada acquired control of Car Shoe, an historical Italian brand famous for exclusive driving shoes. The first "Epicenter" store was opened the same year in SoHo, New York.

In 2003, Prada entered into a licensing agreement with Italian eyewear manufacturer Luxottica, world leader in the eyewear industry.
The Luxottica Group currently produces eyewear for the Prada and Miu Miu brands.
The second "Epicenter" store was opened in Aoyama, Tokyo in 2003 and the Group began its partnership with Spanish cosmetics manufacturer Puig Beauty & Fashion Group which launched the Prada Woman fragrance at the end of 2004.

Spring/Summer 2012
Advertising campaign
for Miu Miu

Spring/Summer 2012
Advertising campaign
for Miu Miu Eyewear

In 2006, Miu Miu organized its first fashion show in Paris.

The first Prada by LG cellphone was launched in 2008.

The Prada e-store first went online in 2010.

The Miu Miu e-store went online in 2011. The same year, Prada entered into a joint venture with the Al Tayer Insignia llc Group to develop a Prada and Miu Miu retail network in the Middle East.

On June 24, 2011, 19% of the share capital of PRADA spa was successfully placed on the Main Board of the Hong Kong Stock Exchange.

Spring/Summer 2012
Advertising campaign
for Prada Eyewear

Spring/Summer 2012
Advertising campaign
for Prada Eyewear

The Group brands

PRADA spa owns and operates some of the most prestigious luxury brands in the world. These brands, together with the Group's know-how and expertise, represent a key asset for the Group.

- Prada: historic brand that represents the best of Italian culture and tradition with unmistakable style, sophisticated elegance and uncompromising quality. At the same time, this is one of the most innovative fashion brands, able to re-define the norm and set new trends. Prada tends to go beyond conventional solutions to anticipate and satisfy consumer tastes;
- Miu Miu: Miuccia Prada's second soul, a brand with a very strong and autonomous identity, characterized by an avant-garde, sensual, sometimes provocative, style aimed at a clientele particularly focused on experimentation and the pursuit of originality;
- Church's: founded in Northampton (England) in 1873, it is a world renowned symbol of a century-old tradition in luxury, handcrafted footwear production, characterized by classic style and sophisticated English elegance. In 2009 the brand proposed a new range of lifestyle items;
- Car Shoe: a long established Italian brand, identified for decades with the most exclusive driving shoes with black rubber studded soles that give better grip on the car pedals. More recently, the brand has developed new models and offers a complementary line of accessories.

A key objective of all the Group's activities is continually to strengthen its brand equity as the desirability of a fashion brand must always be accompanied by equally strong appeal and recognition.

Over the years, Prada has managed to achieve such a high level of international renown that it has even captured the attention of the arts, literature and the movie industry (the blockbuster movie "The Devil Wears Prada" was based on the bestselling novel of the same name). In confirmation of their iconic nature, cultural importance as symbols of elegance and style, Prada products have even been presented and interpreted as works of art.

Fall/Winter 2011
Advertising campaign
for Car Shoe

Fall/Winter 2011
Advertising campaign
for Church's

Strategic processes

Design

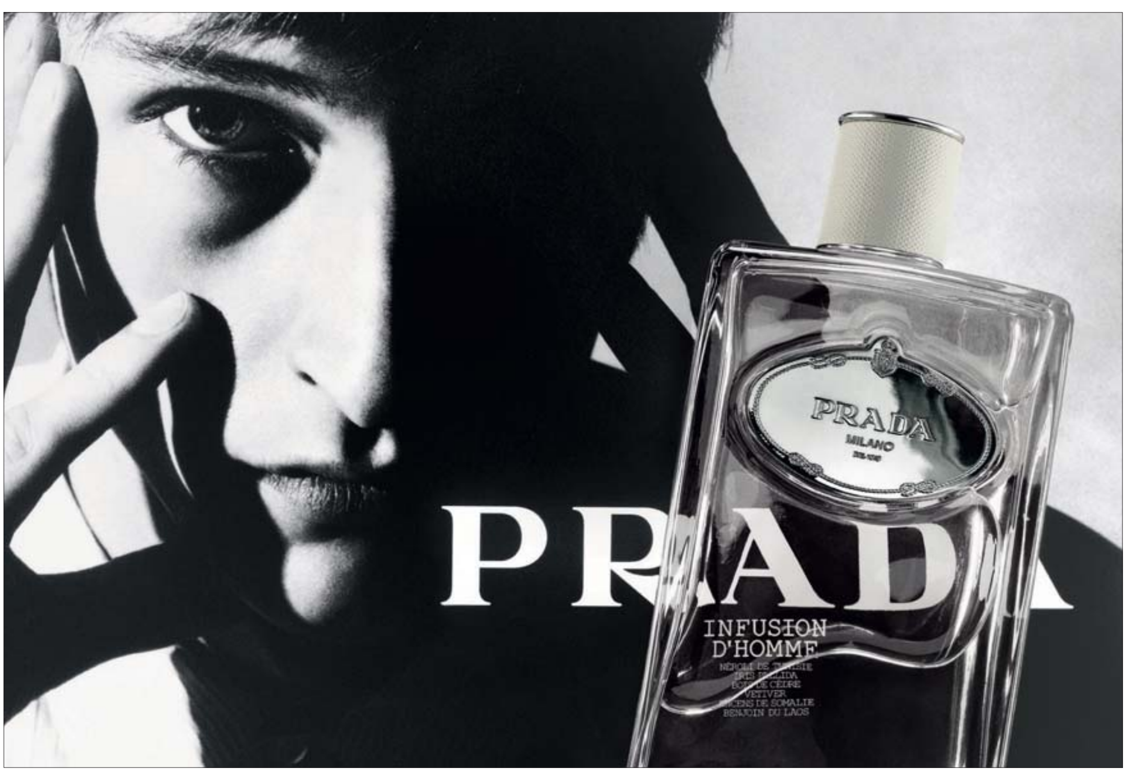
Creativity is the first step of the quality process.

Miuccia Prada has the ability to combine intellectual curiosity, the pursuit of new and unconventional ideas, cultural and social interests with a strong sense of fashion and close attention to detail. This has made it possible to establish a genuine design culture, also based on method and discipline, which guides everyone working in the Prada creative process.

This unique approach enables Prada to anticipate and set trends, continually experimenting with shapes, fabrics, leathers and production techniques. This experimentation and exchange of ideas are the essential components of the design content found in each Prada product. The time spent at the "drawing board" and in the "fitting room" on research and stylistic development for the brands is fundamental in defining each collection so that items of ready-to-wear apparel, footwear and accessories complement one another and create a well-defined, consistent brand image.

Miuccia Prada and Patrizio Bertelli's flair, coupled with their extraordinary charisma, continue to attract talents from all over the world who want to work with them in many different creative fields. This results in formidable teams in all aspects of the creative process: from design to architecture, photography and interior design of the stores.

2011
Advertising campaign
for Prada Parfums



2010
Advertising campaign
for Prada Parfums

Production

The second phase of the quality process involves the careful selection of materials which are often exclusively made for Prada based on very detailed specifications. With an annual consumption of some 4 million meters of fabric and a similarly impressive amount of leathers, Prada enjoys the priority attention of the best fabric makers and tanners in the world.

Prada products are made at eleven state-of-the-art facilities owned by the Group in Italy and England and through a network of external sub-contractors, all of them selected for their craftsmanship skills. This system enables close control of the overall production process and maximizes the individual capacities of each facility. Furthermore, it guarantees the utmost quality and the highest level of flexibility.

The core of Prada's production employees has been working with the company for an average of 20 years. This leads to the highest level of specialization and dedication to the brand while ensuring that know-how is handed on smoothly to younger generations.

Distribution

The Group's innovative approach and quality standards also apply to distribution.

The clearest evidence lies in the Epicenter Concept Store Program. These very special stores, located in New York, Los Angeles and Tokyo, have been designed in collaboration with world-famous architects Rem Koolhaas and Herzog & de Meuron, to re-invent and re-visit the concept of shopping.

The retail network is the subject of constant updating and improvement, in terms of both architecture and layout, in order to make it easier for customers to use and make product displays more effective.

Over the years, the Group has developed a strong network of Directly Operated Stores (DOS) which is accompanied by franchise stores and a significant presence in selected high-end multi-brand stores and luxury department stores.

Directly Operated Stores provide a direct relationship with customers and offer real-time information on the performance of each product category. The retail network is also an effective platform to showcase the product range and project a strong and consistent brand image.

The wholesale channel (department and multi-brand stores) guarantees a number of points of sale in prestigious locations in key markets and provides a direct and immediate comparison with the competition. In recent years, this sales channel has been carefully reviewed with the aim of being more selective and the number of points of sale has decreased considerably. This has been done in order to achieve synergy with retail network expansion and to maintain the positioning and internal image of the brand.

PRADA Group's consolidated sales are generated by the retail channel for 78%, while the remaining 22% comes from wholesale.

Luna Rossa
Valencia 2007

Luna Rossa
Auckland 2012

Image and communication

Effective communications are key to building and maintaining a unique and powerful brand image. From impeccably executed fashion shows to award-winning advertising campaigns, Prada continues successfully to create an appealing and cutting-edge image that attracts a high quality, international client base.

Strong editorial coverage of Prada and Miu Miu, featured prominently on hundreds of covers of the most important fashion magazines worldwide, contributes to the visibility of both brands' products.

Cultural and commercial in-store events help raise the brands' profile and increase awareness of the most recent collections in local markets and, in particular, in leading international cities from Tokyo to New York and London and from Hong Kong to Shanghai and Beijing.

Special projects carried out in fields other than Prada's core business form an important part of the Company's communications strategy, highlighting the many different facets that identify the brand.

Prada took part in the America's Cup in 2000, 2003 and 2007. This experience, which led also to the development of a sports clothing and accessories line, helped further spread the image of Prada in the world, associating the brand with one of the oldest and most prestigious international sports competitions. In October 2011, as sponsor of the Luna Rossa yacht, Prada once more launched its challenge to win the 34th edition of the America's Cup which will be held in San Francisco, California, in 2013.

Art and culture

Miuccia Prada and Patrizio Bertelli's interest in contemporary art led to their decision, in 1993, to create a space to hold exhibitions dedicated to acclaimed international artists. The Fondazione Prada was born with the purpose of receiving and communicating what Miuccia Prada calls "the most powerful mental and cultural provocations".

Organized with the full collaboration of the artists themselves, the exhibitions presented by the Fondazione Prada in Milan have so far included artists of international fame such as Anish Kapoor, Mariko Mori, Louise Bourgeois, Laurie Anderson, Walter De Maria, Marc Quinn, Carsten Hoeller, Steve McQueen, Giulio Paolini, Francesco Vezzoli, Tom Sachs, Thomas Demand, Tobias Rehberger, Natalie Djurberg, John Wesley, John Baldessarri and Rotor.

The flexible nature of the Fondazione Prada has also developed along a number of different routes, in a variety of fields of cultural research including art, architecture, philosophy, science, design and cinema. The exhibition held in 2011 at Ca' Corner della Regina - an historic building on Venice's Grand Canal that was refurbished by the Fondazione Prada - is a fine example of the many aspects that have identified the Fondazione Prada in the past and will continue to identify it in future.

The Calzaturificio Lamos facility
Montevarchi, (AR)
by architect Guido Canali

The I.P.I. Amiata facility
Piancastagnaio (SI),
project by Studio Cerri

Human Resources

Human Resources are a fundamental asset for the development of the Group, which builds its competitive advantage on the skills and commitment of its employees, promoting and rewarding pro-activity, goal orientation and teamwork.

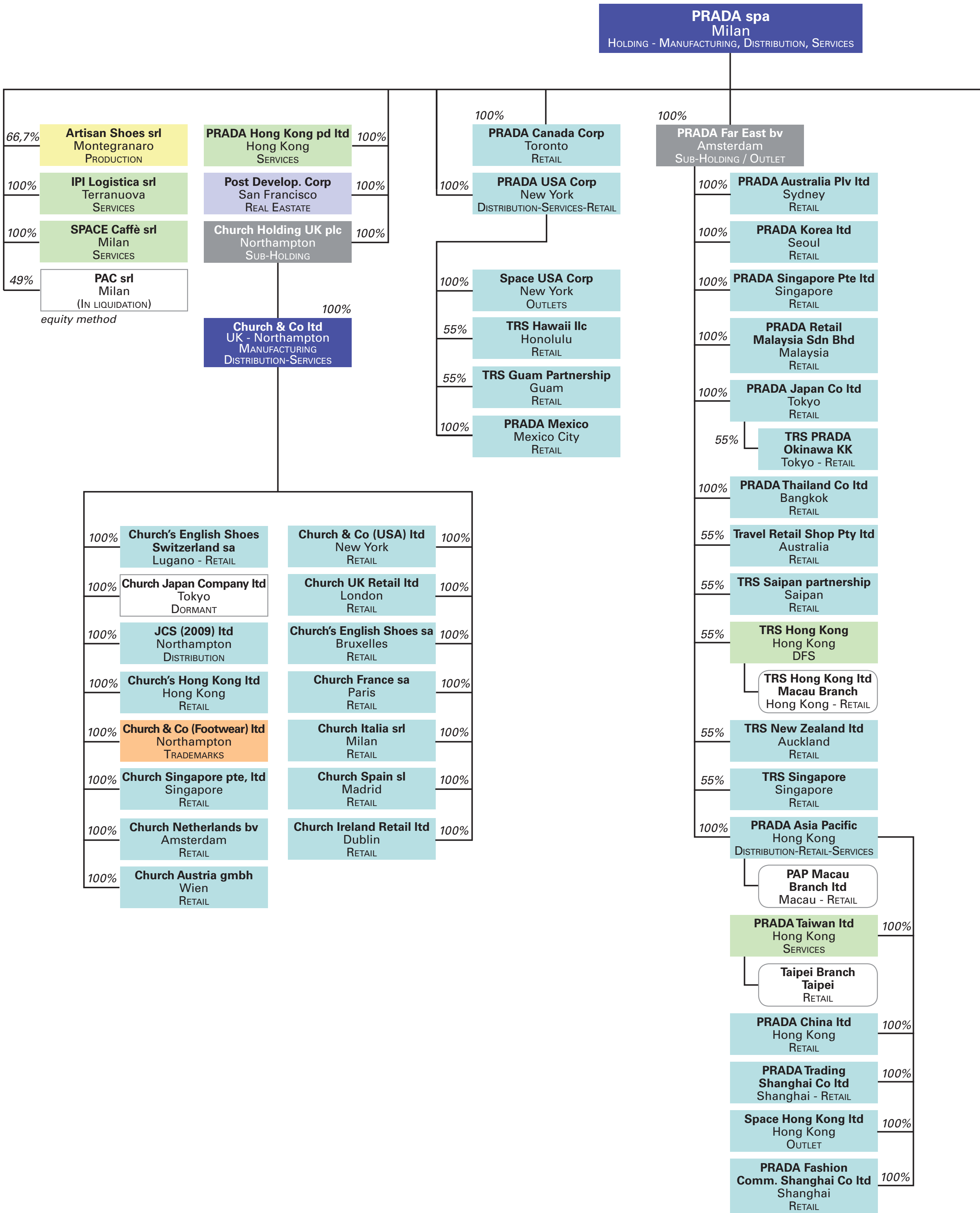
The Human Resources Department operates in an international environment, cooperating closely with the business areas in order to verticalize processes, make them more efficient and effective and make the most of skills and specific local characteristics as part of an ongoing process to improve business processes, achieve integration between central and outlying parts of the business and concentrate on the business as much as possible.

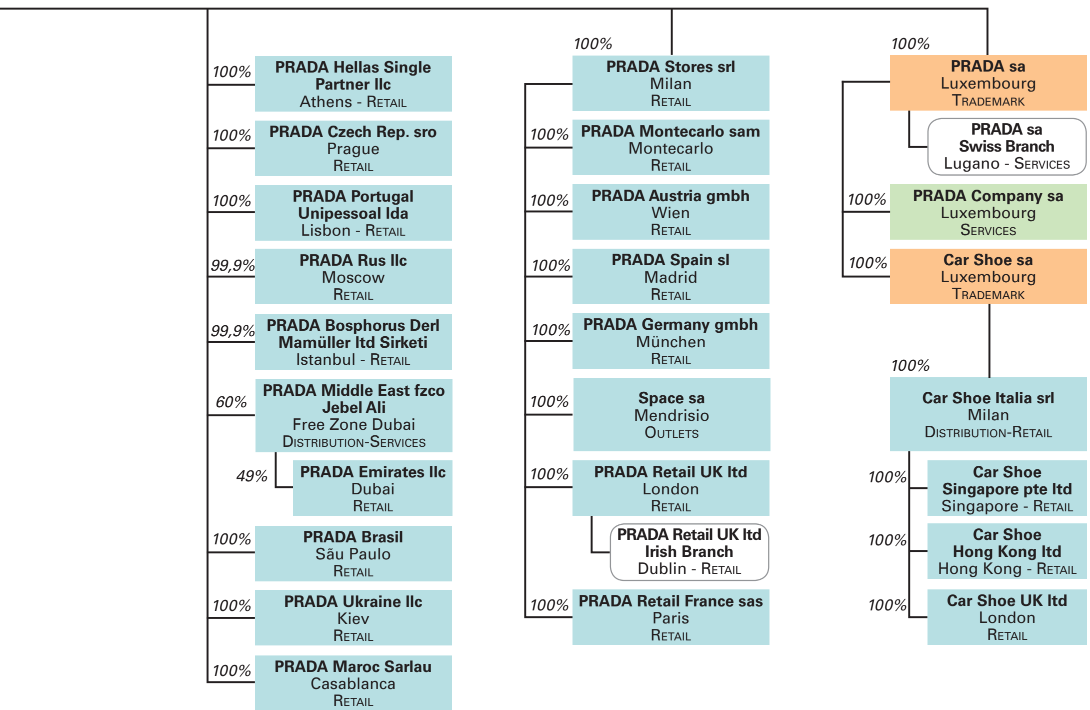
Through a structured and transparent selection process which is also based on cooperation with the most prestigious universities and fashion schools, the Group constantly seeks and attracts the best talents in the international employment market.

The training and development policies implemented were mainly aimed at strengthening the retail area fully in line with the development of that channel.

The Group's presence in the international market through its four brands offers its employees the chance to grow both inside their areas of competence as well as on a horizontal and international level.

PRADA Group Structure




100%
PRADA Hellas Single Partner llc
Athens - Retail
100%
PRADA Czech Rep. sro
Prague
Retail
100%
PRADA Portugal Unipessoal lda
Lisbon - Retail
99,9%
PRADA Rus llc
Moscow
Retail
99,9%
PRADA Bosphorus Derl Mamüller ltd Sirketi
Istanbul - Retail
60%
PRADA Middle East fzco Jebel Ali
Free Zone Dubai
Distribution-Services
49%
PRADA Emirates llc
Dubai
Retail
100%
PRADA Brasil
Sãu Paulo
Retail
100%
PRADA Ukraine llc
Kiev
Retail
100%
PRADA Maroc Sarlau
Casablanca
Retail
100%
PRADA Stores srl
Milan
Retail
100%
PRADA Montecarlo sam
Montecarlo
Retail
100%
PRADA Austria gmbh
Wien
Retail
100%
PRADA Spain sl
Madrid
Retail
100%
PRADA Germany gmbh
München
Retail
100%
Space sa
Mendrisio
Outlets
100%
PRADA Retail UK ltd
London
Retail
PRADA Retail UK ltd Irish Branch
Dublin - Retail
100%
PRADA Retail France sas
Paris
Retail
100%
PRADA sa
Luxembourg
Trademark
PRADA sa Swiss Branch
Lugano - Services
100%
PRADA Company sa
Luxembourg
Services
100%
Car Shoe sa
Luxembourg
Trademark
100%
Car Shoe Italia srl
Milan
Distribution-Retail
100%
Car Shoe Singapore pte ltd
Singapore - Retail
100%
Car Shoe Hong Kong ltd
Hong Kong - Retail
100%
Car Shoe UK ltd
London
Retail

Corporate Information

Registered office	Via A. Fogazzaro, 28 20135 Milan, Italy
Headquarters office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company website	www.pradagroup.com
Hong Kong Exchange Stock Code	1913
Board of Directors	Miuccia Prada Bianchi (Chairperson and Executive Director) Patrizio Bertelli (Chief Executive Officer and Executive Director) Carlo Mazzi (Deputy Chairman and Exectutive Director) Donatello Galli (Chief Financial Officer and Executive Director) Marco Salomoni (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Davide Mereghetti (Non-Executive Director, resigned on May 9, 2011) Sing Cheong Liu (Independent Non-Executive Director, appointed on May 9, 2011) Gaetano Micciché (Non-Executive Director, appointed on May 9, 2011) Marco Cerrina Feroni (Non-Executive Director, resigned on May 9, 2011)
Audit Committee	Gian Franco Oliviero Mattei Sing Cheong Liu Giancarlo Forestieri
Remuneration Committee	Gian Franco Oliviero Mattei Giancarlo Forestieri Marco Salomoni
Board of Statutory Auditors	Antonino Parisi (Chairman) Riccardo Perotta (Standing member) Gianandrea Toffoloni (Standing member)
Supervisory Board (Law 231/2001)	David Terracina (Chairman) Franco Bertoli Marco Salomoni

Main Shareholder	PRADA Holding bv Dam 3-7 1012 JS Amsterdam - The Netherlands
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) Flat A, 20th Floor Block 4, Sceneway Garden 8 Sceneway Road Kowloon, Hong Kong
Authorized Representatives	Donatello Galli Via Elba, 10 20144 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) Flat A, 20th Floor Block 4, Sceneway Garden 8 Sceneway Road Kowloon, Hong Kong
Alternate Authorized Representative to Donatello Galli	Sing Cheong Liu House 7 Severn Hill 4 Severn Road The Peak Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditor	Deloitte & Touche Spa Via Tortona, 25 20144 Milan, Italy
Compliance Advisor	Anglo Chinese Corporate Finance, Limited 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong

Financial Review

The Financial review of the Board of Directors refers to the Group of companies controlled by PRADA spa (the "Company"), holding company of the PRADA Group (the "Group") and is based on the Consolidated Financial Statements of the Group at January 31, 2012 (year 2011), prepared in accordance with IFRS as adopted by the European Union. The Financial review must be read together with the Financial Statements and the Notes to the Financial Statements which are an integral part of the Consolidated Financial Statements.

Consolidated income statement

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%
Retail	1,964,499	76.9%	1,427,356	69.8%
Wholesale	558,831	21.8%	589,708	28.8%
Royalties	32,276	1.3%	29,587	1.4%
Net revenues	2,555,606	100.0%	2,046,651	100.0%
Cost of goods sold	(727,581)	-28.5%	(658,763)	-32.2%
Gross margin	1,828,025	71.5%	1,387,888	67.8%
Operating expenses	(1,199,090)	-46.9%	(969,501)	-47.4%
EBIT	628,935	24.6%	418,387	20.4%
Interest and other financial expenses, net	(26,027)	-1.0%	(30,158)	-1.5%
Income before taxation	602,908	23.6%	388,229	19.0%
Taxation	(166,483)	-6.5%	(134,678)	-6.6%
Net income from continuing operations	436,425	17.1%	253,551	12.4%
Net income from discontinued operations	-	-	-	-
Net income for the year	436,425	17.1%	253,551	12.4%
Net income from discontinued operations – non-controlling interests	-	-	-	-
Net income from continuing operations – non-controlling interests	4,496	0.2%	2,732	0.1%
Net income – non-controlling interests	4,496	0.2%	2,732	0.1%
Net income from discontinued operations - Group	-	-	-	-
Net income from continuing operations - Group	431,929	16.9%	250,819	12.3%
Net income – Group	431,929	16.9%	250,819	12.3%
Depreciation, amortization and impairment	130,317	5.1%	117,543	5.7%
EBITDA	759,252	29.7%	535,930	26.2%
Basic and diluted earnings per share (in Euro per share)	0.170		0.100	

Key financial information

Key income statement information (amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012	% chg on January 2011	CAGR %
Net revenues	1,561,238	2,046,651	2,555,606	24.9%	27.9%
EBITDA	290,219	535,930	759,252	41.7%	61.7%
EBIT	187,032	418,387	628,935	50.3%	83.4%
Income before tax	155,150	388,229	602,908	55.3%	97.1%
Net income of the Group	100,163	250,819	431,929	72.2%	107.7%
Earnings per share	0.04	0.10	0.17	69.8%	106.2%
EBITDA %	18.6%	26.2%	29.7%		
EBIT %	12.0%	20.4%	24.6%		

Key statement of financial position information (amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012	% chg on January 2011	CAGR %
Non-current assets	1,460,521	1,595,990	1,826,065	14.4%	11.8%
Net operating working capital	259,278	320,759	357,648	11.5%	17.4%
Net invested capital	1,490,812	1,585,559	1,817,327	14.6%	10.4%
Net financial position (third parties)	(485,338)	(408,604)	15,804	-	-
Group shareholders' equity	1,047,903	1,204,350	1,822,743	51.3%	31.9%
Capital expenditure	134,516	206,860	278,856	34.8%	44.0%
Net operating cash flows	279,886	367,712	479,954	30.5%	31.0%
Average headcount (persons)	6,764	7,199	8,067	12.1%	9.2%

2011 highlights

In 2011, the PRADA Group successfully pursued its strategy of growth on the worldwide luxury goods market, combining one of the highest sales growth in the sector with a further, significant increase in profitability. The expansion program has led to the opening of 75 new stores across 17 different countries, including Russia and the United Arab Emirates for the first time. In pursuit of these results, the Group has continued to invest in sustaining the prestige of its brands with traditional promotional activities and new projects and partnerships with the world of art, cinema and architecture: groundbreaking agreements have been reached with the *Conseil Economique, Social et Environnemental* to use the *Palais d'Iéna* in Paris and with the *Fondazione Musei Civici di Venezia* to organize art events at *Cà Corner della Regina*. The events organized in Paris, Shanghai, Los Angeles and Tokyo have received important international coverage that helped to communicate the unique nature of the products and the strong identity of the brands.

Consolidated net revenues for the year ended January 31, 2012, amounted to Euro 2,555.6 million, an increase of 24.9% compared to the figure of Euro 2,046.7 million recorded in prior year. Sales growth was driven by the retail channel which achieved 37.6% growth compared to the year ended January 31, 2011, thanks to the opening of new stores and like-for-like growth.

EBITDA for the year totaled Euro 759.3 million with an increase of 41.7% compared to 2010. Sales growth combined with the reduced incidence of operating expenses meant that EBITDA increased significantly as a percentage of net revenues, from 26.2% in 2010 to 29.7% in 2011.

The consolidated income statement for the year ended January 31, 2012, reports Group net income of Euro 431.9 million, 72.2% more than in 2010. Earnings per share improved from Euro 0.10 to Euro 0.17 per share.

June 24, 2011 saw the successful completion of an IPO that led to 19% of the shares in PRADA spa being listed on the Hong Kong Stock Exchange. The operation involved the sale of existing and newly issued shares and raised a net amount of Euro 206.6 million for the Group. The Prada Group IPO was the largest consumer goods IPO in the world during the year and, thanks to its innovative content, it received the prestigious IFR "IPO of the Year" World Award and the IFR "IPO of the Year" Asia Pacific Markets. Prada shares have been included in the FTSE Asia Pacific (ex Japan) index and, consequently, in the FTSE All World index, as well as in the S&P Global Luxury Index.

Cash flows generated by the IPO and, above all, by ordinary activities enabled the Group not only to cover in full its investing activities for the year but, at January 31, 2012, to achieve a positive net financial position of Euro 15.8 million. At January 31, 2011, the Group had a negative net financial position of Euro 408.6 million.

