PRADA

MILANO

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Separate Financial Statements 2012

PRADA spa

(Hong Kong Stock code: 1913)

Separate Financial Statements 2012

Index

Patrizio Bertelli

Miuccia Prada

Corporate Information

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 (appointed on May 22, 2012)	Miuccia Prada Bianchi (Chairperson and Executive Director) Patrizio Bertelli (Chief Executive Officer and Executive Director) Carlo Mazzi (Deputy Chairman and Executive Director) Donatello Galli (Chief Financial Officer and Executive Director) Marco Salomoni (Non-Executive Director) Gaetano Micciché (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director)
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Marco Salomoni Giancarlo Forestieri
Nomination Committee	Gian Franco Oliviero Mattei (Chairman) Marco Salomoni Sing Cheong Liu
Board of Statutory Auditors (appointed on May 22, 2012)	Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member)
Supervisory Board (Legislative Decree 231/2001)	David Terracina (Chairman) Marco Salomoni Franco Bertoli

Main Shareholder	PRADA Holding bv Keizersgracht 313 3rd floor 1016 EE 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 in Hong Kong	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 in Hong Kong 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

Introduction

The Company is the PRADA Group parent company and acts as an operating-holding company. It operates, directly and through investments in subsidiary and associate companies, in manufacturing, distribution, retail, brand and trademark management in the luxury goods sector.

The Company's main activities are as follows:

- manufacture of leather goods, clothing, footwear and accessories of all kinds bearing the Prada, Miu Miu, Car Shoe and Church's brands;
- worldwide wholesale of leather goods, footwear and clothing bearing the Prada and Miu Miu brands;
- retail through company stores and on-line;
- management of investments;
- services provided to Group companies, including:
  - retail management services regarding preparation of purchasing budgets and selection of product mix, visual displaying and management of stores;
  - advertising and promotional services, especially media planning, design services and style input;
  - information technology services regarding the technological infrastructure and the centralized, integrated management of applications;
  - engineering services in relation to the opening, refurbishment and maintenance of stores;
  - financial services involving the granting of loans;
  - corporate services regarding legal affairs, tax advisory, administration/accounting, human resources, security and logistics consultancy.

The report of the Board of Directors refers to PRADA spa (the "Company"), operational holding company of the PRADA Group. It is based on the Separate Financial Statements at January 31, 2013 (financial year 2012), as prepared in accordance with IFRS adopted by the European Union. The Financial review must be read together with the Financial statements and the Explanatory notes which form an integral part of the Separate Financial Statements.

2012 highlights

During the year 2012 the PRADA Group consolidated its position at the head of the worldwide luxury goods market. Despite the challenging global economic environment, with some major concerns in Europe, the Group has made further important progress along its path of growth, leveraging on the strength of its brands and on a relentless commitment to innovation and quality. The actions undertaken in the course of 2012 have always been consistent with the long-term business expansion strategy implemented in recent years. The Group went on investing massive resources in strengthening the retail channel while maintaining a unique and powerful brand image: many new DOS were unveiled in 2012, including the first ever stores in Brazil, Mexico, Morocco and Ukraine and prestigious sponsorships and projects in fields other than Prada's core business successfully took place. At the same time, the Group strove tightly to control unit margins over the supply chain so as to benefit from economies of scale resulting from the expansion without compromising the reputation for craftsmanship and quality cultivated throughout its hundred-year long history. These strategies delivered significant revenue growth and improved operating results for the twelve months ended January 31, 2013.

The following tables show some of the key performance indicators for the last two years.

(amounts in thousands of Euro)	January 31 2013	%	January 31 2012	%
Net sales	1,732,111	100.0%	1,501