Net sales analysis

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	445,611	17.6%	393,285	19.5%	13.3%
Europe	540,131	21.4%	450,463	22.3%	19.9%
Americas	392,677	15.6%	326,780	16.2%	20.2%
Asia Pacific	872,992	34.6%	613,803	30.4%	42.2%
Japan	256,693	10.2%	220,924	11.0%	16.2%
Other countries	15,226	0.6%	11,809	0.6%	28.9%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by brand					
Prada	1,999,345	79.2%	1,586,840	78.7%	26.0%
Miu Miu	441,054	17.5%	353,038	17.5%	24.9%
Church's	59,224	2.3%	53,028	2.6%	11.7%
Car shoe	17,039	0.7%	17,935	0.9%	-5.0%
Other	6,668	0.3%	6,223	0.3%	7.2%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by product line					
Clothing	512,585	20.3%	483,564	24.0%	6.0%
Leather goods	1,426,537	56.5%	1,013,877	50.3%	40.7%
Footwear	560,108	22.2%	503,120	24.9%	11.3%
Other	24,100	1.0%	16,503	0.8%	46.0%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by distribution channel					
DOS (including outlet stores)	1,964,499	77.9%	1,427,356	70.8%	37.6%
Independent customers, franchises and related parties	558,831	22.1%	589,708	29.2%	-5.2%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales	2,523,330	98.7%	2,017,064	98.6%	25.1%
Royalties	32,276	1.3%	29,587	1.4%	9.1%
Total net revenues	2,555,606	100.0%	2,046,651	100.0%	24.9%

Consolidated net revenues for the period ended January 31, 2012, amounted to Euro 2,555.6 million, 24.9% higher than the Euro 2,046.7 million recorded in 2010. At constant exchange rates, there was a 26.4% increase.

Distribution channels

Net sales generated by the retail channel, amounting to Euro 1,964.5 million, increased by 37.6% compared to prior year (+39.2% at constant exchange rates). The exceptional growth achieved confirms the determination shown by the Group during the year in pursuing its expansion program with the opening of 75 new DOS. The growth achieved is all the more impressive if analyzed at constant exchange rates and assuming the same number of stores: in fact, like-for-like growth amounted to 23% and was steady throughout the year.

In contrast, the wholesale channel showed a 5.2% decrease in net sales compared to prior year. This decrease essentially regarded the Italian and European markets as the Group continued to be more selective about its authorized accounts and relevant deliveries, and because of a different pattern of shipments due to particularly bad weather in Italy at the end of the year and the accompanying industrial action by hauliers that caused some delays. At constant exchange rates, the decrease was slightly smaller (-3.9%).

As a result of the above factors, the contribution by the retail channel towards total net sales rose from 70.8% to 77.9%.

Markets

For the third consecutive year, the Asia Pacific market was confirmed as leader both in absolute terms and for growth: it generated net revenues of Euro 873 million in 2011, a 42.2% increase compared to 2010 (+45.1% at constant exchange rates). Its contribution to consolidated net revenues rose from 30.4% to 34.6%.

Net sales on the Asia Pacific market were generated almost entirely by the retail network (+45% compared with 2010, +48% at constant exchange rates and +33% like-for-like) which included some 115 stores in Asia Pacific as at January 31, 2012.The Greater China area (China, Hong Kong and Macau) achieved the highest like-for-like growth with a 40% increase. Eight of the eighteen new DOS opened in the Asia Pacific market are located in China.

Net sales on the European market amounted to Euro 540.1 million, 19.9% more than in 2010 (+20.5% at constant exchange rates). The outstanding growth achieved by the DOS (+43%,+44% at constant exchange rates, +19% like-for-like) was partially offset by a decrease in the wholesale channel compared to 2010. The 28 new stores opened during the year included the first nine shops in Moscow.

The Italian market generated total sales of Euro 445.6 million, 13.3% more than in 2010. As for the rest of the European market, the excellent growth achieved in the retail channel (+45%, +28% like-for-like) contrasts with the fall in sales in the wholesale channel. The Group's strategic interest in further developing the domestic market led to the opening of seven new DOS, among which the first in Padova and Palermo.

The American market has continued to grow. Since the first half of the year, both the retail channel and the wholesale channel have shown excellent results. For the whole year, the retail channel grew by 25% (+32% at constant exchange rates) while the wholesale channel increased by 12% (+17% at constant exchange rates). Growth in the retail channel was driven by both existing stores (16% like-for-like growth) and newly opened stores (8 new stores were opened in 2011). The consumer spending recovery in USA was the fundamental reason for increased sales through department stores.

In Japan, net sales totaled Euro 256.7 million with excellent growth of 16.2%, also at constant exchange rates (+11.9%) and assuming the same number of stores (like-for-like growth +1%). These results confirm the solid, resistant nature of the Japanese market notwithstanding the dramatic events of March 2011 which affected an economy already stagnant. The importance of Japan to the PRADA Group is confirmed by the retail expansion program which has seen a further increase from 56 to 65 DOS in the country. The new Miu Miu flagship store in the Ginza Echigoya district of Tokyo, one of the world's most exclusive shopping areas, stands out among the newly opened stores.

Following the rationalization of the distribution network in the Middle East, the Other Countries area has seen its net sales increase by 29% to Euro 15.2 million. In 2011, the Group opened its first two stores in Dubai, United Arab Emirates.

Products

The increase in net sales was achieved in all product segments. Leather goods recorded the highest growth of 40.7% (+42.3% at constant exchange rates), mainly thanks to the higher incidence of the retail channel and the confirmed appeal of these products to Asian consumers. Clothing was affected by the decline in the wholesale channel but achieved a recovery in the second half of the year, compared to the first half of the year, and ended with a 6% increase compared to the year ended January 31, 2011 (+7.3% at constant exchange rates).

Brands

The Prada brand achieved stronger sales growth than the other brands compared to 2010 (+26%), increasing its contribution towards net sales from 78.7% to 79.2%. This sales performance largely reflects the excellent results already described at Group level. Among the successful collections presented, it is worth mentioning the sensation caused by the Prada Woman S/S 2011 collection which was memorable also for its colorful advertising campaign.

The Prada brand was followed by Miu Miu which contributed 17.5% of the Group's net revenues, ending the year 2011 with growth of 24.9% (+26.1% at constant exchange rates). The American market confirmed its great appreciation for this brand and sales there increased by 27.1% compared to 2010. In April 2011, Miu Miu also launched its new e-store, confirming its *avant-garde* spirit.

The Church's brand once again achieved double figure growth, driven by both the retail channel (+11.4% at constant exchange rates) and the wholesale channel (+14.7% at constant exchange rates). During the year, the first Church's store wholly dedicated to the Women's collection was opened on New Bond Street, London.

Despite expansion in the retail channel (one new DOS was opened in London in 2011), Car Shoe suffered from a decrease in the wholesale channel, partially because of the aforementioned late shipments at year-end and also because of a different planning in deliveries according to customers' needs. The brand's total sales fell by 5% compared to 2010.

Royalties

The licensed products business contributed net revenues of Euro 32.3 million (Euro 29.6 million in 2010). The increased royalties income compared to 2010 was due – as well as to higher sales of eyewear and fragrances – to a new licensing agreement signed with Korean car manufacturer Hyundai for the sale of a limited edition version of its Genesis model. The decline in Miu Miu royalties income registered up to the end of the third quarter of 2011 was reversed in the final quarter of the year with the launch of a new eyewear collection.

Prada brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	349,852	17.5%	302,025	19.0%	15.8%
Europe	411,552	20.6%	341,544	21.5%	20.5%
Americas	334,469	16.7%	281,178	17.7%	19.0%
Asia Pacific	710,157	35.5%	496,156	31.3%	43.1%
Japan	181,720	9.1%	157,061	9.9%	15.7%
Other countries	11,595	0.6%	8,876	0.6%	30.6%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales by product line					
Clothing	434,461	21.7%	419,464	26.4%	3.6%
Leather goods	1,141,097	57.1%	786,244	49.6%	45.1%
Footwear	402,348	20.1%	366,392	23.1%	9.8%
Other	21,439	1.1%	14,740	0.9%	45.4%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales by distribution channel					
DOS (including outlet stores)	1,562,233	78.1%	1,119,962	70.6%	39.5%
Independent customers, franchises and related parties	437,112	21.9%	466,878	29.4%	-6.4%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales	1,999,345	98.5%	1,586,840	98.3%	26.0%
Royalties	31,341	1.5%	27,914	1.7%	12.3%
Total net revenues	2,030,686	100.0%	1,614,754	100.0%	25.8%

Miu Miu brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	67,103	15.2%	61,337	17.4%	9.4%
Europe	86,178	19.5%	70,137	19.9%	22.9%
Americas	54,915	12.5%	43,190	12.2%	27.1%
Asia Pacific	155,841	35.3%	112,722	31.9%	38.3%
Japan	73,918	16.8%	63,341	17.9%	16.7%
Other countries	3,099	0.7%	2,311	0.7%	34.1%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales by product line					
Clothing	77,251	17.5%	63,258	17.9%	22.1%
Leather goods	282,033	64.0%	224,337	63.6%	25.7%
Footwear	79,109	17.9%	63,681	18.0%	24.2%
Other	2,661	0.6%	1,762	0.5%	51.0%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales by distribution channel					
DOS (including outlet stores)	354,227	80.3%	264,375	74.9%	34.0%
Independent customers, franchises and related parties	86,827	19.7%	88,663	25.1%	-2.1%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales	441,054	99.8%	353,038	99.6%	24.9%
Royalties	828	0.2%	1,458	0.4%	-43.2%
Total net revenues	441,882	100.0%	354,496	100.0%	24.7%

Church's brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	16,509	27.9%	15,307	28.9%	7.9%
Europe	34,271	57.9%	31,435	59.3%	9.0%
Americas	2,402	4.0%	1,966	3.7%	22.2%
Asia Pacific	4,789	8.1%	3,622	6.8%	32.2%
Japan	1,052	1.8%	511	0.9%	105.9%
Other countries	201	0.3%	187	0.4%	7.5%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales by product line					
Clothing	762	1.3%	551	1.0%	38.3%
Leather goods	1,702	2.9%	1,432	2.7%	18.9%
Footwear	56,760	95.8%	51,045	96.3%	11.2%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales by distribution channel					
DOS (including outlet stores)	38,346	64.7%	34,683	65.4%	10.6%
Independent customers, franchises and related parties	20,878	35.3%	18,345	34.6%	13.8%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales	59,224	99.8%	53,028	99.8%	11.7%
Royalties	107	0.2%	101	0.2%	5.9%
Total net revenues	59,331	100.0%	53,129	100.0%	11.7%

Car Shoe brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	var. %
Net sales by geographical area					
Italy	10,294	60.4%	12,509	69.7%	-17.7%
Europe	3,383	19.9%	3,353	18.7%	0.9%
Americas	857	5.0%	353	2.0%	142.8%
Asia Pacific	2,174	12.8%	1,275	7.1%	70.5%
Japan	-	0.0%	11	0.1%	-100.0%
Other countries	331	1.9%	434	2.4%	-23.7%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales by product line					
Leather goods	1,658	9.7%	1,760	9.8%	-5.8%
Footwear	15,381	90.3%	16,175	90.2%	-4.9%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales by distribution channel					
DOS (including outlet stores)	7,747	45.5%	6,027	33.6%	28.5%
Independent customers, franchises and related parties	9,292	54.5%	11,908	66.4%	-22.0%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales	17,039	100.0%	17,935	100.0%	-5.0%
Total net revenues	17,039	100.0%	17,935	100.0%	-5.0%

Number of stores

	January 31, 2012		January 31, 2011	
	Owned	Franchises	Owned	Franchises
Prada	245	20	207	27
Miu Miu	94	6	71	6
Car Shoe	6	-	5	-
Church's	43	-	36	-
Total	388	26	319	33

	January 31, 2012		January 31, 2011	
	Owned	Franchises	Owned	Franchises
Italy	44	5	37	5
Europe	115	6	88	13
Americas	47	1	34	-
Asia Pacific	115	14	104	13
Japan	65	-	56	-
Middle East	2	-	-	2
Total	388	26	319	33

Operating results

EBITDA for the 2011 financial year amounted to Euro 759.3 million, 41.7% more than in 2010, while rising from 26.2% to 29.7% of net revenues. The increased profitability was largely due to the excellent results in terms of gross margin which, in turn, benefited from a more favorable mix of sales in terms of distribution channel, geographical area and product. The economies of scale achieved in relation to fixed costs were partially absorbed by increased spending on media space.

The improvement in EBIT from 20.4% to 24.6% of net revenues also benefited from the fact that depreciation and amortization charges increased by less than net revenues.

The income statement reports net income for the Group of Euro 431.9 million (Euro 250.8 million in 2010). The lower tax charge for the year, essentially because of accruals for tax disputes recorded in 2010, has led to net income of 16.9% of net revenues with an exceptional increase of 72.2% compared to 2010.

Notwithstanding the share capital increase subscribed in relation to the IPO on Hong Kong Stock Exchange, earnings per share have increased from Euro 0.10 to Euro 0.17 per share.

Analysis of the statement of financial position

Net invested capital

The following table contains the statement of financial position, adjusted in order to provide a better picture of the composition of net invested capital.

(amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012
Non-current assets	1,460,521	1,595,990	1,826,065
Current assets excluding financial assets	532,446	634,462	753,809
Current liabilities excluding financial liabilities	361,403	459,047	546,072
Net working capital	171,043	175,415	207,737
Assets held for sale	1,413	4,948	-
Long-term liabilities, including deferred taxation	92,195	103,236	123,656
Post-employment benefits	36,831	34,833	35,898
Provisions for risks	13,139	52,725	56,921
Net invested capital	1,490,812	1,585,559	1,817,327
Shareholders' equity – Group	1,047,903	1,204,350	1,822,743
Shareholders' equity – Non Controlling Interests	8,756	5,788	8,224
Total consolidated shareholders' equity	1,056,659	1,210,138	1,830,967
Long term financial payables	119,107	305,917	179,542
Short term financial payables, net of cash and cash equivalents	315,046	69,504	(193,182)
Net financial position	434,153	375,421	(13,640)
Shareholders' equity and net financial payables	1,490,812	1,585,559	1,817,327
Debt to Equity ratio	0.41	0.31	n.a.

At January 31, 2012, net invested capital stood at Euro 1,817.3 million. It had a similar breakdown at all three reporting dates analyzed. The additional value generated during 2011 was largely attributable to investments made in relation to the Group's expansion program.

The share capital increase subscribed in 2011, as a result of the IPO completed on June 24, 2011, and, above all, the outstanding operating and financial results achieved in recent years have formed the basis for the Group's solid balance sheet structure. At January 31, 2012, the Group reported net positive financial position of Euro 13.6 million while Group Shareholders' Equity stood at Euro 1,822.7 million.

Non-current assets

(amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012
Property, plant and equipment	417,965	536,717	713,870
Intangible assets	893,319	869,119	863,526
Investments in associated undertakings	9,509	1,753	15,631
Deferred tax assets	111,373	141,378	175,736
Other non-current assets	28,355	44,883	57,302
Derivative financial instruments-non-current	-	2,140	-
Total non-current assets	1,460,521	1,595,990	1,826,065
Percentage of tangible assets already depreciated	0.53	0.50	0.47

The increase in property, plant and equipment is largely due to capital expenditure for the year (Euro 278.9 million) and to the effect of translation into Euro (Euro 24.7 million), less depreciation and amortization (Euro 126.3 million) and impairment adjustments (Euro 4.0 million). The Group's capital expenditure for the year was allocated as follows: Euro 191.2 million in the retail area, Euro 57.8 million in the production and logistics area and Euro 29.9 million in the corporate area.

Deferred tax assets have increased mainly because of higher deductible temporary differences relating to inventories.

Net operating working capital

(amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012
Trade receivables	224,198	274,175	266,404
Inventories	231,476	280,409	374,782
Trade payables	(196,396)	(233,825)	(283,538)
Net operating working capital	259,278	320,759	357,648

The increase in net operating working capital is due to the higher volume of business. The reduction in the wholesale business is reflected in the lower level of trade receivables.

Net financial position

The following table summarizes the items included in the net financial position.

(amounts in thousands of Euro)	January 31 2010	January 31 2011	January 31 2012
Long term debt	111,439	303,408	178,442
Obligations under finance leases	7,668	2,509	1,100
Long term financial payables	119,107	305,917	179,542
Short term financial payables and bank overdrafts	459,283	194,240	165,485
Payables to parent company and related parties	2,806	281	3,574
Receivables from parent company and related parties	(54,537)	(34,044)	(1,410)
Obligations under finance leases	5,513	5,019	1,453
Payables to other shareholders	545	581	-
Cash and cash equivalents	(98,564)	(96,572)	(362,284)
Short term financial payables/(receivables), net of cash and cash equivalents	315,046	69,504	(193,182)
Net financial position	434,153	375,421	(13,640)
Net financial position, excluding receivables/payables with parent company and related parties and other shareholders (NFP used to calculate covenants - note 27 Consolidated financial statements)	485,339	408,604	(15,804)
NFP/EBITDA ratio	1.68	0.76	n.a.
EBITDA/Net financial charges ratio	9.05	17.77	29.17

The Group's net financial position has seen a longstanding balance of net indebtedness transformed into a positive net financial position at January 31, 2012.

Cash flows generated by operating activities and the share capital increase have enabled the Group not only to finance its major capital investment program (Euro 257.2 million), pay dividends (Euro 6.4 million) and repay debt falling due (Euro 156.8 million) but, above all, to accumulate sufficient liquidity to enable it to report a positive net financial position of Euro 15.8 million at January 31, 2012.

Given the current state of volatility and uncertainty on bank borrowing markets, in particular, management believes that this position of liquidity will assure the Group sufficient financial flexibility, also in view of planned dividend payments and the major investment program planned for 2012.

Risk factors

Risk factors regarding the international luxury goods market

Risks regarding the general state of the economy and the Group's international operations

The international environment in which Prada operates exposes the Group to several macroeconomic factors whose impact on consumer spending and the volume of tourist travel can affect its income statement, equity and cash flows.

PRADA Group strategy, focusing on international growth in the retail channel, has already proven its worth as a means of combating the effects of the worldwide downturn in 2008-2009 and led to highly satisfactory results when markets recovered.

Risks regarding the protection of intellectual property rights

Trademarks and other intellectual property rights are extremely important in the fashion and luxury goods market.

Prada's success also depends on its capacity to protect and promote its own trademarks and intellectual property rights and to prevent counterfeiting. For this purpose, the Group invests in worldwide trademark protection and in monitoring the market in order to take tough measures against counterfeiters of trademarks and designs.

Risks regarding brand image and recognition

The success of the Group on the international luxury goods market is linked to the image and distinctiveness of its brands. These features depend on many factors, like the style and design of products, the quality of materials and production techniques used, the image and location of the Group's directly operated stores, the careful selection of licensees for certain product categories and communications activities in terms of public relations, advertising, marketing and Group profile, in general.

Preservation of the image and prestige acquired by the Group's brands and trademarks in the fashion and luxury goods industry is an objective that the PRADA Group pursues by closely monitoring each step of the process, both inside and outside the company, in order to guarantee uncompromised quality. It also engages in a constant search for innovation in terms of style, product and communications in order to ensure that its message is always consistent with the strong identity of the brands.

Risks regarding ability to anticipate trends and respond to changing customer preferences

The Group's success depends on its ability to create and drive market and product trends while anticipating changes in customer preferences and in the dynamics of the luxury goods market.

The Group pursues its objective of driving the luxury goods market by stimulating consumer markets and setting trends thanks to the creative efforts of its Product Creation and Development department.

Risk factors specific to PRADA Group

Risks regarding exchange rate fluctuations

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuations against the Euro. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa as worldwide distributor of most products, the Group enters into option and forward sale and purchase agreements so as to guarantee the counter value in Euro of identified financial and commercial cash flows.

Exchange rate risk management is described in the Notes to the Consolidated Financial Statements.

Risks regarding interest rate fluctuations

The interest rate risk is the risk that cash outflows might vary as a result of interest rate fluctuation. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa, the Group uses interest rate swaps and collars. These instruments convert variable rate loans into fixed rate loans or loans at rates within a negotiated range of rates.

Interest rate risk management is described in more detail in the Notes to the Consolidated Financial Statements.

Risks regarding the importance of key personnel

The Group's results depend both on the contribution of certain key figures who have played an essential role in the development of the Group and who have great experience of the fashion and luxury goods industry and on Prada's ability to attract and retain personnel highly capable in terms of the design, marketing and merchandising of products.

The Group believes it has a management structure capable of guaranteeing the ongoing success of the business.

Risks regarding the implementation of strategy

The Group's ability to increase revenues and improve profitability depends on the successful implementation of its strategy for each brand. As already stated, this strategy is based on the international development of the retail channel.

The Group is pursuing its objectives through gradual expansion in new geographical areas or in areas where its presence is not yet strong enough. In order to ensure the success of each new DOS, the Group carefully assesses market conditions and consumer trends in the new DOS location. In particular, when entering into new countries, the Group dedicates significant resources to ensuring that sales managers and personnel convey an image consistent with the identity of the Group brands and a level of service in keeping with the quality of the products. The utmost attention is paid to the design and fitting out of the stores themselves.

Risks regarding the outsourcing of manufacturing activities

The Group designs, checks and produces in-house most of its prototypes and samples while outsourcing production of most of its accessories and products to third parties with the right experience and skills.

The Group has implemented a rigorous inspection and quality control process for all outsourced production. Prada contractually requires its outsourcers to comply with rules and regulations on brand ownership and other intellectual property rights, with all the provisions of laws and national collective agreements on labor and social security rules and with laws and regulations on health and safety in the workplace.

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction causes a financial loss for another entity through failure to fulfill its obligations. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements. The Directors essentially believe that the Group's credit risk mainly regards trade receivables generated in the wholesale channel. The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers. At the same time, the fact that the total receivables balance is not highly concentrated on individual customers, the fact that net sales are evenly spread geographically and the ongoing strategy of selective reduction of the wholesale customer base (for reasons including the prevention of parallel distribution) have led to a reduced credit risk.

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Corporate Finance Department, reporting to the CFO, is responsible for managing financial resources as well as possible. The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved without using all available fund and surplus resources can thus be used to pay dividends.

Legal and regulatory risks

The PRADA Group operates in a complex regulatory environment and is exposed to legal risks and risks regarding compliance with applicable laws, including:

- the risks associated with health and safety at work in compliance with Italian Legislative Decree 81/08 and equivalent regulations in other countries;
- the possible legal sanctions for wrongful acts pursuant to Law 231/2001, as subsequently amended;
- the risks associated with antitrust rules in the areas where the Group operates;
- the possibility of events that adversely affect the reliability of annual financial reporting and the safeguarding of Group assets;
- changes in international tax rules that could expose the Group to the risk of non-compliance;
- the possible industrial compliance risks regarding the conformity of the finished goods distributed and the raw materials and consumables used with Italian and international laws and regulations.

By involving all of its various divisions and using external specialist advisors when necessary, the Group ensures that its processes and procedures are updated to comply changes in rules and regulations, reducing the risk of non-compliance to an acceptable level. As well as by Divisional Managers and by audit activities, monitoring activities are also carried out by specific entities and committees such as the Supervisory Board, the Internal Control Committee and the Industrial Compliance Committee.

Risks regarding data processing

Data is processed using information systems subject to a governance model that ensures that:

- data is adequately protected against the risk of unauthorized access, loss (including accidental loss) and utilization inconsistent with assigned duties;
- data is processed in accordance with applicable laws and regulations.

Information on relationships and transactions with related parties

Information on the Group's relationships and transactions with related parties is provided in the Notes to the Consolidated Financial Statements.

Outlook for 2012

The results reported for the year ended January 31, 2012 confirm the Group's ability to achieve strong growth while continuing to become more profitable.

In 2012, the absolute importance of the strategy focused on the retail channel will be confirmed both by seeking continually to improve existing stores and through another major program to open new stores, mainly in fast growing markets and markets new to the Group (Brazil, UAE, Morocco, Ukraine). The program of new store openings will also extend to more mature markets where there is an increasingly significant flow of foreign travelers.

The Group will continue to be committed to stylistic innovation and to quality products, communications and distribution. It will draw on the prestige of its brands to achieve continued high growth rates in a medium/long term context that is still positive for the luxury goods sector.

Nonetheless, the current macroeconomic environment is still characterized by uncertainty and volatility which, especially in the short term, could have repercussions for performance on certain markets. In light of this situation, as in the past, the Group will maintain adequate control over the use of resources and ensure that it is flexible enough to react to possible changes in the situation. This will ensure it preserves its ability to generate cash and to continue with its investment program.

Milan, March 29, 2012

Directors and Senior Management

Directors

Our Board consists of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Our Directors are appointed for a term of three years.

President

PRADA BIANCHI, Miuccia, aged 63, is our President and was appointed to the Board on November 20, 2003. Ms. Prada received an Honorary Doctorate from the Royal College of Art (London) in 2000. Ms. Prada is a co-founder of our Group along with Mr. Bertelli. Ms. Prada is the wife of Mr. Patrizio Bertelli, our Chief Executive Officer. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Executive Directors

BERTELLI, Patrizio, aged 65, is our Chief Executive Officer. Mr. Bertelli holds directorships in subsidiaries of the Company. He was appointed to the Board on November 20, 2003. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in October, 2000. Mr. Bertelli is a co-founder of our Group along with Ms. Prada. Mr. Bertelli is the husband of Ms. Prada, our President. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

MAZZI, Carlo, aged 65, was appointed as our Deputy Chairman on November 9, 2004. Mr. Mazzi holds directorships in subsidiaries of the Company. Mr. Mazzi obtained a degree "cum laude" (with praise) in Mechanical Engineering from the Bologna University of Italy in 1971 and obtained a Master's degree in Business Administration from Bocconi University of Milan in 1976. Mr. Mazzi worked as a Manager of the Large Corporate department of IMI and San Paolo IMI Bank from 1994 to 2000. He was a board member of IBI International Business Advisors Investment N.V. - Amsterdam; Vice Chairman and Executive Committee Member of IBI Bank AG - Zurich; Board Member of IBI Corporate Finance B.V. - Amsterdam; Managing Director of IBI S.p.A. - Milan (financial intermediation ex art. 106 TUB) from 2000 to 2004. He is currently a board member of SECVA S.r.l. - Arezzo (a service company).He was previously a board member of ABN AMRO S.p.A. - Milan (focused on merchant banking), SAGO S.p.A. - Florence (an IT research company responsible for the management of health facilities), IMILEASE S.p.A. - Rome (a leasing company), Banca di Intermediazione Mobiliare IMI S.p.A. - Milan (now Banca IMI S.p.A.) (focused on investment banking), Tecnofarmaci S.p.A. - Pomezia (a research company in the pharmaceuticals industry), SIM S.p.A. - Rome (focused on project management) and Paros International Insurance Brokers S.r.l. - Milan (in the insurance brokerage sector). Mr. Mazzi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GALLI, Donatello, aged 49, is our Group's Administration and Finance Director and was appointed to our Board on January 21, 2005. Mr. Galli holds directorships in subsidiaries of the Company. Mr. Galli received a degree "cum laude" (with praise) in Economics and Banking from the University of Siena in Italy in July, 1986. He started his career as business controller at Faricerca S.p.A. (now the Angelini Group) (pharmaceutical laboratories and Lines consumer products business), from 1987 to 1990. Mr. Galli was a financial analyst at Istituto Mobiliare Italiano S.p.A. from 1990 to 1999 and then Head of the Large Corporate Division central assessment office of San Paolo IMI S.p.A. until 2000. He was also the Administration and Finance Director of IBI S.p.A. (now Alerion Clean Power S.p.A., a renewable energy company) from 2000 to 2004 and later joined Enertad S.p.A. (now ERG Renewable S.p.A., a renewable energies company) - both are listed companies on the Italian Stock Exchange. Mr. Galli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-Executive Directors

SALOMONI, Marco, aged 57, is our non-executive Director and joined our Group in January 1997 and was appointed as Director on May 15, 1997. Mr. Salomoni obtained a degree in economics at the Bocconi University (Milan) in 1980. He has served on the board of directors of Gianni Versace S.p.A. from June 2005 to May 2011 and of GIVI Holding S.p.A. (holding company of the Gianni Versace S.p.A.) from April 2008 until present. Mr. Salomoni is currently a director of Aeffe S.p.A., a company listed on the Italian Stock Exchange. Mr. Salomoni also served on the board of directors of Il Sole 24 Ore S.p.A., the listed operator of an Italian business newspaper, from October 2007 to December 2009. Mr. Salomoni became a dottore commercialista (certified public accountant) in 1984 and was admitted as a member of Albo dei Dottori Commercialisti di Milano (Register of chartered accountants in Milan) in 1984. He became a Public Chartered Accountant (member of the Registro dei Revisori Contabili) at the Italian Ministry of Justice in 1992. Mr. Salomoni is currently a member of the Remuneration Committee and the Nomination Committee. Save as disclosed herein, Mr. Salomoni is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

MICCICHÈ, Gaetano, aged 61, is our non-executive Director, and was appointed on May 9, 2011. Mr. Micciche` obtained a degree in Law from Universita` degli Studi di Palermo (Italy) in 1984 and a master's degree in Business Administration from SDA Bocconi University (Italy) in 1985. Mr. Micciche` began his career in Cassa Centrale di Risparmio delle Provincie Siciliane in 1971 and became Head of Corporate Clients. In 1989 he joined Rodriquez S.p.A., the luxury yachting group, as Chief Financial Officer. Mr. Micciche` also worked as General Manager of Gerolimich-Unione Manifatture (holding company with business in various industries), as General Manager of Santa Valeria S.p.A. (chemical company) and as Managing Director and General Manager of Olcese S.p.A. (yarn and thread mill company), all of which were listed on the Italian Stock Exchange. Since June 2002, he has been with the Intesa Sanpaolo Group (formerly Banca Intesa) and currently serves as the General Manager and Head of Corporate and Investment Banking Division and Chief Executive Officer of Banca IMI. Mr. Micciche` is also a board member of Telecom Italia S.p.A., a major Italian telecom group whose shares are listed on the Italian Stock Exchange, a board member of ABI Associazione Bancaria Italiana, Alitalia - CAI S.p.A. and a member of the Supervisory Board of Fondazione Ricerca e Imprenditorialità (Foundation of Research and Entrepreneurship). Save as disclosed herein, Mr. Micciche` is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent Non-Executive Directors

MATTEI, Gian Franco Oliviero, aged 66, was appointed as an independent non-executive director on May 28, 2009. Mr. Mattei obtained a Degree in Economics from the University La Sapienza of Rome in 1970 and became a Public Chartered Accountant (member of the Registro dei Revisori Contabili) with the Italian Ministry of Justice in 1995. He has worked as Managing Director (Investment Banking) in Credit Suisse, Managing Director (Global Banking & Markets) in The Royal Bank of Scotland, Head of Investment Banking at Sanpaolo IMI and Chairman of Banca IMI and was previously Head of the Finance Department at the Istituto Mobiliare Italiano IMI. Mr. Mattei has also been a Board Member of Borsa Italiana. Mr. Mattei is currently the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is currently Chairman of Accretion Corporate Consulting S.p.A., Chairman & CEO of Holding Gruppo Marchi – HGM S.p.A, Chairman of Officine CST - Consulting Services & Technology - S.p.A., and Chairman and CEO of Quorum Sgr S.p.A.. Mr. Mattei is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

FORESTIERI, Giancarlo, aged 65, was appointed to our Board on May 31, 2007. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena in 1970 and obtained a Specialization in Corporate Finance from the Scuola Mattei - ENI in 1971. From 1988 to the present, Mr. Forestieri has been a Full Professor of Financial Markets and Institutions at the Bocconi University in Milan. Mr. Forestieri's professional experience includes serving as a member of the boards of directors of INA and Assitalia (from 1993 to 1994), Mediofactoring (from 1997 to 1999), Cassa di Risparmio di Parma e Piacenza (from 1996 to 1999 and then from 2003 to 2007 as the chairman of the board), Banca Intesa (from 1999 to 2006) and as a member of its executive committee (from 2000 to 2006), Alleanza Assicurazioni (from 2001 to 2007), Centrosim (from 1998 to 2003 where he was the chairman of the board) and Crédit Agricole Vita (from 2007 to present as the chairman of the board). Mr. Forestieri is a member of the Italian Scientific Societies in the Fields of Finance and Management. Mr. Forestieri is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Forestieri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIU, Sing Cheong, JP, aged 56, was appointed our independent non-executive director on May 9, 2011. He has been the Chairman of My Top Home (China) Holdings Limited (a Guangzhou-based property agency and consultancy) since 2005, the Vice Chairman of Guangzhou Pearl River - Hang Cheong Real Estate Consultants Limited (from 1993 to 2008), Chairman of Evergreen Real Estate Consultants Limited since 2001, Director of HKS Education Fund Limited ("HKSEF") since 2005 (HKSEF is a charitable institution which holds certain % of shares in Hongkong Sales (International) Limited ("HKSI"), an investment holding, knitwear manufacturing)), and Non-executive Director of HKSI since 2005 and will re-title to Vice Chairman of HKSI with effect from April 1, 2012 all of which are private companies. He has been an independent non-executive director of Swire Properties Limited since 2010 (Swire Properties Limited was listed on the Stock Exchange of Hong Kong on January 18, 2012). He is a director of Hong Kong Science and Technology Parks Corporation since 2009. He is also a Member of the Council of The Hong Kong University of Science and Technology, Development Committee of the West Kowloon Cultural District Authority, and the Security and Guarding Services Industry Authority. Mr. Liu has been a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region since January 1, 2011. Mr. Liu graduated from The Hong Kong Polytechnic in 1979 with an Advanced Higher Diploma in Surveying and from The Hong Kong University of Science and Technology in 1994 with a Master of Business Administration degree. He has been a fellow of the Royal Institution of Chartered Surveyors since 1994 and the Hong Kong Institute of Surveyors since 1993. Mr. Liu is currently a member of the Audit Committee. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Senior Management

Our senior management is responsible for the day-to-day management of our business.

BADER, Natalie, aged 48, has been Chief Executive Officer of Prada Retail France since March 2011. She is responsible for overseeing the commercial operations of the Group in France and in the Principality of Monaco. Ms. Bader obtained a degree in Business Administration from Paris IDRAC International School of Management in 1987. She started her career in the Marketing department of Revlon Group and, after a short experience as Marketing Manager for make-up and skincare of Yves Rocher Group, moved to Chanel as Worldwide Media Director and Operational Marketing Director for perfume (1992 to 2003). Prior to joining our Group, she worked for almost eight years for the LVMH Group covering different managerial roles, such as Marketing and Communication Director Sephora (2003 to 2006) and, then, Chief Executive Officer FRED Jewelry (2006 to 2011). Ms. Bader is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CANTINO, Stefano, aged 45, has been our Group's Communication and External Relations Director since June 2009. He is primarily responsible for our Group's communication strategy and global marketing functions. Mr. Cantino obtained a degree in Political Science from the University of Turin in 1993. Mr. Cantino joined our Group in 1996 and held several managerial roles in the commercial and marketing areas with Prada, Church's and Car Shoe, including Alaïa Operations Director, Car Shoe Commercial Director and Church's Brand and Retail Director. He was Prada's Marketing Director from 2005 to 2009 until he was appointed to his current position. Mr. Cantino is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CIABATTI, Maurizio, aged 46, has been our Group's Engineering Director since 2006. He is primarily responsible for real estate development, equipment and maintenance of retail stores, corporate offices and production sites. Mr. Ciabatti joined our Group in 1989 and has covered different managerial roles in the maintenance and real estate area and, starting from 2005, in Corporate Engineering. Mr. Ciabatti is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

COZZANI, Alessandra, aged 48, has been our Group Investor Relations Director since July 2010. She is responsible for managing financial communication and for relationships with investment community. Ms. Cozzani joined our Group in 2000 and has covered different managerial roles within the Finance department. In 2003, she was appointed as Group Financial Reports Director. Ms. Cozzani obtained a degree "cum laude" (with praise) in Business Administration from the University of Genoa in 1988. She started her career as an auditor at Coopers & Librand (1989 to 1995). Prior to joining our Group, she worked in Castelletti International Transports, the Italian subsidiary of an international logistic company (now Schenker Group) for five years, most of the time as Finance and Control Director. Ms. Cozzani is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ETHERIDGE, Stephen, aged 53, has been the Chief Executive Officer of Church & Co since 2001. He is responsible for the industrial operations of the Church Group. Prior to this he has covered the role of Chief Executive at Cheaney & Son Footwear (1995 to 2001), a company which belonged to the Church Group. He started his career in the Sales Department at John White Footwear Limited UK and increased his responsibility up to the role of Managing Director (1986 to 1990). From 1990 to 1994 he was Managing Director of SE Marketing for Epic Fashion Footwear Limited, a company specialized in production and distribution of men's footwear. Mr. Etheridge is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GIANNESSI, Giuliano, aged 48, has been our Group's Corporate Finance Director since March 1999. He is primarily responsible for finance and bank relationships, cash management and interest and exchange rates hedging activities. Mr. Giannessi obtained a degree "cum laude" (with praise) in Business Administration from the University of Pisa in 1987 and obtained the chartered accountant qualification in 1988. He started his career in Banca Commerciale Italiana. Prior to joining our Group he worked at the Piaggio Group as Treasurer (1991 to 1993) and Financial Planning Manager (1994 to 1995) and later in Salov Group as Treasurer and Credit Manager (1995 to 1999). Mr. Giannessi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

PANERAI, Lorenzo, aged 45, has been our Group's Leather Goods Industrial Division Director since July 2008. He is primarily responsible for the manufacturing of our Group's leather goods collection. Mr. Panerai joined our Group in 2001 and undertook managerial roles in the planning and production of leather goods for the Prada and Miu Miu brands. Mr. Panerai obtained a degree in Electronic Engineering from the University of Florence in 1996. In 1996 he joined the Marketing and Commercial Division of Fiat Group Automobiles S.p.A., where he also worked in the Purchasing Department. His last role at Fiat was Plant Operational Manager of the body assembly unit. Mr. Panerai is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LUPAS, Domnica Alexandra, aged 39, has been appointed General Manager of Prada Germany in March 2012. She is responsible for overseeing the commercial operations of the Group in Germany and northern and eastern Europe. Ms. Lupas joined our Group in 1997 and has covered different managerial roles within the Group. In 2005, she was appointed as Administration, Finance and Control European Retail Subsidiaries Director. Ms. Lupas obtained a degree in International Business Administration from the European Business School in London in 1996. Ms. Lupas is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SESIA, Davide, aged 44, has been the President of Prada Japan since February 2004. He is responsible for overseeing the Group operations in Japan, Guam and Saipan. Mr. Sesia obtained a degree in Business Administration from the University Cattolica del Sacro Cuore of Milan in 1991. He joined our Group in 2000 as Representative Director and Chief Financial Officer of Prada Japan. Prior to that, he was Chief Financial Officer and Director of Benetton Japan and Managing Director of Benetton Korea Ltd (1997 - 2000). He started his career in Japan working for several companies from 1992. Mr. Sesia is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SUTTER, Stefano, aged 38, joined the Group in December 2010 as General Manager of Prada Retail UK. Mr. Sutter is responsible for overseeing the Group operations in United Kingdom and Ireland. Mr. Sutter obtained a master in Business Administration from Columbia Business School, New York, in 2005 and graduated "cum laude" (with praise) in Business Administration at University of Genoa in 1998. Prior to joining our Group, he worked for INDITEX Group covering different managerial roles including as General Manager of Zara Canada (2006 to 2007), Managing Director of Inditex UK and Ireland (2007 to 2009) and, then, Managing Director of Inditex Austria, Hungary, Czech Republic and Slovakia. Prior to that, he spent five years working for Bain & Company Inc.. Mr. Sutter is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

TOLOMELLI, Armando, aged 46, has been appointed Chief Executive Officer of Prada Asia Pacific in March 2012. Mr. Tolomelli is primarily responsible for overseeing the Group operations in Asia Pacific region. Prior to this appointment Mr. Tolomelli has been our Group Controlling Director since joining our Group in July 2005. Prior to joining our Group, he spent fourteen years working for the Barilla Group, covering various roles including Financing Office Manager, Divisional Business Controller, Business Controller for South Eastern Europe, Group Controller of Wasa in Stockholm, Sweden (1999 to 2001), Finance Manager International Business Development of the Bakery Division (2001 to 2001) and Corporate Controlling Director of Kamps in Düsseldorf, Germany (2002 to 2005). Mr. Tolomelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ZAMBERNARDI, Fabio, aged 49, has been our Design Director for the Miu Miu and Prada brands since November 2002. He is responsible for the collection concept development, overseeing all the strategic activities related to the coherence between image and product development of the collection, as well as supporting the strategic brands image communication. He has been collaborating with the Group since 1981. He was promoted Shoe Design Director in 1997 and Design Fashion Coordinator in 1999. Mr. Zambernardi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Company Secretary

ALBANO, Patrizia, aged 58, is our joint company secretary. Ms. Patrizia Albano has been the Group Head of Corporate Affairs of our Company since September 2008 and is responsible for monitoring general legal compliance. Ms. Albano obtained a degree in Law from the University La Sapienza of Rome in 1979 and was admitted to the Bar Association (Ordine degli Avvocati di Roma) in 2006. She started her career as an in-house legal advisor at the Istituto Mobiliare Italiano S.p.A. from 1981 to 1999 and then worked as Head of the Large Corporate Division central legal office of San Paolo IMI S.p.A. until 2000. She has also worked as General Counsel of IBI (now Alerion Clean Power S.p.A.), and as Company Secretary of Risanamento Napoli S.p.A. and Fincasa S.p.A., both of which are listed companies on the Italian Stock Exchange. In 2002, Ms. Albano became the Company Secretary of a private company active in services provision, property and facility management and renewable energy. She then worked at an Italian law firm, Studio Legale Carbonetti, from 2003 to 2007, and also founded her own private practice law firm, Albano Baldassari, in 2007 before joining our Company in 2008. Ms. Albano is the wife of Mr. Carlo Mazzi, the Deputy Chairman of our Company. Ms. Albano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YUEN, Ying-kwai, aged 45, is our joint company secretary. She is responsible for corporate secretarial duties. Ms. Yuen joined our Group and was appointed joint company secretary in May 2011. Ms. Yuen has over 20 years of working experience in the corporate secretariat and compliance areas of sizeable organizations and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now known as Lingnan University) in 1988. Ms. Yuen holds a Master degree in Business Administration (Executive) from City University of Hong Kong, awarded in 2003. Ms. Yuen has been a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, UK since 2001. Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Directors' Report

Principal activities

PRADA S.p.A. (the "Company"), together with its subsidiaries (jointly the "Group"), is a leading global luxury group in the design, production and distribution of high-end leather goods, handbags, footwear, apparel, accessories, eyewear and fragrances. Through its directly-operated-stores network ("DOS") and a selected number of wholesalers, the Group operates in all major international markets.

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

An analysis of the Group's performance for the year ended January 31, 2012 by operating segments are set out in the Financial Review and note 8 to the Consolidated Financial Statements.

Results and dividends

The results of the Group for the year ended January 31, 2012 are set out in the Consolidated Income Statements.

The Board recommends a final dividend of 5 Euro/cents per share. The payments shall be made in Euro to the shareholders recorded in the Company's shareholders register held at the Company's registered office in Milan (Italy) and in Hong Kong dollars to the shareholders recorded in the shareholders register held 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 of approval of the final dividend by the shareholders.

The final dividend will be subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, May 22, 2012.

In order to qualify for attending and voting at the annual general meeting of the Company, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, May 17, 2012. The shareholders register of the Company will be closed from Friday, May 18, 2012 to Tuesday, May 22, 2012, both days inclusive, during which no share transfer can be registered. The shareholders registered on the Company's shareholder register on Tuesday, May 22, 2012 will be allowed to attend and vote at the annual general meeting of the Company.

Subject to the shareholders' approving the recommended final dividend, such dividend will be payable on or about Tuesday, July 3, 2012.

In order to qualify for the payment of the proposed final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, May 28, 2012. The shareholders register of the Company will be closed from Tuesday, May 29, 2012 to Wednesday, May 30, 2012, both days inclusive, during which no share transfer can be registered. The final dividend will be paid to shareholders recorded on the Company's shareholder register on Wednesday, May 30, 2012.

Dividend will be paid net of 20% Italian withholding tax. Further details on withholding tax have been already reported in the Tax Booklet available on the Company's website at www.pradagroup.com.

Five-year financial summary

The five year financial summary of the Group is set out in note 41 to the Consolidated Financial Statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in PRADA S.p.A. Equity.

Distributable reserves

As at January 31, 2012, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to approximately Euro 645,677,000.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended January 31, 2012 are set out in note 16 to the Consolidated Financial Statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's by-laws.

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 period from its listing date on June 24, 2011 to January 31, 2012 (the "Reviewed Period").

Subsidiaries

Details of the Company's subsidiaries as at January 31, 2012 are set out in note 42 to the Consolidated Financial Statements.

Directors

The Directors of the Company during the Reviewed Period and up to the date of this annual report are:

Executive Directors

Ms. Miuccia PRADA BIANCHI (Chairperson)
Mr. Patrizio BERTELLI (Chief Executive Officer)
Mr. Carlo MAZZI (Deputy Chairman)
Mr. Donatello GALLI (Chief Financial Officer)

Non-Executive Directors

Mr. Marco SALOMONI
Mr. Gaetano MICCICHÉ

Independent Non-Executive Directors

Mr. Gian Franco Oliviero MATTEI
Mr. Giancarlo FORESTIERI
Mr. Sing Cheong LIU

In accordance with the by-laws of the Company, the Directors are appointed by the shareholders' general meeting for a period of up to three financial years. The term lapses on the date of the shareholders' meeting called to approve the financial statements for the last year of their office. They may be reappointed.

At the ordinary shareholders' meeting of the Company held on May 28, 2009, the Board of Directors has been appointed for a term of three financial years. The Board's mandate will therefore expire at the shareholders' meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2012. Accordingly, the term of all Directors will expire at the forthcoming annual general meeting. They may be reappointed.

Biographical information of Directors

Brief biographical information of the Directors of the Company are set out in the "Directors and Senior Management" section of this annual report.

Directors' service contracts

None of the Directors of the Company has or is proposed to have a service contract with any member of the Group that is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in competing business

During the Reviewed Period, none of the Directors of the Company, apart from Mr. Marco Salomoni, had any interests in a business which competes, either directly, or indirectly, with the business of the Company and the Group.
Mr. Marco Salomoni is currently a director of GIVI Holding S.p.A. (holding company of the Gianni Versace S.p.A.) and of Aeffe S.p.A., a company listed on the Italian Stock Exchange.

Directors' interests and short positions in securities

As at January 31, 2012, the Directors of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) Long positions in shares and underlying shares of the Company

Name of Director	Number of Shares	Nature of Interest	Approximate Percentage of Issued Capital
Ms. Miuccia Prada Bianchi	2,046,470,760 (Notes 1 and 2)	Interest of Controlled corporation	80%
Mr. Patrizio Bertelli	2,046,470,760 (Notes 1 and 3)	Interest of Controlled corporation	80%

Notes

1. Prada Holding B.V. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.

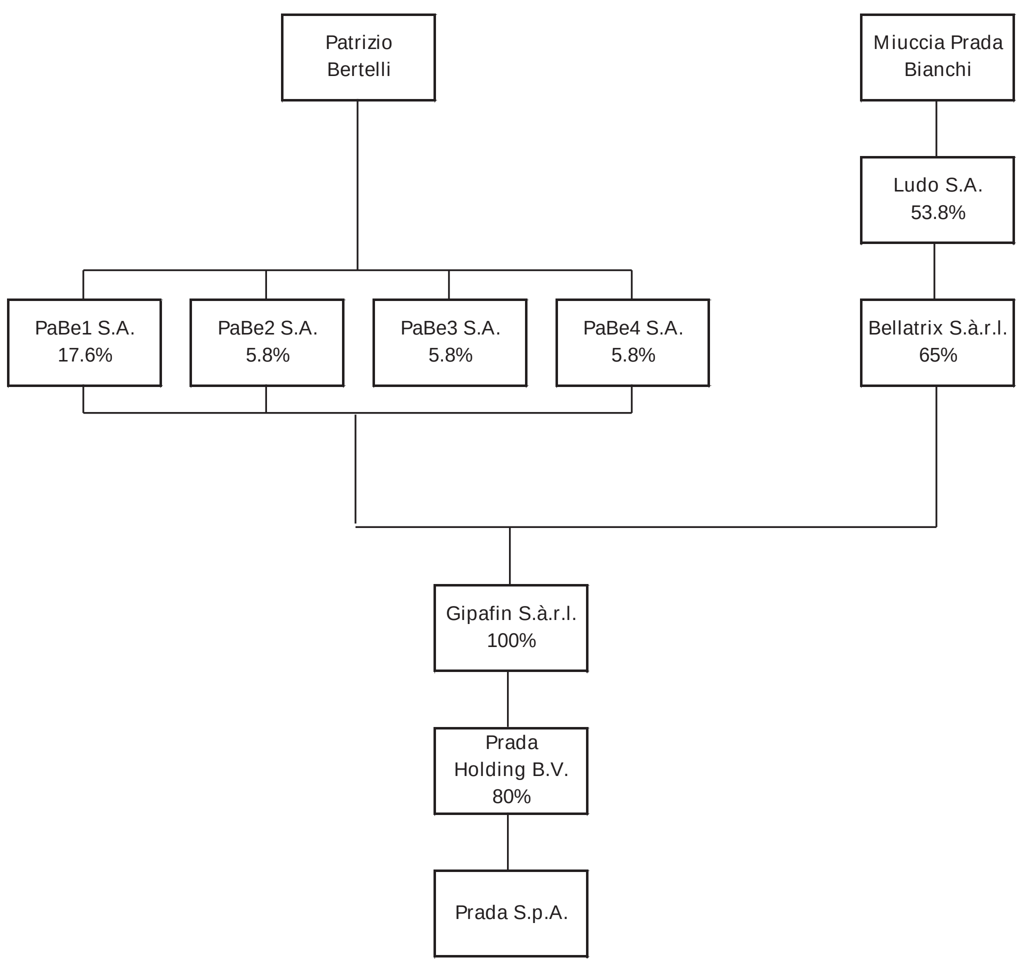
2. The entire issued share capital in Prada Holding B.V. is held by Gipafin S.à.r.l.. Ms. Miuccia Prada Bianchi, owns, indirectly through Ludo S.A. 53.8%* of the capital in Bellatrix S.à.r.l., which in turn owns 65% (or the entire Class B of 1,950 shares)

of the capital in Gipafin S.à.r.l.. Ms. Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding B.V.. Ms. Prada Bianchi is also a director of Ludo S.A..

3. Mr. Patrizio Bertelli owns, indirectly through companies owned by him (PaBe1 S.A., PaBe2 S.A., PaBe3 S.A. and PaBe4 S.A.), 35% (or the entire Class A of 1,050 shares) of the capital in Gipafin S.à.r.l.. Mr. Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding B.V..

   * Ludo S.A.'s effective shareholding of 53.8% in Bellatrix S.à.r.l. comprises 42,690 shares (being the entire Class A shares) and 495,770 shares (being approximately 51.79% of the Class B shares of 957,310 shares).

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at January 31, 2012 are summarized in the following chart:



(b) Long positions in shares and underlying shares of associated corporations:

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding B.V.	Common Shares	1,001	Controlled Corporation	100%
	PRADA Arte B.V.	Registered Shares	180	As above	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	EXHL Japan Co. Ltd.	Ordinary Shares	200	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
	Gipafin S.à.r.l.	Class B Shares	1,950	As above	100%
	Bellatrix S.à.r.l.	Class A Shares	42,690	As above	100%
	Bellatrix S.à.r.l.	Class B Shares	495,770	As above	51.79%
	Ludo S.A.	Ordinary Shares	100,310	Beneficial Owner	100%
	Arte One B.V.	Ordinary Shares	180	Controlled Corporation	100%
	PRA 1 S.r.l.	Participation Quotas (Euro)	10,000	As above	100%
Mr. Patrizio Bertelli	Prada Holding B.V.	Common Shares	1,001	Controlled corporation	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	EXHL Japan Co. Ltd.	Ordinary Shares	200	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
	Gipafin S.à.r.l.	Class A Shares	1,050	As above	100%

Save as disclosed above, as at January 31, 2012, none of the Directors of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at January 31, 2012, other than the interests of the Directors of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
Prada Holding B.V.	Legal and beneficial owner	2,046,470,760	80%
Gipafin S.à.r.l.	Interest of controlled corporation	2,046,470,760	80%
Bellatrix S.à.r.l.	Interest of controlled corporation	2,046,470,760	80%
Ludo S.A.	Interest of controlled corporation	2,046,470,760	80%

Note:

Prada Holding B.V. owns approximately 80% of the issued capital in the Company. As Ludo S.A. owns 53.8% of Bellatrix S.à.r.l. which in turn owns 65% of Gipafin S.à.r.l (Giapfin S.à.r.l. owns the entire issued capital in Prada Holding B.V.), Gipafin S.à.r.l., Bellatrix S.à.r.l. and Ludo S.A. were all deemed to be interested in the 2,046,470,760 shares held by Prada Holding B.V..

Share capital

Details of the movements in the share capital in the Company during the year ended January 31, 2012 are set out in the Consolidated Statement of Changes in Shareholders' Equity and note 31 to the Consolidated Financial Statements.

Directors' interests in contracts

Save for those contracts disclosed under the section on Connected Transactions below and in note 39 to the Consolidated Financial Statements, in the opinion of the Directors, no contract of significance with the Company or the Group subsists at the end of the year ended January 31, 2012 or subsisted during the Reviewed Period in relation to the Company's business and in which a Director's interest is or was material.

During the Reviewed Period there were no arrangements to which the Company or any company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

At no time during the Reviewed Period the Company issued any debentures.

Connected transactions

(A) Continuing Connected Transactions

During the year ended January 31, 2012, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Prospectus of the Company dated June 13, 2011:

(a) *Franchise Agreement – Prada Milan Stores*

As disclosed in the Prospectus dated June 13, 2011, the Company originated as a family business in 1913 in Milan and has continued as such since Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli began their cooperation in the late 1970s. Therefore, the Prada stores in Milan have historically been operated by companies that are connected to the Prada family.
The Company's subsidiary, Prada S.A., currently owns the rights to the Prada trademark and, as a licensor, licenses the use of the Prada trademark to the Company as a licensee.

Against such historical background, on January 28, 2009, the Company entered into a franchise agreement in relation to five Prada stores based in Milan (the "Franchise Agreement") with five companies that operate the five stores and their controlling entity (the "Franchisees"), which is a company controlled by the Prada family. The Franchise Agreement will expire on January 31, 2024 and will be automatically extended for a further 15-year term provided that (i) the Franchisees have met the minimum annual budget for the initial 15-year term; or (ii) the cumulative amount of the purchase made by the Franchisees for the entire initial 15-year term is at least equal to the sum of the minimum annual budget for each of the 15 years.

(b) *Consulting Agreement with Ms. Miuccia Prada Bianchi*

Ms. Miuccia Prada Bianchi, the Chairperson of the Company, has entered into a consultancy agreement with effect from February 1, 2007 for a term of five years as a strategic consultant for: (i) identifying and elaborating creative design concepts and styles; (ii) coordinating and supervising collections development and all of the dedicated structures and functions; (iii) defining concepts for fashion shows and supervising their execution and (iv) setting guidelines for brands communication and advertising campaigns and supervising related activities.

The renewal of the consultancy agreement with Ms. Miuccia Prada Bianchi was approved by the Company's Board on the meeting held on March 29, 2012.

(c) *Consulting Agreement with Mr. Patrizio Bertelli*

Mr. Patrizio Bertelli, the Chief Executive Officer of the Company, has entered into a consultancy agreement on February 1, 2007 with the Company for a term of five years as a strategic consultant for: (i) defining the collections development and industrialization processes; (ii) developing the leather goods and shoes collection concept and supervising the related structures and (iii) selecting locations for the new DOS and refurbishment of existing stores, conceiving store concepts and defining guidelines and coordination of related project development activities.

The renewal of the consultancy agreement with Mr. Patrizio Bertelli was approved by the Company's Board on the meeting held on March 29, 2012.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the year ended January 31, 2012:

	Euro in million
(a) Franchise Agreement – Prada Milan Stores	
Revenues from sales of goods	39.3
Revenues from services	2.4
Royalties received	1.1
Purchase of goods by the Company	(2.8)
Net transaction amount	40.0
(b) Consulting Agreement with Ms. Miuccia Prada Bianchi	
Annual amount of remuneration paid to Ms. Miuccia Prada Bianchi	8.7
(c) Consulting Agreement with Mr. Patrizio Bertelli	
Annual amount of remuneration paid to Mr. Patrizio Bertelli	9.0

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to review the above continuing connected transactions. The auditors have, based on the work performed, provided a letter to the Directors of the Company (with a copy provided to the Stock Exchange) to confirm that the above continuing connected transactions:

(i) have been approved by the Company's Board of Directors;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have not exceeded the relevant annual limits set out in the Prospectus of the Company dated June 13, 2011.

(B) Connected Transaction

On January 10, 2012, Prada S.A. a wholly-owned subsidiary of the Company, entered into a sponsorship agreement with certain companies which are indirectly owned by Mr. Patrizio Bertelli, the Chief Executive Director, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company, in relation to the sponsorship for the participation of the Luna Rossa yacht in the XXXIV edition of the America's Cup.

The total amount of the sponsorship under the sponsorship agreement is Euro 40 million and will be paid in installments over the period from January 2012 to September 2013. The nature and reasons for the above connected transaction have been disclosed in the Company's announcement dated January 10, 2012.

Bank loans and other borrowings

Details of the Group's bank loans and other borrowings as at January 31, 2012 are set out in notes 20 and 27 to the Consolidated Financial Statements.

Major customers and suppliers

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

Retirement benefit schemes

Details of the retirement benefit schemes of the Group are set out in note 28 to the Consolidated Financial Statements.

Model Code for securities transactions

The Company has adopted the Model Code. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard of the Model Code throughout the Reviewed Period.

Post balance sheet events – if applicable

Details of significant events occurring after balance sheet date are set out in note 43 to the Consolidated Financial Statements.

Commitments and contingencies

Details of capital commitments and contingent liabilities of the Group as at January 31, 2012 are set out in notes 40 and 29 respectively to the Consolidated Financial Statements.

Sufficiency of public float

The Stock Exchange granted to the Company at the time of its listing a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company must at all times maintain a minimum public float of 20%. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as approved by the Hong Kong Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation of Consolidated Financial Statements of the Company for the year ended January 31, 2012 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group. In preparing these financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the financial statements on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

Auditors

The Consolidated Financial Statements and Separate Financial Statements of PRADA S.p.A. were audited by Deloitte & Touche S.p.A.. Under Italian company law, the auditors are appointed every three years by the general shareholders' meeting of the Company, on the basis of a proposal from the board of statutory auditors.

At the ordinary shareholders' meeting of the Company held on April 28, 2010, it was resolved that the auditors be appointed for a term of three financial years. Accordingly, the auditors' mandate will expire at the shareholders' meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2013.

By order of the Board

Miuccia Prada Bianchi
Chairperson
March 29, 2012

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices and fulfilling its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards with the aim of 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 Code on Corporate Governance Practices (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").

Compliance with the Code on Corporate Governance Practices

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 during the period from the time of its listing on June 24, 2011 to January 31, 2012 (the "Reviewed Period"). This Corporate Governance Report summarises how the Company has applied the principles and implemented the code provisions contained in the Code throughout 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 (the "Model Code") contained in Appendix 10 of the Listing Rules. Specific written confirmations have been obtained from each Director to confirm compliance with the Model Code throughout the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Group has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group. The terms of these procedures are no less exacting than the standard set out in the Model Code.

Directors' interests as at January 31, 2012 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), are set out in the Directors' Report section.

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which four are Executive Directors, two are Non-executive Directors and three are Independent Non-executive Directors. All Directors have distinguished themselves in their field of expertise and advised the Board in the area of their specialty, relevant to the Group's business activities and strategic development. The biographical details and any relevant relationships between them are set out in the Directors and Senior Management section.

b. Board Meetings

During the Reviewed Period, the Board held four meetings to discuss the Group's overall corporate strategic direction and objectives, as well as to assess its operational and financial performance (including annual budget, interim and quarterly results). The average attendance rate of the Directors for these four meetings either in person or through electronic means of communication was 88%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the meetings of the Board and all the Board Committees are available to any Director for inspection at any reasonable time by giving reasonable notice.

c. Board Attendance

The details of attendance at Board Meetings and Committee Meetings held during the Reviewed Period are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Ms. Miuccia PRADA BIANCHI (Chairperson)	2/4		
Mr. Patrizio BERTELLI (Chief Executive Officer)	4/4		
Mr. Carlo MAZZI (Deputy Chairman)	4/4		
Mr. Donatello GALLI (1) (Chief Financial Officer)	4/4	2/2	
Non-Executive Directors			
Mr. Marco SALOMONI (2)	4/4		2/2
Mr. Gaetano MICCICHÉ	2/4		
Independent Non-Executive Directors			
Mr. Gian Franco Oliviero MATTEI (3)	4/4	2/2	2/2
Mr. Giancarlo FORESTIERI (4)	4/4	2/2	2/2
Mr. Sing Cheong LIU (5)	4/4	2/2	
Statutory Auditors			
Mr. Antonino PARISI (6)	4/4	2/2	
Mr. Riccardo PEROTTA	4/4		
Mr. Gianandrea TOFFOLONI	4/4		
Date(s) of Meeting	Sept 19, 2011	Sept 19, 2011	Sept 19, 2011
	Oct 18, 2011	Nov 29, 2011	Nov 18, 2011
	Nov 29, 2011		
	Jan 26, 2012		
Average Attendance Rate of Directors	88%	100 %	100%

Notes:
1: Participated in Audit Committee as non-member
2: Member of Remuneration Committee
3: Chairman of Audit Committee and Remuneration Committee
4: Member of Audit Committee and Remuneration Committee
5: Member of Audit Committee
6: Chairman of Statutory Auditors

Ms. Miuccia Prada Bianchi, the Chairperson of the Company, was absent for two of the Board Meetings due to prior commitments concerning fashion shows. Attendance at such events was important for the discharge of her duties to the Company. Prior to the relevant Board Meetings being held, the Chairperson rendered her views and comments to the Deputy Chairman, who led the Directors through the agenda of the relevant Board Meetings.

d. Roles and Responsibilities

The Board is vested with full powers for the ordinary and extraordinary management of the Company. The Board has the power to perform all acts it deems advisable for the implementation and achievement of the corporate purpose, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual, interim and quarterly results, approval of major transactions and other significant operational and financial matters.

Day-to-day operational responsibilities are specifically delegated by the Board to management. Such responsibilities include:

- the preparation of annual, interim and quarterly results for the approval of the Board before publication;
- execution of business strategy and other initiatives adopted by the Board;
- monitoring of operating budgets adopted by the Board;
- implementation of adequate systems of internal controls and risk management procedures; and
- compliance with relevant statutory requirements, rules and regulations.

e. Independent Non-executive Directors

The Independent Non-executive Directors of the Company are Mr. Gian Franco Oliviero Mattei, Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. Each Independent Non-executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided to the Company his annual confirmation as to his independence. None of the Independent Non-executive Directors of the Company has any business or financial interests with the Company or its subsidiaries and they continue to be considered by the Company to be independent.

f. Liability Insurance for the Directors

The Company has arranged for appropriate liability insurance to indemnify its Directors for their liabilities arising out of the corporate activities. The insurance coverage is reviewed on an annual basis.

Chairperson and Chief Executive Officer

The Chairperson is Ms. Miuccia Prada Bianchi and the Chief Executive Officer is Mr. Patrizio Bertelli. The role of the Chairperson is separate from that of the Chief Executive Officer. The Chairperson is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. The Chief Executive Officer, supported by the other Executive Directors and senior management, is responsible for managing the Group's business, including the implementation of major strategies and other initiatives adopted by the Board. The Chief Executive Officer and the Chairperson are husband and wife.

Appointment of Directors

The Board (including the Non-executive Directors) is appointed by the shareholders' general meeting for a term of up to three financial years. The mandate of the Directors (including those elected during the term of the Board, if any) lapses on the date of the shareholders' meeting called to approve the financial statements of the Company for the third year of the Board's term.

At the ordinary shareholders' meeting of the Company held on May 28, 2009, the Board (including the Non-executive Directors) was appointed for a term of up to three financial years. The mandate of all the current Directors (including the Non-executive Directors) will therefore expire at the shareholders' meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2012.

Under the Company's By-laws, the Directors may be re-appointed.

Board committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each is chaired by an Independent Non-executive Director. The written terms of reference of each Committee are available on the Company's and Stock Exchange's websites. The terms of reference in respect of each Committee are of no less exacting terms than those set out in the Code.

In addition, the Board has established a Supervisory Body under the Italian Legislative Decree 231 of 8 June 2001.

a. 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 related financial management expertise in discharging 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. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the external audit process and the internal audit process carried out by the internal audit department of the Company and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board.

During the Reviewed Period, the Audit Committee held two meetings (with an average attendance rate of 100%) to review with senior management and the Group's internal and external auditors and statutory auditors, the significant internal and external audit findings and financial matters as required under the committee's terms of reference. The Audit Committee's review covers the audit plans and findings of internal and external auditors, internal controls, risk assessment and financial reporting matters (including the interim financial results as of July 31, 2011 and third quarterly results as of October 31, 2011 before recommending them to the Board for approval).

The Audit Committee has also held a meeting on March 29, 2012 to review the annual results for the year ended January 31, 2012 before recommending it to the Board for approval.

External Auditor's Remuneration

The fees recognized through income statements in the current year in relation to the audit services provided by Deloitte & Touche S.p.A., the external auditors of the Company, for the year ended January 31, 2012, are set out below:

	Euro in million
Audit fees	1.6

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. According to its terms of reference, 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 Remuneration Committee consists of two Independent Non-executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Non-executive Director, Mr. Marco Salomoni.

During the Reviewed Period, the Remuneration Committee held two meetings (with attendance rate of 100%) to review the budget for the attribution of specific benefits to the management of the Company, a long term incentive plan for the management and the attribution to certain Directors and senior managers of a special bonus relating to the successful listing of the Company.

Remuneration Policy

The Group's compensation policy is aimed at attracting, rewarding and protecting the employees of the Group, who are considered to be the key to the success of the business of the Group. The overall market competitiveness and complexity of the position of an employee is taken into account during the review of an employee's basic salary. The Group has an incentive system that links compensation with the annual performance of the Company, taking into account the Group's objectives in net sales, as well as objectives of each department in the Group.

The Group has adopted cash long term incentive plans for senior managers and a small group of key employees for retention purposes, under which the benefit of a senior manager or a key employee under the incentive plan would vest subject to his/her presence in the Company at the end of a three years period. Other incentive schemes specific to sales staff are also in place, and technicians of the Group may receive a collection bonus that is provided to them after the development of a seasonal collection.

The aggregate remuneration of the Directors of the Company is resolved by the shareholders at general meeting. The remuneration of each Director is then determined by the Board which receives recommendations from the Remuneration Committee. Under the current compensation arrangements, the executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and other incentives, non-monetary benefits and other allowance and contributions to retirement benefits schemes. The Non-executive Directors (including Independent Non-executive Directors) receive compensation in the form of fees, salaries and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

The Company established a separate Nomination Committee on March 29, 2012 to comply with the new Code on Corporate Governance Practices (to be renamed the Corporate Governance Code), which will take effect on April 1, 2012. According to its terms of reference, 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 Nomination Committee consists of two Independent Non-executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Non-executive Director, Mr. Marco Salomoni.

d. Supervisory Body

In compliance with Italian Legislative Decree 231 of June 8, 2001, 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 Non-executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Franco Bertoli and Mr. Marco Salomoni.

Board of statutory auditors

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable laws, regulations 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. The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Riccardo Perotta and Mr. Gianandrea Toffoloni.

The mandate of the current statutory auditors will expire at the shareholders' meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2012.

Directors' responsibility and auditors' responsibility for financial statement

The Directors are responsible for preparing the Consolidated Financial Statements of the Company for the year ended January 31, 2012 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group. In preparing these financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable. The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

As regards the auditors of the Company, their reporting responsibilities are stated in the auditors' report on the financial statements.

Internal control

The Board places great importance on maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets. The Board is also responsible for assessing the overall effectiveness of the internal control system.

The Internal Audit Department provides an independent review of the adequacy and the effectiveness of the internal control system. The audit plan is discussed and agreed every year with the Audit Committee and then submitted to the Board for approval. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required.

The Company's internal control system has been designed to safeguard the assets of the Group, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with relevant laws and regulations. During the Reviewed Period, no material irregularity or weakness was noted within any function or process. The Board, through the Audit Committee, reviewed and is generally satisfied that the internal control system has functioned effectively and is adequate for the Group as a whole.

Investor relations and communications

The Company endeavours to maintain a high level of transparency in communication with shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, analysts and the finance media. Management attends investor meetings on a regular basis and has participated in some investor conferences.

The Company's corporate website (www.pradagroup.com) facilitates effective communications with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, press releases, announcements and presentations.

Consolidated Financial Statements

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	January 31 2012	January 31 2011
Assets			
Current assets			
Cash and cash equivalents	9	362,284	96,572
Trade receivables, net	10	266,404	274,175
Inventories	11	374,782	280,409
Derivative financial instruments - current	12	894	7,379
Receivables and prepayments from parent company - related parties	13	12,864	36,317
Other current assets	14	100,275	70,225
Assets held for sale	15	-	4,948
Total current assets		1,117,503	770,025
Non-current assets			
Property, plant and equipment	16	713,870	536,717
Intangible assets	17	863,526	869,119
Associated undertakings	18	15,631	1,753
Deferred tax assets	37	175,736	141,378
Other non-current assets	19	57,302	44,883
Derivative financial instruments - non current	12	-	2,140
Total non-current assets		1,826,065	1,595,990
Total Assets		2,943,568	2,366,015
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	20	165,485	194,240
Payables to parent company - related parties	21	4,361	1,148
Other shareholders' loans	22	-	581
Trade payables	23	283,538	233,825
Current tax liabilities	24	117,770	107,592
Derivative financial instruments - current	12	15,200	5,279
Obligations under finance leases - current	25	1,453	5,019
Other current liabilities	26	128,777	111,482
Total current liabilities		716,584	659,166
Non-current liabilities			
Long-term financial payables	27	178,442	303,408
Obligations under finance leases non-current	25	1,100	2,509
Post-employment benefits	28	35,898	34,833
Provision for contingencies and commitments	29	56,921	52,725
Deferred tax liabilities	37	47,665	52,711
Other non-current liabilities	30	75,656	50,207
Derivative financial instruments non-current	12	335	318
Total non-current liabilities		396,017	496,711
Total Liabilities		1,112,601	1,155,877
Share capital		255,882	250,000
Other reserves		1,152,171	743,543
Translation reserve		(17,239)	(40,012)
Net profit for the year		431,929	250,819
Total Shareholders' Equity – Group	31	1,822,743	1,204,350
Shareholders' Equity – Non-controlling interests	32	8,224	5,788
Total Liabilities and Shareholders' Equity		2,943,568	2,366,015
Net current assets		400,919	110,859
Total assets less current liabilities		2,226,984	1,706,849

Consolidated income statement

(amounts in thousands of Euro)	Note	January 31 2012	%	January 31 2011	%
Net revenues	33	2,555,606	100.0%	2,046,651	100.0%
Cost of goods sold	34	(727,581)	-28.5%	(658,763)	-32.2%
Gross margin		1,828,025	71.5%	1,387,888	67.8%
Operating expenses	35	(1,199,090)	-46.9%	(969,501)	-47.4%
EBIT		628,935	24.6%	418,387	20.4%
Interest and other financial income/(expenses), net	36	(26,027)	-1.0%	(30,158)	-1.5%
Income before taxes		602,908	23.6%	388,229	19.0%
Taxation	37	(166,483)	-6.5%	(134,678)	-6.6%
Net income for the year from continuing operations		436,425	17.1%	253,551	12.4%
Net income for the year from discontinued operations		-	-	-	-
Net income for the year		436,425	17.1%	253,551	12.4%
Net income from discontinued operations – non-controlling interests		-	-	-	-
Net income from continuing operations – non-controlling interests	32	4,496	0.2%	2,732	0.1%
Net income – non-controlling interests		4,496	0.2%	2,732	0.1%
Net income from discontinued operations – Group		-	-	-	-
Net income from continuing operations – Group		431,929	16.9%	250,819	12.3%
Net income – Group		431,929	16.9%	250,819	12.3%
Basic and diluted earnings per share (in Euro per share)		0.170		0.100	

Consolidated statement of cash flows

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Income before taxation from continuing operations	602,908	388,229
Total income before taxation	602,908	388,229
Income Statement adjustments		
Depreciation and amortization from continuing operations	126,302	111,455
Impairment of property, plant and equipment and intangible assets	4,015	6,089
Financial (income) expenses	28,878	23,528
Other non-monetary charges	14,352	26,837
Balance Sheet changes		
Other non-current assets and liabilities	(13,423)	(9,950)
Trade receivables, net	13,824	(46,052)
Inventories, net	(86,338)	(46,377)
Trade payables	46,045	36,868
Other current assets and liabilities	(56,985)	(9,937)
Cash flows from operating activities	679,578	480,690
Interest paid, net	(16,871)	(22,811)
Taxes paid	(182,753)	(90,167)
Net cash flows from operating activities	479,954	367,712
Purchases of property, plant and equipment and intangible assets	(248,619)	(187,606)
Disposals of intangible assets	1,800	-
Acquisition of consolidated investments from third parties	-	(4,000)
Disposal of investments held for sale	3,628	-
Acquisition of investments	(13,956)	-
Cash flows generated (utilized) by investing activities	(257,147)	(191,606)
Dividends paid to shareholders of PRADA spa	(2,482)	(58,852)
Dividends paid to non-controlling shareholders	(3,886)	(530)
Repayment of short term portion of long term borrowings - third parties	(118,141)	(179,702)
Repayment of loans to other shareholders	(215)	(35,665)
New long-term borrowings arranged	9,069	307,293
Change in short-term borrowings – third parties	(38,616)	(201,810)
Repayment of long-term borrowings	(14,710)	-
New loans from related companies	2,808	-
Share capital increases by subsidiary companies	1,412	-
Share capital increase by PRADA spa	205,171	-
Cash flows generated (utilized) by financing activities	40,410	(169,266)
Change in cash and cash equivalents, net of bank overdrafts	263,217	6,840
Foreign exchange differences	10,839	3,463
Opening cash and cash equivalents, net of bank overdraft	79,498	69,195
Closing cash and cash equivalents, net of bank overdraft	353,554	79,498
Cash and cash equivalents	362,284	96,572
Bank overdraft	(8,730)	(17,074)
Closing cash and cash equivalents, net of bank overdraft	353,554	79,498

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	Share premium reserve	Translation reserve	Other reserves	Net profit	Shareholders' Equity - Group
Balance at February 1, 2010	250,000,000	250,000	209,298	(45,671)	534,113	100,163	1,047,903
Allocation of 2009 net profit	-	-	-	-	100,163	(100,163)	-
Dividends	-	-	-	-	(111,000)	-	(111,000)
Other movements	-	-	-	-	(4)	-	(4)
Transactions with non-controlling shareholders	-	-	-	-	1,134	-	1,134
Comprehensive income for the year	-	-	-	5,659	9,839	250,819	266,317
Balance at January 31, 2011	250,000,000	250,000	209,298	(40,012)	534,245	250,819	1,204,350
Allocation of 2010 net profit	-	-	-	-	250,819	(250,819)	-
Conversion of shares from Euro 1.0 to Euro 0.1	2,500,000,000	-	-	-	-	-	-
Issue of new shares	58,824,000	5,882	200,749	-	-	-	206,631
Dividends	-	-	-	-	(35,000)	-	(35,000)
Comprehensive income for the year	-	-	-	22,773	(7,940)	431,929	446,762
Balance at January 31, 2012	2,558,824,000	255,882	410,047	(17,239)	742,124	431,929	1,822,743

Under Italian law, the Company is required to allocate a portion of its net profit to non-distributable reserves and to provide additional information on the distribution of earnings for the period (Note 38).

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net income for the period – Consolidated	436,425	253,551
Change in Translation reserve	23,204	5,608
Tax impact	-	-
Change in Translation reserve less tax impact	23,204	5,608
Change in Cash Flow Hedge reserve	(10,432)	8,814
Tax impact	2,795	(2,456)
Change in Cash Flow Hedge reserve less tax impact	(7,637)	6,358
Change in Actuarial reserve	(705)	4,553
Tax impact	443	(1,058)
Change in Actuarial reserve less tax impact	(262)	3,495
Change in Fair Value reserve	(77)	-
Tax impact	19	
Change in Fair Value reserve less tax impact	(58)	-
Consolidated comprehensive income for the period	451,672	269,012
Comprehensive income for the period – Non-controlling Interests	4,910	2,695
Comprehensive income for the period - Group	446,762	266,317

The accounting policies and the following notes constitute an integral part of the Consolidated Financial Statements.

Financial Statements of PRADA spa

PRADA spa Statement of financial position

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Assets		
Current assets		
Cash and cash equivalents	114,587	3,686
Trade receivables, net	539,783	478,899
Inventories	185,857	130,145
Derivative financial instruments	894	7,368
Receivables from parent company, subsidiaries, associates and related parties	203,128	186,423
Other current assets	45,574	34,088
Assets held for sale	-	4,948
Total current assets	1,089,823	845,557
Non-current assets		
Property, plant and equipment	218,972	166,352
Intangible assets	93,926	91,634
Associated undertakings	828,927	825,230
Deferred tax assets	32,295	30,320
Other non-current assets	1,752	1,228
Derivative financial instruments - non current	-	2,140
Total non-current assets	1,175,872	1,116,904
Total Assets	2,265,695	1,962,461
Liabilities and Shareholders' equity		
Current liabilities		
Bank overdrafts and short-term loans	112,470	149,956
Payables to parent company, subsidiaries, associates and related parties	286,517	297,339
Trade payables	345,785	309,929
Current tax liabilities	42,325	42,889
Derivative financial instruments	12,811	4,883
Obligations under financial leases	1,002	2,819
Other current liabilities	64,332	47,477
Total current liabilities	865,242	855,292
Non-current liabilities		
Long-term debt, net of current portion	134,902	233,694
Obligations under financial leases	1,081	2,089
Post-employment benefits	17,778	20,400
Provisions	23,204	28,906
Deferred tax liabilities	9,492	12,261
Other non-current liabilities	1,411	737
Derivative financial instruments - non current	335	30
Total non-current liabilities	188,203	298,117
Total Liabilities	1,053,445	1,153,409
Share capital	255,882	250,000
Other reserves	717,369	436,276
Net income of the year	238,999	122,776
Shareholders' equity	1,212,250	809,052
Total Liabilities & Shareholders' Equity	2,265,695	1,962,461

PRADA spa Income statement

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net revenues	1,501,789	1,215,911
Cost of goods sold	(717,728)	(645,586)
Gross Margin	784,061	570,325
Selling, general and administrative expenses	(446,249)	(362,071)
Interest and other financial income (expenses), net	6,557	4,334
Income before tax	344,369	212,588
Income taxes	(105,370)	(89,812)
Net income for the year	238,999	122,776

PRADA spa Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net income for the year	238,999	122,776
Gains/(losses) recognized in cash flow hedge reserve	(10,938)	9,243
Tax effect	3,008	(2,635)
Change in Cash Flow Hedge reserve after tax effect	(7,930)	6,608
Gains/ (losses) recognized in actuarial gains/(losses) reserve	498	492
Net gains (losses) recognized directly in equity	(7,432)	7,100
Total comprehensive income	231,567	129,876

PRADA spa Statement of cash flows

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Cash flows generated from operations:		
Income before taxation	344,369	212,588
Adjustments for:		
Depreciation and amortization	20,314	20,710
Impairment of fixed assets	14	1
Financial (income) expenses	(20,358)	(15,756)
Losses/(gains) on disposal of fixed assets	(431)	(99)
Impairment of investments	3,708	7,744
Other provisions and non-monetary changes	9,278	36,180
Other non-current assets and liabilities	(8,556)	(2,178)
Trade receivables, net	(59,210)	(19,252)
Inventories, net	(55,712)	(15,120)
Other current assets and liabilities	(7,129)	(27,592)
Trade payables	35,322	49,685
Cash flows generated from operations	261,609	246,911
Interest paid	(10,224)	(17,643)
Income taxes paid	(107,780)	(45,382)
Net cash flows generated from operations	143,605	183,886
Cash flow generated (used) from investing activities:		
Purchase of property, plant and equipment	(62,704)	(42,473)
Disposal of property, plant and equipment	91	232
Purchase of intangible assets	(5,503)	(4,488)
Disposal of intangible assets	1,800	-
Investments in subsidiaries	(7,397)	(4,880)
Disposal of investments	3,628	6
Dividends received	31,828	30,000
Cash flows generated (used) by investing activities	(38,257)	(21,603)
Cash flows generated (used) by financing activities		
Share capital increase less net directly attributable costs	205,171	
Dividends paid	(2,482)	(58,852)
Change in short-term borrowings	(85,601)	(221,776)
Repayment of long-term borrowings	(108,531)	(147,349)
New long term borrowings arranged	-	262,400
Cash flow generated (used) by financing activities	8,857	(165,577)
Change in cash and cash equivalents net of bank overdraft	113,905	(3,294)
Exchange differences	(1,256)	(651)
Opening cash and cash equivalents, net of bank overdraft	(11,486)	(7,541)
Closing cash and cash equivalents, net of bank overdraft	101,163	(11,486)
Cash and bank balances	114,587	3,686
Bank overdraft	(13,424)	(15,173)
Closing cash and cash equivalents, net of bank overdraft	101,163	(11,486)

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Fair Value reserve	Net income	Share-holders' equity
Balance at January 31, 2010	250,000,000	250,000	209,298	6,904	182,899	84,252	(2,771)	59,594	790,176
Allocation of 2009 net income		-	-	2,980	-	56,614	-	(59,594)	-
Dividends paid		-	-	-	-	(111,000)	-	-	(111,000)
Comprehensive net income		-	-	-	-	492	6,608	122,776	129,876
Balance at January 31, 2011	250,000,000	250,000	209,298	9,884	182,899	30,358	3,837	122,776	809,052
Conversion of par value of shares from Euro 1 to Euro 0.1	2,500,000,000	-							
Issue of new shares	58,824,000	5,882	200,749						206,631
Allocation of 2010 net income				24,556		98,220		(122,776)	-
Dividends paid						(35,000)			(35,000)
Comprehensive net income						498	(7,930)	238,999	231,567
Balance at January 31, 2012	2,558,824,000	255,882	410,047	34,440	182,899	94,076	(4,093)	238,999	1,212,250

Notes to the Consolidated Financial Statements

1. General information

PRADA spa (the "Company"), together with its subsidiaries (jointly the "Group"), is a world leader in the design, production and distribution of luxury handbags, leather goods, footwear, apparel, accessories, eyewear, fragrances and mobile phones.

Through its Directly Operated Stores network (DOS) and a selected number of independent customers, the Group operates on all major international markets.

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At January 31, 2012, 79.98% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, while the remaining shares were floating on the Main Board of the Hong Kong Stock Exchange.

The ultimate shareholders' of PRADA Holding bv are Mr. Patrizio Bertelli and the Prada family.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of PRADA spa on March 29, 2012.

2. Basis of preparation

The Consolidated Financial Statements of the PRADA spa Group as at January 31, 2012, including the "Consolidated statement of financial position", the "Consolidated income statement", the "Statement of consolidated comprehensive income", the "Consolidated statement of cash flows", the "Statement of changes in consolidated shareholders' equity" and the "Notes to the Consolidated Financial Statements" have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

At the date of presentation of these Consolidated Financial Statements, there were no differences between IFRS as adopted by the European Union and applicable to the PRADA Group and those issued by the IASB.

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

The Group has prepared the Consolidated statement of financial position classifying separately current and non-current assets and liabilities. All the details needed for more complete information are provided in the Notes.

The Consolidated income statement is classified by destination.

Cash flow information is provided in the Consolidated statement of cash flows which has been prepared under the indirect method.

The Consolidated Financial Statements have been prepared on a going concern basis and are presented in Euro which is the functional currency of the Company.

3. Amendments to accounting standards

Amendments to IFRS applicable to the PRADA Group from February 1, 2011

The following amendments to IFRS have been adopted by the European Union and are applicable to the PRADA Group effective from February 1, 2011. The matters in question are not applicable to the Group as of the date of these financial statements but they could have future accounting effects:

– minor amendments to IAS/IFRS (2010);

– IFRIC 19 "Extinguishing financial liabilities with equity instruments";

– amendment to IFRIC 14 "Advance payments under minimum funding clauses";

– revised version of IAS 24 "Related party disclosures".

New standards and amendments issued by the IASB that are not applicable to the PRADA Group, but have been adopted by the European Union

– IFRS 7 "Financial instruments: disclosures". The amendments made to this standard, effective from July 1, 2011, are intended to improve the quality of disclosures on the transfer of financial instruments.

New standards and amendments issued by the IASB that are not applicable to the PRADA Group and have not yet been adopted by the European Union

– IFRS 9 "Financial instruments". This new standard, effective from January 1, 2013, represents the first phase of a series of standards intended to replace entirely IAS 39 "Financial instruments: recognition and measurement" with the introduction of new criteria for the classification of financial assets and liabilities and for the derecognition of financial assets;

– IFRS 10 "Consolidated Financial Statements". This new standard, effective from January 1, 2013, further develops the concept of control as a fundamental criteria for consolidation;

– IFRS 11 "Joint Arrangements". This new standard, effective from January 1, 2013, will entirely replace IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly controlled entities". It provides new criteria for use identifying joint arrangements and indicates the equity method as the only method for use in accounting for investments in jointly controlled entities in consolidated financial statements;

– IFRS 12 "Disclosure of interests in other entities". This standard, effective from January 1, 2013, represents a new guideline on disclosures required in relation to all types of interests in other entities;

– IFRS 13 "Fair value measurement". This new standard, effective from January 1, 2013, provides a guide to fair value measurement;

– IAS 1 "Presentation of financial statements". The amendments made to this standard, effective from July 1, 2012, are intended to clarify the criteria for preparation of the statement of "Other items of comprehensive income";

– IAS 19 "Employee benefits". The amendments made to this standard, effective from January 1, 2013, exclude the application of the corridor method and require additional disclosures;

– IAS 12 "Income taxes". The amendments made to this standard, effective from January 1, 2012, require the measurement of deferred tax relating to an asset depending on how the carrying amount of the asset will be recovered (i.e. through use or sale);

- IFRS 7 "Financial instruments: disclosures". The amendments made to this standard, effective from January 1, 2013, require additional disclosures to measure the effects or potential effects of the offsetting of financial assets and liabilities on the financial position of an entity;

- IAS 32 "Financial instruments: presentation". The amendments made to this standard, effective from January 1, 2014, supplement the guidelines on the offsetting of financial assets and liabilities.

As at January 31, 2012, the European Union had not yet completed the adoption of the new standards and amendments described above.

4. Scope of consolidation

The consolidated financial information comprises the accounts of PRADA spa and the Italian and foreign companies over which the Company directly or indirectly exercises control, determining their financial and operating decisions and obtaining benefits from their activities.

The companies in which the Group has more than 50% of the voting rights or that are controlled by the Group in some other way are consolidated on a line by line basis as from the date the Group acquired control and are no longer consolidated from the date control ceases.

Joint ventures and associated undertakings are consolidated using the equity method. Associated undertakings are those in which the Group has a significant influence but does not exercise effective control.

Influence is considered significant when the Group owns between 20% to 50% of the company's share capital or when significant influence can be exercised through existing agreements.

A list of the companies included in the Consolidated Financial Statements is provided in Note 42.

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2012 and January 31, 2011 in accordance with IFRS, are as follows:

- the financial statements of PRADA spa are prepared under IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS accounting standards and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information are those closed at the reporting date;

- assets and liabilities, costs and revenues of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements irrespective of the percentage held. The book value of equity investments, directly or indirectly owned by the holding company, is eliminated against the corresponding portion of shareholders' equity of the companies in which the interest is held;

- for companies consolidated on a line-by-line basis that are not 100% owned by shareholders of the holding company, the share of net equity and results for the year of minority interests are disclosed as "Non-controlling interests" in the consolidated statement of financial position and consolidated income statement.

When the equity pertaining to minority interests is negative, it is shown under other receivables where the minority shareholder has made a binding commitment towards the Group to cover the losses;

- the difference between the acquisition cost of investments acquired after the date of first-time application of IFRS (January 1, 2004) and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to assets, liabilities and contingent liabilities based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the income statement immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity;

- at the date of the first time application, goodwill was stated at deemed cost less any impairment losses. Deemed cost is calculated based on the difference between the amount paid for the investment and the relevant net equity. Goodwill arising from various acquisitions is not amortized but tested annually for impairment. Any impairment in the value of goodwill is charged to the income statement;

- profits and losses, assets and liabilities of joint ventures and associated undertakings are accounted for using the equity method. According to this method, investments in joint ventures and associated undertakings are recorded in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post acquisition, less any impairment of the investment value. Losses exceeding the interest of the shareholders of the holding company are recorded only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the interest of the holding company shareholders in the net fair value of identifiable assets and liabilities acquired and contingent liabilities is recorded as goodwill. Goodwill is included in the book value of the investment and tested for impairment. If the cost is lower than the holding company shareholders' interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recorded in the income statement for the year of acquisition;

- during the consolidation process, receivables and payables, costs and revenues arising from transactions between entities included in the scope of consolidation are fully eliminated. Any unrealized gains or losses generated by transactions between the Group's consolidated companies and included in inventories and fixed assets at the balance sheet date are also eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is adjusted for impairment;

- dividends paid by consolidated companies are also eliminated from the income statement and added to prior year retained earnings if, and to the extent that, they have been drawn from the latter;

- the financial statements of subsidiary companies are prepared in their respective local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the income statement is translated using the average exchange rate for the year. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period, and translation differences arising on conversion of the income statement using the average rate for the period and the rate at the end of the period are recorded as a translation reserve in the consolidated shareholder's equity until disposal of the investment. The translation reserve in consolidated shareholder's equity represents translation differences recorded as from first time application on January 1, 2004. When preparing the consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period;

- the reporting currency used to prepare the consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal amount. Cash equivalents include all highly liquid investments with an original maturity of three months or less.

For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts, deposit accounts and bank overdrafts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

Trade receivables and payables

Trade accounts receivable are carried at nominal value less the provision for doubtful accounts, estimated based on an assessment of all disputed and doubtful balances at the reporting date. Bad debts are written off when identified.

Trade accounts payable are recorded at nominal amount.

Transactions denominated in foreign currency are recorded at the exchange rate as at the date of the transaction. At the reporting date, transactions denominated in foreign currencies are translated using the exchange rate as at the reporting date. Gains and losses arising from the translation are reflected in the income statement.

The transfer of a financial asset to third parties implies its derecognition from the statement of financial position only if all risks and rewards connected with the financial asset are substantially transferred. Risks and rewards are considered transferred when exposure to variability in the present value of future net cash flows associated with the asset changes significantly as a result of the transfer.

Inventories

Raw materials, work in progress and finished products are recorded at the lower of acquisition cost, production cost and net realizable value. Cost comprises direct production costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Acquisition or production cost is determined on a weighted average basis. Provisions, adjusting the value of the inventory, are made for slow moving and obsolete inventories and if estimated selling prices are lower than cost.

Assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through its continued usage.

Assets held for sale are valued at the lower of net book value and fair value less any costs to sell.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses. Interest costs on borrowings to finance directly purchase, construction or production are capitalized to increase the value of the asset. All other borrowing costs are charged to the Income Statement.

Ordinary maintenance expenses are charged in full to the income statement for the year they are incurred.

Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included under Leasehold improvements relate to refurbishment work carried out on assets not owned by the Group.

All costs incurred during the period between the start of refurbishment work and the opening of the store are capitalized as Leasehold improvements, as they are deemed necessary to bring the related assets to their working condition in accordance with company guidelines. The relevant construction or refurbishment period ranges from six to eighteen months depending on the type of store/work.

Depreciation methods, useful lives and net book values are reviewed annually.

The depreciation rates representing the useful lives are listed below:

Category of Property, plant and equipment	Depreciation rate or period
Buildings	3% - 10%
Production plant and equipment	7.5% - 25%
Improvements to leasehold retail properties	Lower of lease term and 10 years
Improvements to leasehold industrial properties	Remaining period of lease agreement
Furniture and fittings	10% - 20%
Other equipment	6% - 33%

When assets are disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the income statement.

The value of land is stated separately from the value of buildings. Depreciation is only charged on the value of buildings.

Every year, a test is performed for indications that the value of property, plant and equipment has been impaired. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The impairment loss is determined by comparing the carrying value of the asset with its recoverable value (i.e. the higher of the fair value of the asset less costs to sell and its value in use).

Fair value is determined based on the best information available to reflect the amount that could be obtained, from the disposal of the asset, at the reporting date.

Value in use is an estimate of the present value of future cash flows expected to derive from the asset tested for impairment.

Impairment losses are recorded immediately in the income statement.

At every reporting date, the Group will assess whether there is any indication that an impairment loss recognized in prior periods may no longer apply and should be decreased. If any such indication exists, the Group will estimate the recoverable amount of that asset. The recoverable value of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years.

Reversal of an impairment loss for an asset will be recorded in the income statement.

Intangible assets

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets.

Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.

Trademarks are recorded at cost or at the value attributed upon acquisition and include the cost of trademark registration in the various countries in which the Group operates.

The Directors estimate a useful life of between 20 and 40 years for trademarks. This assumes there are no risks or limitations on control over their use. Every trademark is tested for impairment whenever indicators of impairment emerge.

The useful life of trademark registration costs is estimated to be 10 years.

Software refers to Information Technology development projects and includes all internal and external costs incurred to bring the asset into use. IT projects include costs incurred to acquire licenses as well as costs of development and installation. Software is capitalized on condition that it is identifiable, reliably measurable and if it is probable that the asset will generate future economic benefits.

Store lease acquisition costs represent expenditures incurred to enter into or take over retail store lease agreements. These costs are capitalized and amortized over the shorter period of the lease term or 10 years.

Development costs include expenses incurred to strengthen the brand image through the implementation of retail projects with a high technological or stylistic content, e.g. "In-Store Technology" project, or through projects aimed at developing the store "concept". The relevant useful life is estimated based on the Directors' understanding and amounts to between 3 and 10 years.

Intangible assets with a determinate useful life are amortized on a straight-line basis at the following rates:

Category of intangible assets	Amortization rate or period
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term and 10 years
Software	10% - 33%
Other intangible assets	10% - 33%

All business combinations included within the scope of IFRS 3 are recorded using the acquisition method whereby identifiable assets, liabilities and potential liabilities of the acquired business are measured at their acquisition-date fair value.

The difference between the cost of the business combination and the interest acquired in the net fair value of identifiable assets, liabilities and potential liabilities is recorded as goodwill. If additional interests in subsidiaries already controlled are acquired, the positive difference between the acquisition cost and the value of the interest acquired is recognized in equity.

Goodwill, as an asset that produces future economic benefits but which is not individually identified and separately measured, is initially recognized at cost.

Goodwill is not amortized but tested for impairment every year to check if its value has been impaired. If specific events or altered circumstances indicate the possibility that goodwill has been impaired, the impairment test is performed more frequently. If goodwill is initially recorded during the current year, the impairment test is performed before the end of the year.

For impairment test purposes, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets. The PRADA Group's Cash Generating Units include trademarks, sales channels and geographical areas.

The cash generating units to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication of impairment, the carrying value of the cash generating units is compared with their recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Cash flow projections are based on budget and forecast and on long-term business plans (generally five years) approved by the management of the relevant business units.

An impairment loss is recorded in the Income Statement for the period whenever the recoverable amount of the cash generating unit is lower than its book value.

An impairment loss recorded for goodwill is never reversed in subsequent years.

Investments

Investments in associated undertakings and joint ventures – companies in which the Group generally holds between 20% and 50% of the voting rights or on which the Group has significant influence – are accounted for under the equity method of accounting.

Under the equity method of accounting, investments are initially recognized at cost.

The carrying amount is later increased or decreased to reflect the parent company's share of the profits or losses of the investee after the date of acquisition. Any goodwill included in the historical cost of the investment is tested annually for impairment.

The parent company's share of the profit or loss of the investee is recorded in its income statement.

Dividends received from the investee company reduce the carrying amount of the investment.

The parent company's share in an associated undertaking's profits and losses resulting from intercompany transactions is eliminated.

The reporting date of associated undertakings is the same as the parent company's.

If a subsidiary or associated undertaking uses accounting policies other than IFRS, adjustments are made to bring its accounting policies into line with those of the parent company.

If the parent company's share of the losses made by an associated undertaking or joint venture exceeds the carrying amount of the investment in the associate or joint venture, the parent company will recognize a liability for additional losses only to the extent that it has incurred legal or constructive obligations on behalf of the associate undertaking or joint venture.

Other investments and marketable securities

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. They are included in current assets and stated at fair value through profit and loss.

Investments intended to be held for an indefinite period of time that may be sold depending on liquidity requirements, are classified as available-for-sale and stated at fair value through shareholders' equity. These assets are included in non-current assets unless the Directors intend to hold them for less than twelve months from the reporting date, in which case they are included in current assets.

All purchases and sales of investments are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset. Purchase cost includes all transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of trading investments are included in the income statement, while those regarding investments available-for-sale are included in shareholders' equity in the period in which they arise.

Deferred tax assets

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to deductible temporary differences and carryforward of unused tax losses.

Deductible temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax value which, in determining taxable income for future years, will result in deductible amounts when the carrying amount of the asset or liability is realized or settled.

Deferred tax assets are recognized for all deductible temporary differences, tax losses carried-forward and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible temporary differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) in force at the reporting date.

Deferred tax assets are not discounted.

Deferred tax assets are recognized through the income statement unless the tax amount is generated from a transaction or an event directly recognized in equity or from a business combination.

Taxation for deferred tax assets relating to items credited or debited directly to shareholders' equity is also credited or debited directly to shareholders' equity.

Derivative financial instruments

Derivative financial instruments that hedge interest rate risk and exchange rate risk exposure are recorded based on hedge accounting rules.

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is used if derivative financial instruments are designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognized in shareholders' equity.

Accumulated gains or losses are reversed from shareholders' equity and recorded in the income statement for the period in which the income statement effect of the hedged operation is recorded.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recorded in the income statement. If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses recognized in shareholders' equity until then are recorded in the income statement when the transaction takes place.

If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the income statement.

Obligations under finance leases

Fixed assets acquired under finance leases are recorded at the lower of market value and the present value of future payments due under the lease agreement on the date of the transaction and are depreciated based on their useful life.

Short-term portions of obligations related to discounted future lease payments are recorded among current liabilities under Obligations under finance leases, current, while medium and long- term portions are recorded among non-current liabilities under "Obligations under finance leases, non-current".

Non-current financial liabilities

Non-current financial liabilities include payables to banks for medium and long term loans. Bank borrowing includes principal amounts, interest and additional arrangement costs accruing and due at the balance sheet date even when they are charged at a later date.

Non-current financial liabilities are initially recorded at fair value on the transaction date less transaction costs which are directly attributable to the acquisition.

After initial recognition, non-current financial liabilities are valued at amortized cost i.e. at the initial amount less principal repayments already made plus or minus the amortization (using the effective interest method) of any difference between that initial amount and the maturity amount.

Post-employment benefits

Post-employment benefits mainly consist of Italian Staff Leaving Indemnities (hereinafter TFR) which are classed as defined-benefit plans.

Defined benefit plans are recognized using actuarial techniques to estimate the amount of the obligations resulting from employee service in the current and past periods and discounting it to determine the present value of the Group's obligations.

The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.

This method considers each period of service provided by the employee as an additional unit right and measures the actuarial liability on the basis of the matured years of service only at the date of measurement. This actuarial liability is then re-measured taking into account the relationship between the service years provided by the employee at the date of measurement and the total years of service expected at the forecast date of settlement of the benefit. Moreover, this method takes account of future salary increases, for whatever reason (inflation, career progression and new employment agreements) until the estimated termination date of the employment relationship.

The cost of defined benefit plans, accruing during the year and recorded in the income statement under labor costs, is equal to the average present value of rights accruing in favor of employees for service during the current period. The annual interest accruing on the present value of the Group's obligation at the beginning of the year, as calculated adopting the previous year discount rate of future outflows used to estimate the liability at the reporting date, is recorded under interest and other financial income /(expenses).

Actuarial gains and losses are recognized directly in equity, net of the tax effect.

Other long-term employee benefits are recorded among non-current liabilities and their value corresponds to the present value of the defined benefit obligation at the reporting date, adjusted according to the period of the underlying agreement. Like defined benefit plans, other long term benefits are also valued using the Projected Unit Credit Method.

Provisions for risks and charges

Provisions for risks and charges cover costs of a determinate nature, that were certain or probable but whose amount or due date was uncertain at year end. Provisions are only recorded when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made based on available information.

Where the Group expects reimbursement of a charge that has been provided for (e.g. under an insurance policy) the reimbursement is recognized as a separate asset but only when the reimbursement is certain.

Deferred tax liabilities

Deferred tax liabilities are amounts of income taxes due in future periods in respect of taxable temporary differences.

Taxable temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base which, in determining the taxable income for future years, will result in taxable amounts when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

Deferred tax liabilities are measured at the tax rates which are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are not discounted.

Taxation for deferred tax liabilities relating to items credited or debited directly to shareholders' equity is also credited or debited directly to shareholders' equity.

The deferred tax provision is only offset against deferred tax assets or when the two items refer to the same tax and the same period.

Revenue recognition

Revenues from the sale of goods are recognized in the income statement when:

– the risks and rewards of ownership are transferred to the buyer;

– the value of the revenues can be reliably measured;

– all control over the goods sold has ceased;

– the economic benefits generated by the transaction will probably be enjoyed by the Company;

– the costs pertaining to the transaction can be measured reliably.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Cash discounts are recognized as financial charges.

Costs are recorded on an accrual basis. In particular, a cost is immediately recognized in the income statement when:

– an expense does not generate any future economic benefit;

– the future economic benefits do not qualify or cease to qualify as assets for recognition in the statement of financial position;

– a liability is incurred and no asset has been recognized.

Operating leases

Operating leases are recorded in the income statement on a straight-line basis for the whole lease term.

When calculating the lease term, renewal periods are also considered if provided for by the agreement and the amount due is known or can be estimated.

Store opening costs

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the Consolidated income statement when incurred, except for those capitalized as leasehold improvements. Upon closure of a store, the net book value of the leasehold improvements, less the expected recoverable amount, is charged to the income statement.

Financial charges

Financial charges include interest on bank overdrafts, on short and long term loans, financial charges on finance leases and securitization operations, amortization of initial costs of loan operations, changes in the fair value of derivatives – insofar as chargeable to the income statement – and annual interest maturing on the present value of post-employment benefits.

Income taxes

The provision for income taxes is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Current taxes are recorded in the income statement as an expense. This is except for taxes deriving from transactions or events directly recognized through shareholders' equity which are directly charged to equity.

Earnings per share

Basic earnings per share are calculated by dividing net profit pertaining to the holding company shareholders by the weighted average number of ordinary shares.

Changes of accounting policy, errors and changes in accounting estimates

The accounting policies adopted are only modified from one year to another if the change is required by an accounting standard or if it provides more reliable and more relevant information on the effects of operations on the entity's statement of financial position, income statement or cash flows.

Changes of accounting policy are applied retrospectively, adjusting the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts, disclosed for each prior period presented, are also adjusted as if the new accounting policy had always been applied. A prospective approach is applied only when it is not possible to restate the comparative information.

The adoption of a new or amended accounting standard is implemented in accordance with the requirements of the standard itself. If the new standard does not include specific transition provisions, the change of accounting policy is applied retrospectively or, if this is not feasible, prospectively.

In case of material errors, the same approach adopted for changes in accounting standards described in the previous paragraph shall be followed. Non material errors are recognized in the income statement in the period in which the error is identified.

The effect of changes in accounting estimates are prospectively recorded in the income statement for the year the change takes place if it is the only year affected. It is also reflected in later years if they too are affected by the change.

Financial risk management

The Group's international activities expose it to a variety of financial risks including the risk of exchange rate and interest rate fluctuation. The Group's overall risk management policy takes account of the volatility of financial markets and seeks to minimize uncertainty regarding cash flow and the resulting potential adverse effects on its results.

The Group enters into hedging contracts to manage risks arising from exposure to the exchange rate and interest rate risks.

Financial instruments are accounted for based on hedge accounting rules. At the inception of the hedge contract, the Group formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

Exchange rate risk

The Group has a multinational structure and sells its products in more than 70 different countries worldwide. It is exposed to an exchange rate risk due to fluctuations in the exchange rate of the Euro against the US Dollar, Hong Kong Dollar, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign currency hedging by entering into derivative contracts (forward sale and purchase, options) with third parties.

In accordance with IAS 39, these hedging contracts are classed as cash flow hedges. The fair value of the hedging contracts designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Interest rate risk

The debt taken on by the Group exposes it to the interest rate risk. The Group Corporate Finance Department hedges this risk by arranging Interest Rate Swap and Collar agreements.

These hedging contracts are classed as cash flow hedges. The fair value of the hedging contracts qualified as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Use of estimates

In accordance with IFRS, the preparation of these consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses and when valuing contingent assets and liabilities.

Such assumptions relate primarily to transactions and events not settled as of the year-end. Accordingly, upon settlement, the actual results may differ from the estimated amounts. Estimates and assumptions are periodically reviewed and the effects of any differences are immediately charged to the income statement.

Estimates have been used when performing impairment tests, in determining provisions for risks and charges, the allowance for doubtful accounts, the allowance for obsolete and slow moving inventories, derivative instruments, post-employment benefits and when calculating taxes.

7. Significant acquisitions and disinvestments

On February 23, 2011 PRADA spa sold to Puig sl its investment in Fragrance & Skincare sl, a joint-venture created with Puig sl in 2003 for the distribution of fragrances. The relationship with the Spanish fragrance producer is continuing under the license agreement with Fragrance & Skincare sl that has been extended until 2020.

On April 2, 2011 the Group set up Prada Brasil Importação e Comércio de Artigos de Luxo Ltda in order to develop its commercial activities in Brazil.

On May 25, 2011 PRADA spa and Al Tayer Insignia llc incorporated Prada Middle East fzco in the Jebel Ali Free Zone of Dubai, United Arab Emirates, with stakes of 60% and 40%, respectively, in order to handle development of the network of Prada and Miu Miu stores in the Middle East. The Al Tayer Insignia Group is the largest luxury retailer in the Middle East and belongs to the Al Tayer conglomerate group, based in the United Arab Emirates.

On July 7, 2011 the Group set up commercial subsidiary Church Netherlands bv with the aim of developing Church's brand retail activities in the Netherlands.

On July 17, 2011, the Group set up PRADA Retail Mexico S. de R.L. de C.V. with the aim of developing retail activities in Mexico.

On August 4, 2011, the Group set up PRADA Emirates llc with the aim of developing retail activities in the United Arab Emirates.

On October 14, 2011, the Group set up PRADA Ukraine llc with the aim of developing retail activities in the Ukraine.

On October 28, 2011, the Group set up Car Shoe UK Limited with the aim of developing Car Shoe brand retail activities in the United Kingdom.

On November 17, 2011, the Group set up PRADA Maroc (Sarlau) with the aim of developing retail activities in Morocco.

On December 15, 2011, the Group set up PRADA Hong Kong P.D. Limited, a service company operating in Hong Kong.

On December 20, 2011, the Group set up Church Austria gmbh with the aim of developing Church's brand retail activities in Austria.

On December 20, 2011, the Group set up Church Ireland Retail Limited with the aim of developing Church's brand retail activities in Ireland.

8. Operating segments

IFRS 8 requires that detailed information be provided for each operating segment that makes up the business. An operating segment is intended as a business division whose operating results are regularly reviewed by top management so that they can make decisions about the resources to be allocated to the segment and assess its performance.

The Group's matrix-based organizational structure - whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas, together with the complementary nature of the production processes of the various brands and the many relationships between the different business segments – means that operating segments that meet the IFRS 8 definition cannot be identified, as top management is only provided with income statement results on a Group wide level. For this reason, the business has been considered as a single operating segment as this better represents the specific characteristics of the PRADA Group business model.

Detailed information on net revenues by brand, geographical area, product and distribution channel is provided below. It is also reported in the Financial review where it is accompanied by further information on the Group's operating results.

Net sales analysis

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	445,611	17.6%	393,285	19.5%	13.3%
Europe	540,131	21.4%	450,463	22.3%	19.9%
Americas	392,677	15.6%	326,780	16.2%	20.2%
Asia Pacific	872,992	34.6%	613,803	30.4%	42.2%
Japan	256,693	10.2%	220,924	11.0%	16.2%
Other countries	15,226	0.6%	11,809	0.6%	28.9%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by brand					
Prada	1,999,345	79.2%	1,586,840	78.7%	26.0%
Miu Miu	441,054	17.5%	353,038	17.5%	24.9%
Church's	59,224	2.3%	53,028	2.6%	11.7%
Car shoe	17,039	0.7%	17,935	0.9%	-5.0%
Other	6,668	0.3%	6,223	0.3%	7.2%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by product line					
Clothing	512,585	20.3%	483,564	24.0%	6.0%
Leather goods	1,426,537	56.5%	1,013,877	50.3%	40.7%
Footwear	560,108	22.2%	503,120	24.9%	11.3%
Other	24,100	1.0%	16,503	0.8%	46.0%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales by distribution channel					
DOS (including outlet stores)	1,964,499	77.9%	1,427,356	70.8%	37.6%
Independent customers, franchises and related parties	558,831	22.1%	589,708	29.2%	-5.2%
Total	2,523,330	100.0%	2,017,064	100.0%	25.1%
Net sales	2,523,330	98.7%	2,017,064	98.6%	25.1%
Royalties	32,276	1.3%	29,587	1.4%	9.1%
Total net revenues	2,555,606	100.0%	2,046,651	100.0%	24.9%

Prada brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	349,852	17.5%	302,025	19.0%	15.8%
Europe	411,552	20.6%	341,544	21.5%	20.5%
Americas	334,469	16.7%	281,178	17.7%	19.0%
Asia Pacific	710,157	35.5%	496,156	31.3%	43.1%
Japan	181,720	9.1%	157,061	9.9%	15.7%
Other countries	11,595	0.6%	8,876	0.6%	30.6%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales by product line					
Clothing	434,461	21.7%	419,464	26.4%	3.6%
Leather goods	1,141,097	57.1%	786,244	49.6%	45.1%
Footwear	402,348	20.1%	366,392	23.1%	9.8%
Other	21,439	1.1%	14,740	0.9%	45.4%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales by distribution channel					
DOS (including outlet stores)	1,562,233	78.1%	1,119,962	70.6%	39.5%
Independent customers, franchises and related parties	437,112	21.9%	466,878	29.4%	-6.4%
Total	1,999,345	100.0%	1,586,840	100.0%	26.0%
Net sales	1,999,345	98.5%	1,586,840	98.3%	26.0%
Royalties	31,341	1.5%	27,914	1.7%	12.3%
Total net revenues	2,030,686	100.0%	1,614,754	100.0%	25.8%

Miu Miu brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	67,103	15.2%	61,337	17.4%	9.4%
Europe	86,178	19.5%	70,137	19.9%	22.9%
Americas	54,915	12.5%	43,190	12.2%	27.1%
Asia Pacific	155,841	35.3%	112,722	31.9%	38.3%
Japan	73,918	16.8%	63,341	17.9%	16.7%
Other countries	3,099	0.7%	2,311	0.7%	34.1%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales by product line					
Clothing	77,251	17.5%	63,258	17.9%	22.1%
Leather goods	282,033	64.0%	224,337	63.6%	25.7%
Footwear	79,109	17.9%	63,681	18.0%	24.2%
Other	2,661	0.6%	1,762	0.5%	51.0%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales by distribution channel					
DOS (including outlet stores)	354,227	80.3%	264,375	74.9%	34.0%
Independent customers, franchises and related parties	86,827	19.7%	88,663	25.1%	-2.1%
Total	441,054	100.0%	353,038	100.0%	24.9%
Net sales	441,054	99.8%	353,038	99.6%	24.9%
Royalties	828	0.2%	1,458	0.4%	-43.2%
Total net revenues	441,882	100.0%	354,496	100.0%	24.7%

Church's brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	16,509	27.9%	15,307	28.9%	7.9%
Europe	34,271	57.9%	31,435	59.3%	9.0%
Americas	2,402	4.0%	1,966	3.7%	22.2%
Asia Pacific	4,789	8.1%	3,622	6.8%	32.2%
Japan	1,052	1.8%	511	0.9%	105.9%
Other countries	201	0.3%	187	0.4%	7.5%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales by product line					
Clothing	762	1.3%	551	1.0%	38.3%
Leather goods	1,702	2.9%	1,432	2.7%	18.9%
Footwear	56,760	95.8%	51,045	96.3%	11.2%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales by distribution channel					
DOS (including outlet stores)	38,346	64.7%	34,683	65.4%	10.6%
Independent customers, franchises and related parties	20,878	35.3%	18,345	34.6%	13.8%
Total	59,224	100.0%	53,028	100.0%	11.7%
Net sales	59,224	99.8%	53,028	99.8%	11.7%
Royalties	107	0.2%	101	0.2%	5.9%
Total net revenues	59,331	100.0%	53,129	100.0%	11.7%

Car Shoe brand sales

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%	% change
Net sales by geographical area					
Italy	10,294	60.4%	12,509	69.7%	-17.7%
Europe	3,383	19.9%	3,353	18.7%	0.9%
Americas	857	5.0%	353	2.0%	142.8%
Asia Pacific	2,174	12.8%	1,275	7.1%	70.5%
Japan	-	0.0%	11	0.1%	-100.0%
Other countries	331	1.9%	434	2.4%	-23.7%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales by product line					
Leather goods	1,658	9.7%	1,760	9.8%	-5.8%
Footwear	15,381	90.3%	16,175	90.2%	-4.9%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales by distribution channel					
DOS (including outlet stores)	7,747	45.5%	6,027	33.6%	28.5%
Independent customers, franchises and related parties	9,292	54.5%	11,908	66.4%	-22.0%
Total	17,039	100.0%	17,935	100.0%	-5.0%
Net sales	17,039	100.0%	17,935	100.0%	-5.0%
Total net revenues	17,039	100.0%	17,935	100.0%	-5.0%

EBITDA by brand

January 31 2012	Group	Prada	Miu Miu	Church's	Car Shoe	Others
Net sales	2,523,330	1,999,345	441,054	59,224	17,039	6,668
Royalties	32,276	31,341	828	107	-	-
Net revenues	2,555,606	2,030,686	441,882	59,331	17,039	6,668
EBITDA	759,252	657,249	97,872	7,877	(3,579)	(167)
EBITDA %	29.7%	32.4%	22.1%	13.3%	-	-

January 31 2011	Group	Prada	Miu Miu	Church's	Car Shoe	Others
Net sales	2,017,064	1,586,840	353,038	53,028	17,935	6,223
Royalties	29,587	27,914	1,458	101	-	114
Net revenues	2,046,651	1,614,754	354,496	53,129	17,935	6,337
EBITDA	535,930	453,565	77,443	6,764	(1,996)	154
EBITDA %	26.2%	28.1%	21.8%	12.7%	-	2.4%
Change in Net revenues in Euro	508,955	415,932	87,386	6,202	(896)	331
Percentage change in Net Revenues	24.9%	25.8%	24.7%	11.7%	-5.0%	5.2%
Change in EBITDA in Euro	223,322	203,684	20,429	1,113	(1,583)	(321)
Percentage change in EBTIDA	41.7%	44.9%	26.4%	16.5%	79.3%	-208.4%

The exceptional EBITDA growth achieved by the Prada brand largely replicates the outstanding results already examined in relation to the Group as a whole.

Miu Miu brand net sales recorded percentage increase similar to that recorded by the Prada band. However, its EBITDA growth was somewhat slower – though still impressive and in double figures – mainly because of the higher incidence of advertising and communications costs. In 2011, in addition to its shows in Paris (the Fall/Winter 2011 and Spring/Summer 2012 Collections were shown at the prestigious *Palais d'Iena*, home of the *Conseil Economique, Social et Environnemental*), Miu Miu invested heavily in confirming and further establishing its identity as based on a provocative, experimental and avant-guarde spirit. The events organized included the unique experience offered to more than 800 people who attended the 1940s-style party held at the Park Hyatt Hotel, Shangahi. Cultural initiatives have included Miu Miu musings, events where leading exponents of the fashion world meet with people from other fields of culture to discuss issues relating to fashion, as a form of expression and representation of the spirit of the time. Seven such Miu Miu musing sessions were organized in 2011 in locations including New York, Moscow, London, Tokyo and Milan.

Historically, Church's results have been stable, also because of the nature of its market. In recent years, they have shown constant growth, albeit of a limited scale. The Group's development in commercial terms has been accompanied by measures aimed at increasing cost efficiency and, in 2011, EBITDA growth exceeded net sales growth.

The Car Shoe brand has seen a drop in net sales and a clear decline in EBITDA. The already mentioned shipment delays towards the end of the year in Italy undoubtedly had an adverse effect on results that are still suffering from the inadequate critical mass of the brand and its limited penetration of faster growing markets.

Geographical information

The Group's operations are located in Italy (country of domicile of the Company), Europe, Americas, Asia Pacific, Japan and other countries.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Italy	416,542	350,685
Europe	814,240	760,588
Americas	160,539	156,312
Japan	119,355	86,430
Asia Pacific	124,527	94,861
Other countries	10,938	-
Total	1,646,141	1,448,876

Non-current assets excluded those relating to financial instruments, deferred tax assets and the surplus arising from a pension benefit scheme.

Consolidated statement of financial position

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Cash on hand	23,770	17,794
Bank deposit accounts	195,227	6,222
Bank current accounts	143,287	72,556
Total	362,284	96,572

Bank deposit accounts include some of the proceeds from the share capital increase. Bank current accounts and deposit accounts generate interest income of between 0.0% and 4.08% per annum (between 0.0% and 0.897% at January 31, 2011).

Bank deposit accounts and current accounts are broken down by currency as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Euro	108,286	9,160
US Dollar	56,170	13,819
Korean Won	27,529	10,990
Hong Kong Dollar	70,045	9,995
Other currencies	76,484	34,814
Total bank deposit accounts and current accounts	338,514	78,778

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade receivables – third parties	247,577	255,455
Trade receivables – associated companies	-	1,924
Trade receivables – related parties	18,827	16,796
Total	266,404	274,175

The decrease in trade receivables is mainly due to the selective policy adopted for sales to independent customers and to the delayed shipment of products towards the end of the year, mainly because of particularly bad weather in Italy and ongoing industrial action by road freight transporters.

Trade receivables from related parties refer to sales of finished products and royalties under franchise agreements with retail companies owned by the main shareholders of PRADA Holding bv (Euro 18.6 million) and other receivables from non-controlling shareholders of several companies controlled by the Group (Euro 0.2 million).

Trade receivables from associated companies at January 31, 2011 mainly regarded royalties accruing from Fragrance & Skincare sl in relation to the sale of fragrances bearing the Prada brand.

Following the disposal of the interest held in Fragrance & Skincare sl (Note 18), receivables from the said company have been recorded under third party receivables at January 31, 2012.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Third parties trade receivables, gross	259,258	265,992
Allowance for bad and doubtful debts	(11,681)	(10,537)
Total third parties trade receivables, net	247,577	255,455

The allowance for doubtful debts 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)	January 31 2012	January 31 2011
Opening balance	10,537	11,308
Exchange differences	198	204
Increase	2,369	1,345
Utilized	(866)	(2,069)
Reversals	(557)	(251)
Closing balance	11,681	10,537

11. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Raw materials	66,575	63,672
Work in progress	17,187	17,186
Finished products	360,379	263,341
Allowance for obsolete and slow moving inventories	(69,359)	(63,790)
Total	374,782	280,409

Materials being worked upon by third parties are included in raw materials.

Work in progress includes materials at the production stage with PRADA spa, Church & Co ltd and third party sub-contractors.

The increase in inventories of finished products is consistent with the higher volume of production necessary to supply the expanded DOS network as well as with the growth of the business in general.

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, 2011	31,622	32,168	63,790
Exchange differences	1	21	22
Increases	131	7,233	7,364
Decreases	(2,000)	-	(2,000)
Other movements	-	183	183
Balance at January 31, 2012	29,754	39,605	69,359

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current portion.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial assets regarding derivative instruments	894	7,379
Financial liabilities regarding derivative instruments	(15,200)	(5,279)
Net carrying amount - current	(14,306)	2,100

Derivative financial instruments: assets and liabilities, non-current portion.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial assets regarding derivative instruments	-	2,140
Financial liabilities regarding derivative instruments	(335)	(318)
Net carrying amount - non-current	(335)	1,822

The difference between assets and liabilities under derivative financial instruments (current and non-current) is detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011	IFRS7 Category
Forward contracts	316	607	Level II
Options	578	6,561	Level II
Interest rate swaps	-	2,351	Level II
Positive fair value	894	9,519	
Forward contracts	(3,279)	(469)	Level II
Options	(11,428)	(4,217)	Level II
Interest rate swaps	(828)	(911)	Level II
Negative fair value	(15,535)	(5,597)	
Net carrying amount	(14,641)	3,922	

All of the above derivative instruments reported in the financial statements can be classified as Level II of the fair value hierarchy proposed by IFRS 7. The Group has not entered into any derivative contracts that may be classed as Level I or III.

The Group entered into the financial derivative contracts in the course of its risk management activities in order to hedge financial risks connected with exchange rate and interest rate fluctuations.

Foreign exchange rate transactions

The international nature of the Group's activities exposes its cash flows to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements so as to guarantee the value in Euro (or in other currencies of the various Group companies) of identified cash flows.

Expected future cash flows mainly regard the collection of trade receivables and settlement of trade payables.

The most important currencies in terms of hedged amounts are: U.S. Dollar, Hong Kong Dollar and Japanese Yen.

The notional amounts of the derivative contracts, designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at January 31, 2012) are stated below.

Contracts in place at January 31, 2012 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts (*)	January 31 2012
Currency				
US Dollar	123,812	-	(26,563)	97,249
GB Pound	42,672	-	-	42,672
Japanese Yen	67,604	1,985	(34,781)	34,808
Hong Kong Dollar	159,657	4,893	-	164,550
Swiss Franc	2,706	3,362	-	6,068
Singapore Dollar	14,551	-	-	14,551
Other	18,155	39,831	(1,190)	56,796
Total	429,157	50,071	(62,534)	416,694

(*)Positive figures represent forward sales, negative figures represent forward purchases of currency.

Contracts in place as at January 31, 2012 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2012
Currency				
Japanese Yen	-	76,617	-	76,617
Total	-	76,617	-	76,617

All contracts in place as at January 31, 2012 will mature within 12 months.

Contracts in place at January 31, 2011 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2011
Currency				
US Dollar	93,872	18,989	(29,214)	83,647
GB Pound	38,241	-	-	38,241
Japanese Yen	76,518	6,978	(19,557)	63,939
Hong Kong Dollar	116,226	14,612	-	130,838
Swiss Franc	19,490	-	-	19,490
Singapore Dollar	15,761	285	(6,159)	9,887
Other	18,380	29,640	-	48,020
Total	378,488	70,504	(54,930)	394,062

Contracts in place as at January 31, 2011 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2011
Currency				
Japanese Yen	-	28,891	-	28,891
Hong Kong Dollar	-	31,659	-	31,659
GB Pound	-	4,646	-	4,646
Total	-	65,196	-	65,196

A liquidity analysis on the maturity dates of these derivative contracts is included in these Notes in the Information on Financial Risks section.

All contracts in place at the reporting date were entered into with leading financial institutions and the Group does not expect any default by these institutions.

Interest rate transactions

The Group enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several bank loans. The key features of the IRS agreements in place as at January 31, 2012 and January 31, 2011 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2012	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	180,000	1.511%	26/07/2013	(638)	Pool loan	180,000	07/2013
IRS	Euro/000	18,750	1.545%	02/06/2014	(66)	Intesa-Sanpaolo	18,750	06/2014
IRS	Euro/000	12,000*	1.745%	29/05/2012	(1)	Unicredit	12,000	05/2012
IRS	Euro/000	4,200	2.210%	01/07/2015	(80)	MPS	4,200	07/2015
IRS	Euro/000	3,750	3.500%	01/08/2012	(43)	Carilucca, Pisa e Livorno	3,750	08/2012

* IRS discontinued in compliance with IAS39

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2011	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	260,000	1.511%	26/07/2013	2,027	Pool loan	260,000	07/2013
IRS	Euro/000	26,250	1.545%	02/06/2014	249	Intesa-Sanpaolo	26,250	06/2014
IRS	Euro/000	24,000	1.745%	29/05/2012	(33)	Unicredit	24,000	05/2012
IRS	Euro/000	5,400	2.210%	01/07/2015	6	MPS	5,400	07/2015
IRS	Euro/000	8,750	3.500%	01/08/2012	(136)	Carilucca, Pisa e Livorno	8,750	08/2012
IRS	USD/000	20,988	5.700%	01/05/2014	(673)	Sovereign Bank	20,988	05/2014

The IRS convert the variable interest rates applying to a series of loans into fixed interest rates. These agreements have been arranged with leading financial institutions and the Group does not expect them to default.

Under applicable regulations, except for the IRS used to hedge the loan from Unicredit (Euro 12 million), all of the derivatives in place at the reporting date meet the requirements for designation as cash flow hedges.

Movements on the cash flow hedge reserve included in Group shareholders' equity, before tax effects, since February 1, 2010, may be analyzed as follows:

(amounts in thousands of Euro)	
Opening balance as at February 1, 2010	(4,046)
Change in the translation reserve	12
Change in fair value, recognized in Equity	(17,836)
Change in fair value, charged to Income Statement	26,650
Closing balance at January 31, 2011	4,780
Change in the translation reserve	7
Change in fair value, recognized in Equity	(7,223)
Change in fair value, charged to Income Statement	(3,209)
Closing balance at January 31, 2012	(5,645)

Changes in the reserve that are charged to the Income Statement are recorded under Interest and other financial income / (expense), net or as operating income and expenses depending on the nature of the underlying.

Information on financial risks

Capital management

The Group's capital management strategy is intended to safeguard the Group's ability to continue to guarantee a return to shareholders, protect the interests of other stakeholders and respect covenants, while maintaining an adequate, balanced capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	362,284	-	362,284	9
Trade receivables	266,404	-	266,404	10
Derivative financial instruments	-	894	894	12
Financial receivables	1,411	-	1,411	13
Total at January 31, 2012	630,099	894	630,993	

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	96,572	-	96,572	9
Trade receivables	274,175	-	274,175	10
Derivative financial instruments	-	9,519	9,519	12
Financial receivables	34,044	-	34,044	13
Total at January 31, 2011	404,791	9,519	414,310	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	347,501	-	347,501	20, 21, 22, 27
Trade payables	283,538	-	283,538	23
Obligations under finance leases	2,553	-	2,553	
Derivative financial instruments	-	15,535	15,535	12
Total at January 31, 2012	633,592	15,535	649,127	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	498,510	-	498,510	20, 21, 22, 27
Trade payables	233,825	-	233,825	23
Obligations under finance leases	7,528	-	7,528	
Derivative financial instruments	-	5,597	5,597	12
Total at January 31, 2011	739,863	5,597	745,460	

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction, by not fulfilling its obligations, causes a financial loss for another entity. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements.

The Directors essentially believe that the Group's credit risk mainly regards trade receivables generated in the wholesale channel.

The Group manages the credit risk and reduces negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers.

At the same time, the fact that the total receivables balance is not highly concentrated on individual customers and the fact that net sales are evenly spread geographically lead to a reduced risk of financial losses.

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

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables	278,085	226,300	18,991	12,096	5,031	2,167	13,500
Total	278,085	226,300	18,991	12,096	5,031	2,167	13,500

(amounts in thousands of Euro)	January 31 2011	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables	284,713	238,248	18,543	7,438	4,176	342	15,966
Total	284,713	238,248	18,543	7,438	4,176	342	15,966

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)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables less allowance for doubtful accounts	266,404	225,313	18,944	12,056	4,864	2,044	3,183
Total	266,404	225,313	18,944	12,056	4,864	2,044	3,183

(amounts in thousands of Euro)	January 31 2011	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables less allowance for doubtful accounts	274,175	237,819	18,463	7,390	4,083	239	6,181
Total	274,175	237,819	18,463	7,390	4,083	239	6,181

At the reporting date, the expected loss on doubtful receivables was fully covered by the allowance for doubtful receivables. Movements on the allowance for doubtful receivables are shown in Note 10.

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Corporate Finance Department, reporting to the CFO, is responsible for managing financial resources as well as possible.

The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved without using all available fund and surplus resources can thus be used to pay dividends.

At January 31, 2012, the Group had headroom totaling Euro 461.5 million on available, unused credit facilities (Euro 440.6 million at January 31, 2011).

The following table summarizes trade payables by maturity date.

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables	283,538	251,483	17,392	5,507	2,553	2,131	4,472
Total	283,538	251,483	17,392	5,507	2,553	2,131	4,472

(amounts in thousands of Euro)	January 31 2011	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables	233,825	210,700	9,450	4,086	2,557	1,731	5,301
Total	233,825	210,700	9,450	4,086	2,557	1,731	5,301

The following table details the maturity of derivative and non-derivative financial liabilities showing earliest date on which the Group could be called upon to make payment (worst-case scenario).

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2012	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years
Forward contracts designated as cash flow hedges						
Cash outflows	(66,862)	(39,863)	(26,999)	-	-	-
Cash inflows	63,404	37,991	25,413	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(12,696)	(5,814)	(6,882)	-	-	-
Cash inflows	6,239	1,397	4,842	-	-	-
Interest rate swaps - cash flow hedge	(858)	(101)	(409)	(321)	(25)	(2)
Net value	(10,773)	(6,390)	(4,035)	(321)	(25)	(2)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2011	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years
Forward contracts designated as cash flow hedges						
Cash outflows	(11,986)	(11,477)	(509)	-	-	-
Cash inflows	11,432	11,092	340	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(21,771)	(20,196)	(1,575)	-	-	-
Cash inflows	18,767	17,345	1,423	-	-	-
Interest rate swaps - cash flow hedge	(1,106)	(305)	(249)	(404)	(145)	(3)
Net value	(4,664)	(3,541)	(570)	(404)	(145)	(3)

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at January 31 2012	Future contractual cash flows at Jan. 31, 2012	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years
Obligations under finance leases	2,553	2,628	-	847	658	597	515	11
Financial liabilities – third parties	345,793	357,065	8,730	94,645	71,680	164,966	12,735	4,309
Financial liabilities – related parties	3,504	3,504	546	-	2,958	-	-	-
Total	351,850	363,197	9,276	95,492	75,296	165,563	13,250	4,320

(amounts in thousands of Euro)	Carrying amount at January 31 2011	Future contractual cash flows at Jan. 31, 2011	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	7,528	7,878	-	2,317	2,925	1,487	616	529	4
Financial liabilities – third parties	501,952	530,676	17,186	115,211	76,537	137,738	156,789	24,196	3,019
Financial liabilities – to non-controlling shareholders	862	862	862	-	-	-	-	-	-
Total	510,342	539,416	18,048	117,528	79,462	139,225	157,405	24,725	3,023

Some financial liabilities are subject to compliance with covenants as described in Note 27.

Exchange rate risk

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuation, mainly against the Euro. It is largely concentrated in PRADA spa.

The exchange rate risk mainly involves the risk that the cash flows of the Group's distribution company will fluctuate as a result of changes in exchange rates. The most important currencies for the Group are: the U.S. Dollar, Hong Kong Dollar and Japanese Yen.

Exchange rate risk exposure for subsidiary companies is generated by cash flows in currencies other than their reporting currency.

The following table shows the sensitivity of the Group's net income and shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on the Group statement of financial position at January 31, 2012.

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	2,568	5,051	226	(5,461)
Hong Kong Dollar	(2,225)	(341)	2,705	109
Japanese Yen	2,371	3,523	(593)	(4,473)
US Dollar	(970)	(790)	2,103	319
Other currencies	(7,355)	(4,875)	8,712	5,149
Total	(5,611)	2,568	13,153	(4,357)

The total impact on shareholders' equity (Euro 2.6 million positive and Euro 4.4 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies.

The effects on the above-mentioned items are recorded before the tax effect. The sensitivity analysis is based on the period end exposure which might not reflect the effects actually generated during the year and for this reason it must be considered merely indicative.

Interest rate risk

The PRADA Group is exposed to interest rate fluctuations mainly with regard to the interest charges on the debt carried by parent company PRADA spa and some of its subsidiaries.

Management of this risk falls within the scope of the risk management activities the Group carries out through its centralized Corporate Finance Department.

The following table shows the sensitivity of the Group's net result and Shareholders' equity to a shift in the interest rate curve in relation to the Group companies' financial position as at January 31, 2012.

(amounts in thousands of Euro)	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity
Euro	+ 0.50%	(674)	54	- 0.50%	674	(60)
Japanese Yen	+ 0.50%	(357)	(357)	- 0.50%	357	357
Hong Kong Dollar	+ 0.50%	350	350	- 0.50%	(350)	(350)
US Dollar	+ 0.50%	279	279	- 0.50%	(279)	(279)
Other currencies	+ 0.50%	368	368	- 0.50%	(368)	(368)
Total		(34)	694		34	(700)

The total impact on Shareholders' equity (positive impact of Euro 0.7 million and negative impact of Euro 0.7 million) should be considered as the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve.

The effects on the above-mentioned items are stated before the tax effect.

The sensitivity analysis was based on the period end net financial position so it might not reflect the actual exposure to the interest rate risk during the year. Therefore, this analysis should be considered as indicative only.

13. Receivables and prepayments from parent companies and related parties

Receivables from parent companies and related companies are detailed below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial receivables – PRADA Holding bv	-	32,558
Financial receivables – other companies controlled by PRADA Holding bv	-	77
Financial receivables – other related parties	1,410	1,409
Other receivables – PRADA Holding bv	654	767
Other receivables – other related parties	1,646	1,329
Other receivables – other companies controlled by PRADA Holding bv	154	172
Other receivables – associated companies	-	5
Prepayments – other related companies	9,000	-
Total	12,864	36,317

The financial receivables the Group had from PRADA Holding bv at January 31, 2011 were entirely settled during the year by means of the dividend distribution approved by the Shareholders' General Meeting of March 28, 2011 (Note 39).

Prepayments includes Euro 7.5 million of advance payments made to Luna Rossa Challenge NZ ltd and Luna Rossa Challenge srl, in accordance with the contracts signed with subsidiary PRADA sa, for sponsorship of the Luna Rossa yacht in relation to its participation on the XXXIV edition of the America's Cup to be held in San Francisco, California, in 2013. The remaining Euro 1.5 million consists of advances paid to Progetto Prada Arte srl for cultural initiatives to be undertaken the following year.

Details of receivables from parent companies and related parties are provided in Note 39.

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
VAT	37,372	19,249
Income tax and other tax receivables	6,597	9,794
Other assets	15,337	7,783
Prepayments and accrued income	39,049	31,842
Deposits	1,920	1,557
Total	100,275	70,225

Other assets

Other assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Advertising contributions under license agreements	3,693	1,952
Advances to suppliers	4,832	566
Incentives for retail investments	4,152	2,222
Advances to employees	754	647
Other receivables	1,906	2,396
Total	15,337	7,783

Prepayments and accrued income

Prepayments and accrued income are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Rental charges	15,664	11,357
Insurance	1,033	873
Design costs	9,914	10,620
Fashion shows and advertising campaigns	4,138	2,133
Sponsorship	704	236
Consulting	1,757	2,762
Amortized costs on loans	591	985
Other	5,248	2,876
Total	39,049	31,842

Design costs mainly include costs incurred for the conception and realization of collections that will generate revenue the following year.

Deposits

Deposits mainly includes guarantee deposits paid under commercial lease agreements.

15. Assets held for sale

The decrease in Assets held for sale related to the sale of the investment held in Fragrance & Skincare sl, a joint-venture set up in 2003 with Spanish fragrance manufacturer Puig, which was sold on February 23, 2011, and to the Genny brand which was also sold on March 16, 2011.

16. Property, plant and equipment

Changes in the historical cost of Property, plant and equipment during the year ended January 31, 2012 and in prior year 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 historical cost
Balance at January 31 2010	128,794	90,119	382,524	144,063	72,848	61,616	879,964
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Disposals	-	(1,057)	(110)	(416)	(434)	(309)	(2,326)
Exchange differences	1,257	46	12,788	4,086	579	2,195	20,951
Other movements	31,995	346	23,766	3,857	(54)	(60,710)	(800)
Impairment	-	(15)	(14,925)	(1,515)	(376)	(2,081)	(18,912)
Balance at January 31 2011	172,525	97,048	487,208	176,512	84,493	59,157	1,076,943
Additions	40,806	7,030	110,797	29,329	18,825	51,820	258,607
Disposals	-	(300)	(106)	(525)	(1,656)	(15)	(2,602)
Exchange differences	1,968	238	29,531	6,090	944	3,501	42,272
Other movements	288	15	23,893	4,860	1,116	(30,627)	(455)
Impairment	-	(8)	(10,187)	(5,470)	(646)	(1,216)	(17,527)
Balance at January 31 2012	215,587	104,023	641,136	210,796	103,076	82,620	1,357,238

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2012 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Total accum. deprec'n
Balance at January 31 2010	22,337	76,599	221,776	87,859	53,428	461,999
Depreciation	4,295	6,319	49,923	15,861	6,646	83,044
Disposals	-	(929)	(25)	(247)	(378)	(1,579)
Exchange differences	134	39	6,975	2,206	435	9,789
Other movements	157	(7)	(349)	(32)	38	(193)
Impairment	-	(15)	(11,204)	(1,244)	(371)	(12,834)
Balance at January 31 2011	26,923	82,006	267,096	104,403	59,798	540,226
Depreciation	5,055	6,635	62,899	18,691	5,850	99,130
Disposals	-	(296)	(45)	(342)	(1,593)	(2,276)
Exchange differences	525	210	14,894	3,685	619	19,933
Other movements	-	-	(118)	975	(975)	(118)
Impairment	-	(8)	(7,914)	(5,000)	(605)	(13,527)
Balance at January 31 2012	32,503	88,547	336,812	122,412	63,094	643,368

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2012 and in prior year 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 2010	106,458	13,520	160,747	56,204	19,420	61,616	417,965
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Depreciation	(4,295)	(6,319)	(49,923)	(15,861)	(6,646)	-	(83,044)
Disposals	-	(128)	(85)	(169)	(56)	(309)	(747)
Exchange differences	1,122	7	5,814	1,880	144	2,195	11,162
Other movements	31,838	353	24,115	3,889	(92)	(60,710)	(607)
Impairment	-	-	(3,721)	(271)	(5)	(2,081)	(6,078)
Balance at January 31 2011	145,602	15,042	220,112	72,109	24,695	59,157	536,717
Additions	40,806	7,030	110,797	29,329	18,825	51,820	258,607
Depreciation	(5,055)	(6,635)	(62,899)	(18,691)	(5,850)	-	(99,130)
Disposals	-	(4)	(61)	(183)	(63)	(15)	(326)
Exchange differences	1,443	28	14,637	2,405	325	3,501	22,339
Other movements	288	15	24,011	3,885	2,091	(30,627)	(337)
Impairment	-	-	(2,273)	(470)	(41)	(1,216)	(4,000)
Balance at January 31 2012	183,084	15,476	304,324	88,384	39,982	82,620	713,870

Additions to Land and buildings, amounting to Euro 40.8 million, mainly regard the purchase of a number of industrial properties in Tuscany, already used by the Group in its manufacturing processes under a rental agreement (mainly clothing). These investments related to a preliminary purchase agreement signed in 2010 whereby

PRADA spa undertook to purchase a number of buildings mainly situated in Tuscany. The last two properties relating to this commitment were purchased in the first few months of 2012 for Euro 12.3 million.

The increases in Production plant and machinery mainly relate to purchases of equipment involved in the footwear production.

In line with the Group's growth strategy, most of the investments made during the year were concentrated, as in prior years, in building up the retail network. In 2011, the increase in Property, plant and equipment and Intangible assets relating to this sales channel amounted to Euro 191.2 million and was mainly split between "Leasehold improvements", Furniture and fittings and Assets under construction. Some Euro 153.3 million of this total amount was invested in opening new stores (Euro 115.9 million for stores that opened in 2011 and Euro 37.4 million for stores opening shortly) while Euro 37.9 million was invested in the expansion and refurbishment of existing stores.

Assets under construction amounted to Euro 82.6 million at January 31, 2012 and mainly related to investment in the retail network (primarily in Europe, Japan, the Middle East and Africa).

Land and buildings included capitalized interest charges as follows:

(amounts in thousands of Euro)	Opening net book value	Increases	Exchange differences	Amortization	Closing net book value
Land and buildings	7,821	60	716	(220)	8,377

17. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2012 and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total historical cost
Balance at January 31 2010	395,114	532,992	105,510	57,014	44,033	816	1,135,479
Additions	184	-	1,529	3,339	1,599	2,143	8,794
Disposals	-	-	-	(2)	-	(3)	(5)
Exchange differences	(5,208)	176	340	185	1	19	(4,487)
Other movements	1	-	381	216	21	(603)	16
Impairment	-	-	-	(24)	(189)	-	(213)
						-	
Balance at January 31 2011	390,091	533,168	107,760	60,728	45,465	2,372	1,139,584
Additions	166	-	14,393	4,178	128	1,384	20,249
Disposals	-	-	-	(12)	(1)	-	(13)
Exchange differences	2,341	835	686	268	-	12	4,142
Other movements	-	-	300	1,082	180	(2,278)	(716)
Impairment	-	-	-	(38)	(191)	(14)	(243)
Balance at January 31 2012	392,598	534,003	123,139	66,206	45,581	1,476	1,163,003

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2012 and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Total accumulated amortization
Balance at January 31 2010	66,960	29,103	63,058	51,250	31,789	242,160
Amortization	11,110	-	8,358	2,955	5,987	28,410
Disposals	-	-	-	-	-	-
Exchange differences	(439)	119	157	162	1	-
Other movements	-	-	100	-	(2)	98
Impairment	-	-	-	(24)	(179)	(203)
Balance at January 31 2011	77,631	29,222	71,673	54,343	37,596	270,465
Amortization	11,025	-	8,354	3,067	4,726	27,172
Disposals	-	-	-	(8)	-	(8)
Exchange differences	634	561	328	252	-	1,775
Other movements	-	-	110	11	180	301
Impairment	-	-	-	(37)	(191)	(228)
Balance at January 31 2012	89,290	29,783	80,465	57,628	42,311	299,477

Changes in the net book value of Intangible assets during the year ended January 31, 2012 and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total net book value
Balance at January 31 2010	328,154	503,889	42,452	5,764	12,244	816	893,319
Additions	184	-	1,529	3,339	1,599	2,143	8,794
Amortization	(11,110)	-	(8,358)	(2,955)	(5,987)	-	(28,410)
Disposals	-	-	-	(2)	-	(3)	(5)
Exchange differences	(4,769)	57	183	23	-	19	(4,487)
Other movements	1	-	281	216	23	(603)	(82)
Impairment	-	-	-	-	(10)	-	(10)
Balance at January 31 2011	312,460	503,946	36,087	6,385	7,869	2,372	869,119
Additions	166	-	14,393	4,178	128	1,384	20,249
Amortization	(11,025)	-	(8,354)	(3,067)	(4,726)	-	(27,172)
Disposals	-	-	-	(4)	(1)	-	(5)
Exchange differences	1,707	274	358	16	-	12	2,367
Other movements	-	-	190	1,071	-	(2,278)	(1,017)
Impairment	-	-	-	(1)	-	(14)	(15)
Balance at January 31 2012	303,308	504,220	42,674	8,578	3,270	1,476	863,526

The net book value of Trademarks at January 31, 2012 and January 31, 2011 is broken down as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Miu Miu	176,537	182,112
Church's	108,411	110,546
Luna Rossa	7,111	8,093
Car Shoe	5,983	6,177
Prada	4,474	4,637
Other	792	895
Total	303,308	312,460

No impairment losses were recorded in relation to the Group's trademarks in the year ended January 31, 2012. Other includes trademark registration expenses.

Store lease acquisition costs (Key Money) includes intangible assets recognized in respect of costs incurred by the Group to enter into, take over or extend lease agreements for retail premises in the most prestigious retail locations worldwide.

The increase recorded during the period regards lease agreements in Europe.

The following table contains a summary of total additions to Property, plant and equipment and Intangible assets for each business area.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Retail	191,169	153,684
Production and logistics	57,828	28,385
Corporate	29,859	24,792
Total	278,856	206,861

Goodwill

As at January 31, 2012, Goodwill amounted to Euro 504.2 million.

A breakdown of goodwill by Cash Generating Unit (CGU) is provided below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Monte Carlo Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Production division	3,492	3,492
Church's	9,123	8,849
Total	504,220	503,946

As required by IAS 36, goodwill with an indefinite useful life is not amortized. Instead, it is tested for impairment at least once a year.

The method used to identify the recoverable value (value in use) is based on the discounted expected free cash-flow generated by the assets directly attributable to the business to which the goodwill has been allocated (Cash Generating Unit).

Value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections prepared for each CGU and the present value of the operating activities of the sector at the end of the business plan period (terminal value).

Business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital approach (WACC). For the year ended January 31, 2012, the WACC used for discounting purposes was in a range between 6.8% and 23.3% (between 5.55% and 9.6% at January 31, 2011).

The impairment test performed as at January 31, 2012 did not identify any impairment losses for the Group CGUs. However, as value in use is measured based on estimates, the Group cannot guarantee that the value of goodwill will not be impaired in future.

18. Investments

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Investment in associated undertaking	1,739	1,739
Investment available for sale	13,878	-
Other investments	14	14
Total	15,631	1,753

Investment in associated undertaking regards a 49% interest in Pac srl in liquidation that has been recorded under the equity method.

Investment available for sale regards the acquisition of 4.88% of the share capital of Sitoy Group Holdings ltd, a company listed on Hong Kong Stock Exchange that operates on the Asian market in the production of leather bags and other products. In accordance with IAS 39, the investment was initially recognized at cost and subsequently restated at fair value in line with the official quoted share price on the Hong Kong Stock Exchange at the reporting date (Level I of the fair value hierarchy per IFRS 7). Fair value adjustments are recorded in a specific equity reserve.

19. Other non-current assets

Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Guarantee deposits	49,526	37,945
Deferred rental income	2,893	1,981
Other receivables	4,883	4,957
Total	57,302	44,883

The increase in Guarantee deposits is due to expansion of the retail network.

Other receivables include Euro 4.2 million representing the actuarial valuation of the Group's pension plans in the United Kingdom, as described in Note 28.

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Nature:		
Stores	47,652	34,639
Offices	1,335	1,268
Warehouses	148	152
Other	391	1,886
Total	49,526	37,945

(amounts in thousands of Euro)	January 31 2012
Maturity:	
By 31.01.2014	10,849
By 31.01.2015	6,457
By 31.01.2016	5,352
By 31.01.2017	1,419
After 31.01.2017	25,449
Total	49,526

20. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Bank overdrafts and commercial lines of credit	8,730	17,074
Short term financial payables	158,144	179,389
Deferred costs on loans	(1,389)	(2,223)
Total	165,485	194,240

The Euro 29.6 million decrease in Short-term financial payables and bank overdrafts benefited by the free cash flows for the year and the proceeds of the share capital increase (IPO).

Short-term financial payables are analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Short term bank loans	29,871	62,304
Current portion of long term loans	128,273	117,085
Total	158,144	179,389

Short-term bank loans and the current position of long-term borrowings may be analyzed by currency as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Euro	99,993	136,451
Japanese Yen	44,476	36,163
Renminbi	12,818	137
Other currencies	857	6,638
Total	158,144	179,389

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements as described in Note 12.

Considering hedges in place at the reporting date, some 81% of the current portion of medium/long term loans consisted of fixed rate loans (96% at January 31, 2011) with variable rate loans making up the remaining 19% (4% at January 31, 2011).

Financial payables are stated net of amortized costs incurred to arrange the loans (Euro 1.4 million deducted from Short-term loans and Euro 0.5 million deducted from Long-term loans).

21. Payables to parent companies and related parties

Payables to parent companies and related parties may be detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial payables – PRADA Holding bv	-	40
Financial payables – other companies controlled by PRADA Holding bv	-	241
Financial payables – other related companies	3,574	-
Other payables – PRADA Holding bv	-	30
Other payables – other related parties	528	827
Other payables – other companies controlled by PRADA Holding bv	259	10
Total	4,361	1,148

Financial payables towards other related companies, totaling Euro 3.6 million, include an interest-free loan of Euro 2.9 million from non-controlling shareholder Al Tayer to subsidiary PRADA Middle East fzco to help develop the retail business in the Middle East.

22. Payables to other shareholders

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Payables to other shareholders	-	581
Total	-	581

At January 31, 2012, financial payables to non-controlling shareholders of the company called "TRS" (Travel Retail Shop) were reclassified to Payables to parent companies and related parties.

23. Trade payables

Trade payables may be summarized as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade payables – third parties	280,808	231,128
Trade payables – related parties	2,730	2,675
Trade payables – associated companies	-	22
Total	283,538	233,825

The increase in Trade payables is due to the growth of the Group business in general.

At January 31, 2012, Trade payables towards related parties included Euro 0.9 million due to retail companies owned by the controlling shareholders of PRADA Holding bv and Euro 1.8 million due to non-controlling shareholders of several companies controlled by the Group.

24. Tax payables

Current tax payables are summarized as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Current income taxes	94,858	89,137
VAT and other taxes	22,912	18,455
Total	117,770	107,592

The growth of the business during the year has generated greater direct and indirect tax liabilities.

25. Obligations under finance leases

At January 31, 2012, Obligations under finance leases included short term payables of Euro 1.5 million and long term payables of Euro 1.1 million. They mainly related to leases of properties situated in Italy. Further information is provided in Note 40.

26. Other current liabilities

Other current liabilities may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Payables for capital expenditure	57,844	41,134
Accrued expenses and deferred income	12,944	23,423
Other payables	57,989	46,925
Total	128,777	111,482

Other payables are detailed below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Short term benefits for employees and other personnel	44,550	32,768
Customer advances	4,688	2,473
Returns from customers	6,988	4,491
Other	1,763	7,193
Total	57,989	46,925

27. Long-term financial payables

Long-term financial payables are analyzed below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Bank borrowing	178,919	305,489
Deferred costs on loans	(477)	(2,081)
Total	178,442	303,408

The reduction in long-term financial payables is mainly due to the reclassification of the current portion to Short-term financial payables and bank overdrafts. Moreover, during the year, the Group made early repayment of a US Dollar loan with a reported outstanding amount of Euro 14.8 million at January 31, 2011.

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements as described in Note 12.

At the reporting date, some 70% of long term loans consisted of fixed rate loans (80% at January 31, 2011) with variable rate loans making up the remaining 30% (20% at January 31, 2011).

Details of long term borrowing at January 31, 2012 are provided below:

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
PRADA spa	100,000	Euro	Pool loan	07/2013	3.010%
PRADA spa	3,000	Euro	Monte dei Paschi di Siena	07/2015	3.310%
PRADA spa	11,250	Euro	IntesaSanPaolo	06/2014	2.145%
PRADA spa	7,200	Euro	Unicredit	05/2014	2.345%
PRADA spa	13,779	Euro	Cariparma	08/2015	2.590%
PRADA Japan Co. Ltd	3,279	Japanese Yen	Mizuho Bank	07/2013	2.090%
Church & Co plc	856	GB Pound	HSBC	07/2013	1.200%
PRADA Japan Co. Ltd	27,825	Japanese Yen	Mizuho Bank	07/2013	1.540%
PRADA Fashion Commerce (Shanghai) co limited	11,730	Renminbi	Mizuho Bank	09/2013	6.650%
Total	178,919				

(1) the interest rates include the effect of interest rate risk hedging transactions

Details of long term borrowing at January 31, 2011 are provided below.

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
Post Development Corp	14,844	US Dollar	Sovereign Bank	05/2014	5.700%
PRADA Fashion Commerce (Shanghai) co limited	3,322	Renminbi	Bank of China	09/2012	5.400%
PRADA spa	180,000	Euro	Pool loan	07/2013	3.010%
PRADA spa	4,200	Euro	Monte dei Paschi di Siena	07/2015	3.310%
PRADA spa	18,750	Euro	IntesaSanPaolo	06/2014	2.145%
PRADA spa	12,000	Euro	Unicredit	05/2012	2.345%
PRADA spa	3,750	Euro	C.R. Lucca. Pisa. Livorno	08/2012	4.400%
PRADA spa	16,243	Euro	Cariparma	06/2015	2.190%
PRADA Japan Co. Ltd	8,872	Japanese Yen	Mizuho Bank	07/2013	2.090%
Church & Co plc	1,660	GB Pound	HSBC	07/2013	1.200%
PRADA Japan Co. Ltd	32,003	Japanese Yen	Mizuho Bank	07/2013	1.550%
PRADA Fashion Commerce (Shanghai) co limited	9,845	Renminbi	Mizuho Bank	09/2013	5.570%
Total	305,489				

(1) the interest rates include the effect of interest rate risk hedging transactions

During the year, the Group arranged just one new long-term loan for an amount of Renminbi 81.1 million.

The pool loan is subject to compliance with certain covenants based on the Consolidated Financial Statements of the PRADA spa. Specifically the ratio of total net borrowings to EBITDA cannot exceed 2.5 at year end (3 at six-monthly reporting date), the ratio of EBITDA to total net interest charges must greater than 4 and, finally, shareholders' equity must not be lower than Euro 650 million. At January 31, 2012, the Group fully respected all these covenants.

The Japanese Yen loan from Mizuho Bank is subject to compliance with certain covenants based on the Statutory Financial Statements of Prada Japan co ltd. At January 31, 2012, all these covenants were fully respected.

An analysis of the debt by maturity date is provided in Note 12.

The long-term loan made by Banca Monte dei Paschi di Siena to PRADA spa in 2008 – outstanding amount of Euro 4.2 million reported at January 31, 2012 (including current portion of Euro 1.2 million) - is secured by a mortgage on a building in Tuscany that houses offices and research and development workshops.

The long-term loan made by Cassa di Risparmio Parma e Piacenza to PRADA spa in 2008 – outstanding amount of Euro 16.3 million reported at January 31, 2012 (including current portion of Euro 2.5 million) - is secured by a mortgage on a building in Tuscany where the Group has concentrated the logistics activities of the footwear and leather goods divisions.

In March 2012, the Group exercised its Term Out Option with Unicredit, extending the maturity date of the loan from May 2012 to May 2014.

All bank borrowing is analyzed below by security profile.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Secured	20,443	36,487
Unsecured	325,350	461,161
Total	345,793	497,648

28. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Post-employment benefits	35,283	33,451
Other long term employee benefits	615	1,382
Total liabilities for long term benefits	35,898	34,833
Post-employment benefit (pension plan surplus)	(4,187)	(3,595)
Net liabilities for long term benefits	31,711	31,238

Post-employment benefits

Liabilities and assets for post-employment benefits reported at January 31, 2012 totaled Euro 31.1 million, net (Euro 29.9 million at January 31 2011) and relate to what are considered defined benefit plans. The pension plan surplus is included in Other non-current assets, Note 19.

The balance includes Euro 20.2 million of liabilities recorded in the financial statements of Italian companies and Euro 15.1 million reported by foreign companies. The Italian liabilities for post-employment benefits regard the *"Trattamento di Fine Rapporto"* (hereinafter "TFR" i.e. staff leaving indemnity) and the balance - which reflects fair value - was determined projecting the benefit, accruing under Italian law at the reporting date, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method (PUCM)".

The following table shows movements on liabilities for post-employment benefits in the year ended January 31, 2012.

	Post-employment benefits Italian companies (TFR)	Post-employment benefits non-Italian companies	Group Total
Balance at January 31, 2011	22,322	7,534	29,856
Current service cost	111	2,926	3,037
Interest cost	439	(162)	277
Actuarial (gains)/losses	(508)	1,213	705
Benefits paid	(2,156)	(2,016)	(4,172)
Exchange differences	-	1,393	1,393
Balance at January 31, 2012	20,208	10,888	31,096

The TFR liability was determined based on an independent appraisal which considered demographic, economic and financial evidence and assumptions.

The technical part of the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as mortality, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered. Economic and financial assumptions were made based on variables such as inflation and discount rates.

Such TFR actuarial valuation was carried out on March 5, 2012 by Federica Zappari, a national registered actuary (n. 1134) of Ordine Nazionale degli Attuari, in Italy.

Post-employment benefits of non-Italian companies are stated net of the surplus on pension plans relating to Group companies operating in the United Kingdom which provide pension services for their employees.

As at January 31, 2012, these pension plans had a positive fair value of Euro 4.2 million, as determined by an independent actuary using the Projected Unit Cost Method. They are analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Fair value of plan assets	52,451	44,493
Fair value of plan liabilities	(43,698)	(39,185)
Pension plan surplus	8,753	5,308
Restrictions on recognition of surplus applied during actuarial valuation of the plan	(4,566)	(1,713)
Net surplus	4,187	3,595

At the reporting date pension plan assets, along with the expected rates of return, were as follows:

(amounts in thousands of Euro)	January 31 2012 Assets	January 31 2012 Rate of return	January 31 2011 Assets	January 31 2011 Rate of return
Equities	12,048	7.0%	20,293	7.5%
Alternatives	10,063	7.0%	4,944	7.5%
Bonds	26,958	3.4%-4.0%	17,986	4.9%-5.5%
Cash	3,382	1.0%	1,270	1.0%
Total	52,451		44,493	

Other long-term employee benefits

These long-term employee benefits fall into the IAS 19 category Other long-term employee benefits. As at January 31, 2012, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 0.6 million.

29. Provisions for risks and charges

Movements on 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 2011	**846**	**40,091**	**11,788**	**52,725**
Exchange differences	7	1,158	1,049	2,214
Reversals	(146)	(7,526)	(96)	(7,768)
Utilized	(205)	(639)	(1,048)	(1,892)
Increases	1,116	4,251	6,275	11,642
Balance at January 31 2012	**1,618**	**37,335**	**17,968**	**56,921**

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 was reasonable considering the contingent liabilities that might arise.

Provision for litigation

The provision for litigation amounted to Euro 1.6 million at January 31, 2012 and mainly regarded disputes with suppliers and former employees of the Group.

Provision for tax disputes

On December 30, 2005, Genny spa (a company incorporated into PRADA spa) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the failure to apply VAT to the value of the "Genny" and "Byblos" brands which were sold along with their respective business units. The amount assessed was about Euro 21 million. The Company successfully appealed at the first and second levels of appeal. The second level of appeal decision by Ancona Regional Tax Commission was issued on December 21, 2010 and formally deposited in 2011. The Tax Authority then announced its appeal to the Supreme Court of Cassation against which the Company submitted a counter appeal.

On August 4, 2006, IPI Italia spa (a company incorporated into PRADA spa), as purchaser of the Genny business, received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand acquired as part of the business. Even though it submitted its defensive arguments against this claim, on October 9, 2007, the company received a request for penalties against which it filed an appeal. After that appeal was thrown out, the company filed another appeal with Milan Regional Tax Commission and it, too, was rejected in a decision issued on January 20, 2010. The Company then prepared a further appeal to the Supreme Court of Cassation and, on April 13, 2011, the Tax Authorities filed their own counter appeal. The full amount of the penalties imposed was paid after the related tax demands were issued. Therefore, the related accrual, made in prior years, does not appear under provisions for risks and charges.

On November 30, 2005 PRADA Retail France sas received a notice of assessment following an inspection by the French Tax Authorities. The assessment regarded inter-company transfer pricing in 2003 and 2004. The dispute essentially concerned the adjustment of the tax losses incurred by the French company. On May 31, 2007, PRADA Retail France filed an application to open a mutual agreement procedure in terms of the Franco-Swiss Treaty. On December 9, 2009 PRADA Retail France SAS received another notice of assessment with regard to transfer pricing in 2005, 2006 and 2007. In the first few months of 2010, PRADA Retail France commenced mutual agreement procedures in relation to this second assessment with regard to both the Franco-Swiss and Franco-Italian bilateral tax conventions. On November 25, 2011, the company received a proposal from the tax authorities involved to settle both amicable agreement procedures mentioned above. On January 31, 2012, the company formally accepted the overall settlement proposal in relation to the agreement procedures commenced under the Franco-Swiss tax convention. However, on the same date, PRADA Retail France sas withdrew from the amicable agreement procedure commenced under the Franco-Italian tax convention, as the presumption of double taxation between Italy and France no longer applied. The adjustment to the income of PRADA Retail France sas agreed with the tax authorities did not generate any taxable income but merely affected accumulated tax losses, in respect of which no deferred tax assets had been recognized in any case.

In 2011, a settlement was reached under the amicable procedure provided for by the German-Swiss Double Taxation Agreement, in relation to the assessment raised against PRADA Germany with regard to transfer pricing in the tax years from 2001 to 2004. A total amount of around Euro 1.3 million was paid under the agreement reached. A new tax inspection of PRADA Germany gmbh commenced on October 18, 2010 and was still underway at the reporting date. It regarded transfer pricing in the 2005, 2006, 2007 and 2008 tax years.

In September 2009, the Japanese tax authorities began a tax inspection of PRADA Japan co ltd with regard to the transfer prices applied in the 2004, 2005, 2006, 2007 and 2008 tax years. In the closing months of 2011, the Japanese tax authorities issued a "position paper" and made a formal request to adjust income for the tax years in question. At the end of 2011, the requests to commence the amicable settlement procedure were made to the tax authorities in Italy, Luxembourg and Japan.

During the year, an audit in Japan regarding the reasonableness of the transfer prices of products used to determine their Customs value ended in the Group's favor. When the Japanese customs authorities completed their audit with raising any issues, the Directors revised the estimates used to quantify contingent liabilities for cases still subject to review by the customs authorities in other countries.

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 37.3 million carried at January 31, 2012 in respect of the tax disputes described above represents the best estimate of the obligations that the Group could be called upon to fulfill.

Other provisions for risks

Other provisions amounted to Euro 18 million as at January 31, 2012. They mainly included the provisions made in relation to lease agreements. The increase for the year mainly regards the cost of restoring leased assets to their original state.

30. Other non-current liabilities

Other non-current liabilities amounted to Euro 75.7 million (Euro 50.2 million as at January 31, 2011). They mainly regarded liabilities to be recognized on a straight-line basis in relation to commercial lease costs. The increase is due to expansion of the retail network.

31. Shareholders' equity - Group

The Group's shareholders' equity is as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Share Capital	255,882	250,000
Other reserves	742,124	534,245
Translation reserve	(17,239)	(40,012)
Share premium reserve	410,047	209,298
Net income for the year	431,929	250,819
Total	1,822,743	1,204,350

Share capital

On May 26, 2011, the PRADA spa Shareholders - PRADA Holding bv and Intesa San Paolo spa (representing a 237,216,515 shares and 12,783,485 shares, respectively) - resolved to change the par value of the Company shares from Euro 1.00 to Euro 0.10 each. As a result of this decision, the number of shares increased from 250,000,000 to 2,500,000,000.

On June 24, 2011, the Group successfully completed the listing of 19% of the share capital of PRADA spa on the Main Board of the Hong Kong Stock Exchange. This operation, as approved by a Shareholders' General Meeting of 26 May 2011, involved the placement of 423,276,000 shares including 58,824,000 newly issued shares and 364,452,000 existing shares. The shares were placed at an offer price of HKD 39.5 per share. The share capital increase, net of directly related costs, amounted to Euro 206.6 million.

On July 6, 2011, the International Underwriters of the IPO exercised their option to purchase a further 63,489,000 shares. This operation did not lead to a further share capital increase as the option was exercised on shares already in issue.

At January 31, 2012, some 79.98% of the share capital of PRADA spa was held by PRADA Holding bv while the remainder was floating on the Main Board of the Hong Kong Stock Exchange.

Capital gain tax in Italy

Capital gains realized on disposals of our Company's shares may be subject to tax in Italy. Further details on Italian capital gains taxation have been already reported in the Tax Booklet available on the Company's website at www.pradagroup.com.

Share premium reserve

The increase in the Share premium reserve, amounting to Euro 200.7 million, relates to the new shares issued in relation to the IPO on the Hong Kong Stock Exchange. The premium on the shares issued represents the difference between the net capital injection from the listing (Euro 206.6 million) and the par value of the new shares issued (Euro 5.9 million).

Other reserves

At January 31, 2012, Other reserves amounted to Euro 742.1 million and mainly consisted of prior year retained earnings. The balance included, net of the related tax impact, the actuarial differences arising on the measurement of post-employment benefits (negative by Euro 0.3 million), the fair value of derivative instruments designated as cash flow hedges (negative by Euro 7.6 million) and the fair value of an investment classed as available for sale (negative by Euro 0.1 million)

Net income for the year

The Group's net income for the year amounted to Euro 431.9 million (Euro 250.8 million as at January 31, 2011).

32. Shareholders' equity – Non-controlling interests

The following table shows movements on the Shareholders' equity of Non-controlling Interests during the years ended January 31, 2012 and January 31, 2011.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Opening balance	5,788	8,756
Translation differences	432	(51)
Dividends	(3,886)	(530)
Acquisition of 45% of Car Shoe sa	-	(5,134)
Other movements	-	1
Net income for the period	4,496	2,732
Actuarial Reserve	(18)	14
Capital injection in subsidiaries	1,412	-
Closing balance	8,224	5,788

The capital injection relates to PRADA Middle East fzco and was made by non-controlling shareholders in proportion to the number of shares held by them.

Dividends paid during 2011 (Euro 3.9 million) were distributed by subsidiaries TRS Guam Partnership, TRS Hong Kong ltd and Artisans Shoes srl.

Consolidated income statement

33. Net revenues

Consolidated revenues are mainly generated by sales of products and are stated net of returns and discounts:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net sales	2,523,330	2,017,064
Royalties	32,276	29,587
Total	2,555,606	2,046,651

A breakdown of net revenues by brand, distribution channel, geographical area and product is provided in the Financial review.

Royalties are paid under licensing agreements on sales of eyewear, fragrances, cars and under franchise agreements. The increase in royalties income compared to 2010 is due, in addition to higher sales of eyewear and fragrances, to royalties arising under a new licensing agreement with Korean car manufacturer Hyundai for the sale of a limited edition version of their Genesis model.

34. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Purchases of raw materials and production costs	663,587	589,232
Logistics costs, duties and insurance	146,791	115,331
Change in inventories	(82,797)	(45,800)
Total	727,581	658,763

Cost of goods sold increased in absolute terms but decreased from 32.2% of net revenues in 2010 to 28.5%. This improvement was due to a more favorable sales mix in terms of distribution channel, geographical area and product.

35. Operating costs

Operating costs can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	% of net revenues	January 31 2011	% of net revenues
Product design and development costs	103,120	4.0%	97,164	4.7%
Advertising and communications costs	129,184	5.1%	85,119	4.2%
Selling costs	802,770	31.4%	642,507	31.4%
General and administrative costs	164,016	6.4%	144,711	7.1%
Total	1,199,090	46.9%	969,501	47.4%

Operating costs increased from Euro 969.5 million in 2010 to Euro 1,199.1 million. They decreased from 47.4% of net revenues in 2010 to 46.9% in 2011 (decrease almost unchanged at constant exchange rates).

Product design and development costs increased slightly compared to 2010. They include both the design phase – i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept - and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves.

The increase in advertising and communications costs is essentially due to higher purchase of media space and events expenses.

Selling costs increased from Euro 642.5 million in 2010 to Euro 802.8 million in 2011. They remained unchanged at 31.4% of net revenues notwithstanding the opening of 46 new DOS in the second half of the year out of a total of 75 new DOS opened in the year as a whole.

In order to provide further information on the income statement structure, we note that operating expenses include depreciation, amortization and impairment adjustments for both property, plant and equipment and intangible assets for a total amount of Euro 121.3 million (Euro 109.5 million in 2010), personnel costs of Euro 362.8 million (Euro 303.5 million in 2010), fixed rent of Euro 170.1 million (Euro 148.8 million in 2010) and variable rent of Euro 187.9 million (Euro 140.5 million in 2010).

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

Interest and other financial income (expenses), net may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Interests expenses on borrowings	(16,843)	(18,002)
Interest income	2,689	1,306
Exchange gains / (losses) – realized	(1,158)	(5,318)
Exchange gains/ (losses) – unrealized	(6,116)	657
Other financial income / (expenses)	(4,599)	(4,580)
Revaluations (writedown) of investments	-	(4,221)
Total	(26,027)	(30,158)

Net financial expenses have decreased by Euro 4.1 million compared to prior year.

The cost of bank borrowing has fallen compared to 2010. The benefit resulting from the lower level of borrowing was partially offset by a shift in the borrowing mix towards medium and long-term debt compared to prior year. Moreover, the repayment of short-term Euro borrowing shielded the Group from the impact of the higher spreads seen mainly in the short-term portion of the interest rate curve.

The increase in interest income essentially relates to the deployment of liquidity which was generally higher than in 2010, mainly thanks to the proceeds from the IPO.

The writedown of investments recorded in 2010 reflects the fair value measurement of the Fragrance & Skincare sl joint-venture which was classified as an asset held for sale at January 31, 2011.

37. Income taxes

Income taxes are analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Current taxation	194,805	166,810
Deferred taxation	(28,322)	(32,132)
Income taxes	166,483	134,678

The increase in income taxes in absolute terms is essentially due to growth of the Group business in general. As a percentage of net revenues, the tax burden decreased from 34.7% to 27.6%, mainly thanks to a different geographical distribution of income and to provisions for contingent tax liabilities recorded in 2010.

The following table shows a reconciliation between the effective tax rate of the Group and the theoretical tax rate of the parent company PRADA spa:

	January 31 2012
Italian theoretical tax rate	31.40%
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	1.73%
Tax effect of utilization of tax losses carried forward	-0.30%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-5.22%
Group effective tax rate	27.61%

Movements on net deferred tax assets and deferred tax liabilities are shown in the following table:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Opening balance	88,667	51,969
Exchange differences	6,848	8,345
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	2,795	(2,456)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	443	(1,068)
Deferred taxes on costs attributable to the share capital increase/IPO	1,023	-
Other movements	(27)	(255)
Deferred taxes for the period in income statement	28,322	32,132
Closing balance	128,071	88,667

The following table shows deferred tax assets and liabilities classified by nature:

(amounts in thousands of Euro)	January 31 2012		January 31 2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	86,126	-	62,284	-
Receivables and other assets	1,103	1,575	415	1,515
Useful life of non-current assets	58,695	14,032	53,869	6,273
Deferred taxes due to acquisitions	-	28,556	-	39,548
Provision for risks / accrued expenses	12,928	267	10,790	267
Non deductible / taxable charges / income	3,566	535	5,893	1,134
Tax loss carryforwards	4,788	-	3,129	-
Derivative financial instruments	1,552	-	303	1,455
Long term employee benefits	6,674	2,015	4,533	1,943
Other	304	685	162	576
Total	175,736	47,665	141,378	52,711

Tax loss carryforwards at January 31, 2012 are analyzed below:

(amounts in thousands of Euro)	January 31 2012
Expiring within 5 years	11,156
Expiring after 5 years	25,214
Available for carry forward with no time limit	54,909
Total tax loss carryforwards	91,279

The Directors have updated their assessment of tax loss carryforwards taking account of the general macroeconomic environment and developments regarding the business activities of each Group company.

38. Additional information

Earnings per share

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

	January 31 2012	January 31 2011
Group net income in Euro	431,928,921	250,818,884
Weighted average number of ordinary shares in issue	2,535,777,885	2,500,000,000
Earnings per share in Euro, calculated on weighted average number of shares	0.170	0.100

On May 26, 2011, a Shareholders' Meeting of PRADA spa resolved to change the par value of the Company's shares from Euro 1 to Euro 0.1 each. In accordance with IAS 33, the number of shares in issue in 2010 was retrospectively adjusted for the purposes of the calculation of earnings per share.

Dividends per share

During the year ended January 31, 2012, the Company distributed dividends of Euro 35 million, as approved by the Shareholders' Meeting held on March 28, 2011 to approve the Financial Statements for the year ended January 31, 2011. Some Euro 32.5 million of the dividend liability arising was offset against receivables due from parent company PRADA Holding bv while the remaining amount was paid in April 2011.

During the year ended January 31, 2011, the Company distributed dividends totaling Euro 80 million, as approved by the Shareholders' Meeting held on April 28, 2010 to approve the Financial Statements for the year ended January 31, 2010. Some Euro 52.1 million of the dividend liability arising was offset against receivables due from parent company PRADA Holding bv while the remaining amount was paid on July 27, 2010. On January 27, 2011, a Shareholders' Meeting approved a further dividend distribution of Euro 31 million and it was paid in full the same day.

Headcount

The average headcount by functional area in the years ended January 31, 2012 and 2011 was as follows:

(no of employees)	January 31 2012	January 31 2011
Production	1,710	1,765
Product design and development	810	751
Advertising and Communications	99	96
Selling	4,732	3,919
General and administrative services	716	668
Total	8,067	7,199

Employee remuneration

Employee remuneration by functional area for the years ended January 31, 2012 and January 31, 2011 is analyzed below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Production	75,707	74,311
Product design and development	51,577	48,230
Advertising and Communications	9,578	8,973
Selling	230,853	188,488
General and administrative services	70,819	57,838
Total	438,534	377,840

Employee remuneration by nature for the years ended January 31, 2012 and January 31, 2011 is analyzed below:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Wages and salaries	335,119	284,870
Post-employment benefits	14,971	13,868
Social security	71,973	63,192
Other	16,471	15,910
Total	438,534	377,840

Distributable reserves of parent company PRADA spa

(amounts in thousands of Euro)	Amount at January 31 2012	Possible utilization	Distributable amount	Summary of utilization in last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882				
Share premium reserve	410,047	A, B, C	393,311		
Legal reserve	34,440	B			
Other reserves	182,899	A, B, C	182,899		
Non distributable reserves Art. 7 of Legislative Decree 38/2005	20,516				
Retained earnings	73,560	A, B, C	69,467	15,774	158,750
Fair Value Reserve	(4,093)				
Distributable Amount			645,677		

A share capital increase
B coverage of losses
C distributable to shareholders

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve is fully distributable only when the legal reserve reaches an amount equal to 20% of share capital. As at January 31, 2012, the adjustment required to reach this amount would be Euro 16,736 thousand.

Remuneration of the PRADA spa Board of Directors for the year ended January 31, 2012

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Miuccia Prada Bianchi	1,000	8,700	-	-	18	9,718
Patrizio Bertelli	1,000	5,000	4,000	-	18	10,018
Carlo Mazzi	250	-	-	83	3	336
Donatello Galli	-	281	569	37	259	1,146
Marco Salomoni	-	400	-	-	16	416
Marco Cerrina Feroni	11	-	-	-	-	11
Gian Franco Oliviero Mattei	133	-	200	-	9	342
Giancarlo Forestieri	60	-	-	-	7	67
Davide Mereghetti	11	-	-	-	-	11
Gaetano Micciché	29	-	-	-	-	29
Sing Cheong Liu	37	-	-	-	-	37
Total	2,531	14,381	4,769	120	329	22,130

Remuneration of the PRADA spa Board of Directors for the year ended January 31, 2011

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Miuccia Prada Bianchi	1,000	8,700	-	-	17	9,717
Patrizio Bertelli	1,000	5,000	4,000	-	17	10,017
Carlo Mazzi	21	1,004	-	59	11	1,095
Donatello Galli	-	281	70	32	105	488
Marco Salomoni	-	800	-	-	32	832
Marco Cerrina Feroni	40	-	-	-	-	40
Gian Franco Oliviero Mattei	120	-	-	-	12	132
Giancarlo Forestieri	60	-	-	-	7	67
Davide Mereghetti	30	-	-	-	-	30
Total	2,271	15,785	4,070	91	201	22,418

Mr. Donatello Galli has waived his fees as a Director, in the amount of Euro 40,000, in respect of the period from February 1, 2011 to January 31, 2012.

Mr. Marco Salomoni has waived Euro 40,000 in respect of his fees as a Director and Euro 10,000 in respect of his fees as a member of the Internal Control Committee for the period from February 1, 2011 to January 31, 2012.

Five highest paid individuals

The Group's five highest paid individuals in the twelve months ended January 31, 2012 and January 31, 2011 included three Directors in the period ended January 31, 2012 and two Directors in the period ended January 31, 2011. The total remuneration of the remaining two of the five highest paid individuals in the period ended January 31, 2012 and the remaining three of the five highest paid individuals in the period ended January 31, 2011 was as follows.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Wages and salaries	4,220	5,220
Bonus and other incentives	2,634	1,770
Non-monetary benefits	132	124
Contributions to retirement benefits scheme	151	167
Total	7,137	7,281

(amounts in Hong Kong Dollars)	January 31 2012	January 31 2011
between HKD 12,500,000 and HKD 20,000,000	1	2
between HKD 20,000,000 and HKD 50,000,000	-	1
in excess of HKD 50,000,000	1	-
Total number of individuals	2	3

Exchange rates

The exchange rates against the Euro used to consolidate statements of financial position and income statements prepared in other currencies as at January 31, 2012 and January 31, 2011 are shown below.

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.388	1.319	1.318	1.369
Canadian Dollar	1.374	1.354	1.313	1.368
GB Pound	0.867	0.855	0.835	0.861
Swiss Franc	1.228	1.367	1.205	1.289
Australian Dollar	1.340	1.426	1.237	1.376
Korean Won	1,539.428	1,522.048	1,477.990	1,534.050
Japanese Yen	110.127	114.872	100.630	112.490
Hong Kong Dollar	10.804	10.253	10.219	10.676
Singapore Dollar	1.743	1.786	1.649	1.753
Thai Baht	42.417	41.571	40.753	42.295
Taiwan Dollar	40.881	41.243	38.952	39.752
Russian Ruble	40.888	40.093	39.690	40.795
Czech Koruna	24.673	25.157	25.188	24.223
Macau Pataca	11.127	10.559	10.522	10.996
Chinese Renminbi	8.942	8.906	8.312	9.030
New Zealand Dollar	1.750	1.822	1.592	1.776
Malaysian Ringgit	4.249	4.215	4.013	4.189
Turkish Lira	2.358	1.996	2.333	2.197
Brazilian Real	2.331	2.311	2.289	2.296
Mexican Peso	18.050	-	17.057	-
UAE Dirham	5.098	-	4.840	-
Ukrainian Hryvna	11.126	-	10.551	-
Moroccan Dirham	11.270	-	11.145	-

Fees of Deloitte & Touche spa

The fees of independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the separate and Consolidated Financial Statements and checks that the accounting records are properly maintained and operations are correctly reflected in the accounting) affected the income statement for Euro 0.6 million, while the fees for the statutory and voluntary audit of the subsidiaries of PRADA spa affected the income statements for Euro 1 million. Deloitte & Touche spa did not provide any other services to the PRADA Group during the period.

39. Transactions with related parties

The Group enters into commercial and financial transactions with companies owned by entities that directly or indirectly control PRADA spa ("related parties").

These transactions mainly refer to the sale of goods, the supply of services, the granting and receipt of loans and sponsorship and franchise agreements. These transactions take place on an arm's length basis at the same economic terms as those applied to third parties.

The following tables show details of related party transactions for each item in the Statement of financial position and income statement. They show amounts relating to each related party and the total amount relating to each line item.

Statement of financial position amounts at January 31, 2012

(amounts in thousands of Euro)	Trade receivables	Receivables and prepayments from parent companies and related parties	Trade payables	Payables to parent companies and related parties
PRADA Holding bv	-	654	-	-
Other related parties	18,827	12,056	2,730	4,102
DFS Hawaii	-	-	480	-
DFS Australia pty ltd	-	-	347	616
DFS Cotai ltd	4	-	457	-
F.lli Prada srl	18,618	18	938	313
Al Tayer Travels	-	-	5	-
Al Tayer Insignia llc	205	-	435	2,995
Danzas llc UAE	-	-	26	21
Luna Rossa Challenge 2013 NZ ltd	-	7,350	-	-
Luna Rossa Challenge 2013 srl	-	150	-	-
Stellarea	-	28	-	-
Stitching Fondazione Prada/ Progetto Prada Arte srl	-	2,725	-	61
Gipafin sarl	-	20	-	-
CID USA Corp.	-	78	-	-
HMP srl	-	195	-	-
Prada America's Cup srl	-	1,397	-	-
Other	-	95	42	96
Other companies controlled by PRADA Holding bv	-	154	-	259
Prapar Corporation	-	148	-	259
EXHL Italia	-	6	-	-
Members of the Board of Directors	-	-	-	87
Other related parties	-	-	-	266
Total at January 31 2012	18,827	12,864	2,730	4,714

Statement of financial position amounts at January 31, 2011

(amounts in thousands of Euro)	Trade receivables	Receivables and prepayments from parent companies and related parties	Trade payables	Payables to parent companies and related parties
PRADA Holding bv	-	33,325	-	70
Other related parties	16,796	2,738	2,675	827
Venezia 3 srl	2,182	-	272	299
F.lli Prada srl	5,474	-	452	6
Montenapoleone 6 srl	2,263	-	257	2
IPR srl	3,763	-	505	-
Spiga 1 srl	2,148	-	127	-
PRADA Italia spa	264	-	2	-
Stellarea	-	28	-	-
Luna Rossa Challenge 2007	318	-	86	5
Stitching Fondazione Prada/ Progetto Prada Arte srl	-	1,128	-	472
Gipafin sarl	-	20	-	1
CID USA Corp.	-	75	-	-
HMP srl	-	79	-	-
Prada America's Cup srl	-	1,397	-	-
DFS Hawaii	384	-	167	
DFS Australia pty ltd	-	-	307	-
DFS New Zealand ltd	-	-	27	-
DFS Cotai ltd	-	-	473	-
DFS Venture Singapore pte	-	-	-	41
Other	-	11	-	1
Other companies controlled by PRADA Holding bv	-	249	-	251
EXHL Design llc	-	127	-	2
Prapar Corporation	-	1	-	249
EXHL Retail USA llc	-	102	-	-
EXHL Italia	-	6	-	-
Other		13	-	-
Other related parties	1,924	5	22	-
Fragrance and Skincare sl	1,924	5	22	-
Members of the Board of Directors	-	-	-	171
Other related parties	-	-	-	134
Total at January 31, 2011	18,720	36,317	2,697	1,453

Income statement amounts at January 31, 2012

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
PRADA Holding bv	-	-	(157)	-	149	-
Other related parties correlate	39,252	2,905	17,259	1,140	2	30
F.lli Prada srl	39,257	2,768	(2,412)	1,140	-	-
Danzas llc	-	126	1	-	-	-
DFS Hawaii	(10)	-	2,782	-	-	-
DFS New Zealand ltd	-	-	372	-	-	-
DFS Australia pty ltd	-	-	-	-	-	29
DFS Cotai ltd	-	-	3,421	-	-	-
DFS Venture Singapore pte ltd	-	-	361	-	-	-
Al Tayer Travels	-	-	29	-	-	-
Al Tayer Group llc	-	-	7	-	-	-
Al Tayer Insignia llc	-	-	13	-	-	-
PRADA Italia spa	-	-	-	-	-	-
Luna Rossa Challenge sl	-	17	3,366	-	-	-
HMP srl	-	-	482	-	2	-
Stitching Fondazione Prada/ Progetto Prada Arte srl	5	(6)	5,305	-	-	-
Other	-	-	3,532(*)	-	-	1
Total at January 31 2012	39,252	2,905	17,102	1,140	151	30

(*) This amount includes fees for services provided by Marina Prada Bianchi (sister of Miuccia Prada Bianchi), Alberto Prada Bianchi (brother of Miuccia Prada Bianchi), Patrizia Albano (wife of Carlo Mazzi, Deputy Chairman of PRADA spa at January 31, 2012) and Secva srl (an Italian company whose Chairman and majority owner is Carlo Mazzi).

Income statement amounts at January 31, 2011

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
PRADA Holding bv	-	-	(129)	-	469	38
Other related parties correlate	34,533	2,373	10,549	940	82	-
Venezia 3 srl	4,454	419	(1,925)	118	-	-
F.lli Prada srl	11,851	697	(218)	326	-	-
Montenapoleone 6 srl	5,164	313	(4)	142	-	-
IPR srl	8,283	692	(274)	222	-	-
Spiga 1 srl	4,781	244	(111)	132	-	-
PRADA Italia spa	-	-	(315)	-	-	-
Luna Rossa Challenge 2007	-	-	5,350	-	60	-
HMP srl	-	-	465	-	1	-
Stitching Fondazione Prada/ Progetto Prada Arte srl	-	-	1,966	-	-	-
Maestrale Holding	-	-	-	-	-	-
Prada America's Cup srl	-	-	-	-	21	-
DFS Hawaii	-	8	2,226	-	-	-
DFS Australia pty ltd	-	-	87	-	-	27
DFS Cotai ltd	-	-	1,853	-	-	-
DFS Venture Singapore pte ltd	-	-	288	-	-	-
DFS New Zealand ltd	-	-	280	-	-	5
Other	-	-	881(*)	-	-	-
Other companies controlled by PRADA Holding bv	-	-	(14)	-	1	3
Prapar Corporation	-	-	-	-	-	3
EXHL Retail USA llc	-	-	-	-	1	-
EXHL Italia srl	-	-	(6)	-	-	-
EXHL Japan Co. ltd	-	-	(3)	-	-	-
Prada Arte bv	-	-	(5)	-	-	-
Other	-	-	-	-	-	-
Other related parties	-	22	(245)	3,603	-	-
Fragrance and Skincare sl	-	22	(245)	3,603	-	-
Total at January 31 2011	34,533	2,395	10,161	4,543	552	73

(*) This amount includes fees for services provided by Marina Prada Bianchi (sister of Miuccia Prada Bianchi), Alberto Prada Bianchi (brother of Miuccia Prada Bianchi) and Patrizia Albano (wife of Carlo Mazzi, Deputy Chairman of PRADA spa at January 31, 2011)

Compensation of key management personnel

The key management composes of the Company's Board of Directors and the remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Details of the directors' remuneration are disclosed in note 37.

40. Commitments

Operating leases

At January 31, 2012 and January 31, 2011, operating lease commitments, by maturity date, were as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Within a year	245,310	198,481
After between one year and five years	746,902	660,454
After more than five years	596,745	535,779
Total	1,588,957	1,394,714

The following table shows the amounts paid in the financial years 2011 and 2010:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Fixed minimum lease payments	173,676	154,582
Variable lease payments	187,866	140,472
Total	361,542	295,054

Some Group companies are required to pay lease charges based on a fixed percentage of net sales.

Finance leases

Property, plant and equipment includes the following assets held under finance leases:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Land and buildings	15,284	31,362
Furniture and fittings	15,253	13,644
Other tangibles	3,926	3,567
Accumulated depreciation	(19,124)	(17,092)
Total	15,339	31,481

The present value of lease payments due after January 31, 2012 is detailed by maturity date below:

(amounts in thousands of Euro)	
Payable by the end of the year ending	
January 31 2013	1,453
January 31 2014	580
January 31 2015	506
January 31 2016	4
January 31 2017	10
after January 31 2017	-
Total	2,553

Other commitments

On November 16, 2010, PRADA spa signed a preliminary contract with third parties whereby it undertook to purchase a number of real estate properties in Italy, already used by PRADA spa in its business activities under rental agreements. At the reporting date, out of the original commitment of Euro 49.5 million, properties totaling Euro 12.3 million had yet to be purchased. In February 2012, the Company fulfilled its remaining commitment with the purchase of two buildings in central Italy.

The Shareholders' agreement signed between PRADA spa and Al Tayer Insignia llc for the development of a Prada and Miu Miu DOS network in the Middle East provides that the parties may exercise an option whereby PRADA spa will buy back up to 20% of PRADA Middle East fzco shares. The Directors maintain that the fair value of this clause cannot be reliably measured.

41. Comparative income statement and statement of financial position information

(amounts in thousands of Euro)	January 31 2012	January 31 2011	January 31 2010	January 31 2009	January 31 2008
Net revenues	2,555,606	2,046,651	1,561,238	1,643,629	1,660,561
Gross margin	1,828,025	1,387,888	974,656	953,096	949,704
Operating income (EBIT)	628,935	418,387	187,032	190,954	239,733
Group net income	431,929	250,819	100,163	98,806	129,521
Total assets	2,943,568	2,366,015	2,147,481	2,176,054	2,041,637
Total liabilities	1,112,601	1,155,877	1,090,822	1,163,755	1,129,106
Total Group shareholders' equity	1,822,743	1,204,350	1,047,903	1,003,107	908,410

42. Consolidated companies

The companies included in the scope of consolidation are as follows:

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Italy						
PRADA spa	EUR	255,882		Milan, Italy		Production/Distribution/ Group Holding company
Artisans Shoes srl(*)	EUR	1,000	66.70	Montegranaro, Italy	09/02/1977	Footwear production
Space Caffè srl (*) (ex PRADA Advertising srl)	EUR	20	100.00	Milan, Italy	06/12/1990	Service company
IPI Logistica srl(*)	EUR	600	100.00	Milan, Italy	26/01/1999	Service company
PRADA Stores srl(*)	EUR	520	100.00	Milan, Italy	11/04/2001	Retail/ *sub holding company*
Car Shoe Italia srl	EUR	10	100.00	Milan, Italy	16/03/2001	Distribution/Retail
Church Italia srl	EUR	51	100.00	Milan, Italy	31/01/1992	Distribution/Retail

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Europe						
PRADA Retail UK ltd (**)	GBP	5,000	100.00	London, UK	07/01/1997	Retail
PRADA Germany gmbh	EUR	215	100.00	Munich, Germany	20/03/1995	Retail
PRADA Austria gmbh	EUR	40	100.00	Vienna, Austria	14/03/1996	Retail
PRADA Spain sa	EUR	240	100.00	Madrid, Spain	14/05/1986	Retail
PRADA Retail France sas	EUR	4,000	100.00	Paris, France	10/10/1984	Retail
PRADA Hellas Single Partner Limited Liability Company(*)	EUR	6,000	100.00	Athens, Greece	19/12/2007	Retail
PRADA Monte-Carlo sam	EUR	150	100.00	Monte-Carlo, Monaco	25/05/1999	Retail
PRADA sa(*)	EUR	31	100.00	Luxembourg	29/07/1994	Service company/ Trademark owner
PRADA Company sa	EUR	3,204	100.00	Luxembourg	12/04/1999	Service company
Car Shoe sa	EUR	2,100	100.00	Luxembourg	13/03/2001	Service company/ Trademark owner
PRADA Far East bv(*)	EUR	20	100.00	Amsterdam, Netherlands	27/03/2000	*Sub-holding company/* Service company/ Retail
Space sa	CHF	200	100.00	Lugano, Switzerland	17/07/2008	Retail
Church Holding UK plc(*)	GBP	78,126	100.00	Northampton, UK	22/07/1999	*Sub-holding*
Church France sa	EUR	241	100.00	Paris, France	01/06/1955	Retail
Church UK Retail ltd	GBP	1,021	100.00	Northampton, UK	16/07/1987	Retail
Church's English Shoes Switzerland sa	CHF	100	100.00	Lugano, Switzerland	29/12/2000	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	16/01/1926	Sub-holding company/ Production/Distribution
Church & Co. (Footwear) ltd	GBP	44	100.00	Northampton, UK	06/03/1954	Trademark owner
Church English Shoes sa	EUR	75	100.00	Brussels, Belgium	25/02/1963	Retail
PRADA Czech Republic sro(*)	CZK	2,500	100.00	Prague, Czech Republic	25/06/2008	Retail
PRADA Portugal. Unipessoal lda(*)	EUR	5	100.00	Lisbon, Portugal	07/08/2008	Retail
PRADA Rus llc(*)	RUR	250	99.90	Moscow, Russia	07/11/2008	Retail
Church Spain, S.L.	EUR	3	100.00	Madrid, Spain	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi	TRY	7,630	100.00	Istanbul, Turkey	26/02/2009	Retail
PRADA Ukraine (***)	UAH	700	100.00	Kyiv, Ukraine	14/10/2011	Retail
Church Netherlands	EUR	18	100.00	Amsterdam, Netherlands	07/07/2011	Retail
Car Shoe UK	GBP	100	100.00	London, UK	28/10/2011	Retail
Church Ireland Retail	EUR	50	100.00	Dublin, Ireland	20/11/2011	Retail
Church Austria	EUR	35	100.00	Vienna, Austria	17/01/2012	Retail
JCS (2009) ltd	GBP	90	100.00	Northampton, UK	21/09/1920	Dormant

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Americas						
PRADA USA Corp.(*)	USD	152,211	100.00	New York, U.S.A.	25/10/1993	Services / Distribution/ Retail
Space USA Corp.	USD	301	100.00	New York, U.S.A.	15/02/1994	Retail
TRS Hawaii llc	USD	400	55.00	Honolulu, U.S.A.	17/11/1999	Duty-free stores
PRADA Canada corp.(*)	CAD	300	100.00	Toronto, Canada	01/05/1998	Distribution/Retail
Church & Co. (USA) ltd	USD	85	100.00	New York, U.S.A.	08/09/1930	Retail
Post Development corp	USD	42,221	100.00	New York, U.S.A.	18/02/1997	Real estate
PRADA Retail Mexico, S. de R.L. de C.V.	MXN	2,058	100.00	Mexico City, Mexico	12/07/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda. (*)	BRL	250	100.00	Sao Paulo, Brazil	12/04/2011	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific ltd	HKD	3,000	100.00	Hong Kong	12/09/1997	Retail /Distrib./Services
PRADA Taiwan ltd	TWD	3,800	100.00	Hong Kong	16/09/1993	Retail
Space HK ltd	HKD	1,000	100.00	Hong Kong	25/02/1993	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Malaysia	23/01/2002	Retail
PRADA China ltd	HKD	7,000	100.00	Hong Kong	03/11/1997	Retail
TRS Hong Kong	HKD	500	55.00	Hong Kong	23/02/2001	Duty-free stores
PRADA Singapore Pte. ltd	SGD	1,000	100.00	Singapore	31/10/1992	Retail
TRS Singapore	SGD	500	55.00	Singapore	08/08/2002	Duty-free stores
PRADA Korea ltd	KRW	8,125,000	100.00	Seoul, Korea	27/11/1995	Retail
PRADA (Thailand) Co.. ltd	BTH	172,000	100.00	Bangkok, Thailand	19/06/1997	Retail
PRADA Japan Co.. ltd	JPY	200,000	100.00	Tokyo, Japan	01/03/1991	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam	01/07/1999	Duty-free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan	01/07/1999	Duty-free stores
TRS New Zealand ltd	NZD	100	55.00	Auckland, New Zealand	04/11/1999	Duty-free stores
PRADA Australia Pty. Ltd	AUD	7,500	100.00	Sydney, Australia	21/04/1997	Retail
TRS Australia ltd	AUD	600	55.00	Sydney, Australia	23/03/2000	Duty-free stores
PRADA Trading (Shanghai)	RMB	1,653	100.00	Shanghai, China	09/02/2004	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, Japan	21/01/2005	Duty-free stores
PRADA Fashion Commerce (Shanghai) Co. Ltd	RMB	48,966	100.00	Shanghai, China	31/10/2005	Retail
Church Japan Co.. ltd	JPY	3,050	100.00	Tokyo, Japan	17/04/1992	Dormant
Church Hong Kong Retail ltd	HKD	1,000	100.00	Hong Kong	04/06/2004	Retail
Church Singapore Pte., ltd.	SGD	500	100.00	Singapore	18/08/2009	Retail
Car Shoe Singapore ltd.	SGD	500	100.00	Singapore	01/02/2010	Retail
Car Shoe Hong Kong ltd.	HKD	3,000	100.00	Hong Kong	26/02/2010	Retail
PRADA Hong Kong P.D. ltd (****)	HKD	-	100.00	Hong Kong	15/12/2011	Service company
Other countries						
PRADA Maroc	MAD	1,500	100.00	Casablanca, Morocco	11/11/2011	Retail
PRADA Middle East fzco(*)	AED	18,000	60.00	Jebel Ali Free Zone Dubai	25/05/2011	Services / Distribution
PRADA United Arab Emirates (*****)	AED	300	-	Dubai	04/08/2011	Retail

(*) Companies owned directly by PRADA spa
(**) Share capital less than one thousand of local currency
(***) Subscribed share capital - UAH 30,000
(****) Subscribed share capital - HKD 11,000
(*****) Company consolidated based on definition of control per IAS 27

The following table shows the companies not included in the consolidation area and the related consolidation method:

Company	Percentage direct interest as at January 31 2012	Percentage direct interest as at January 31 2011	Note	Consolidation method
PAC srl (in liquidation)	49.00	49.00	Associate	Equity method

43. Events after the reporting period

In February 2012, the Company purchased the last two buildings subject to a commitment signed with third parties in 2010 to acquire properties in Italy and already employed by the Company in its production processes.

Independent Auditors’ Report

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AUDITORS' REPORT
PURSUANT TO ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
PRADA S.p.A.

1. We have audited the consolidated financial statements of PRADA S.p.A. and its subsidiaries (the "PRADA Group"), which comprise the consolidated statement of financial position as of January 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 28, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PRADA Group as of January 31, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

4. The directors of PRADA S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the report on operations is consistent with the consolidated financial statements of the PRADA Group as of January, 31 2012.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy,
March 29, 2012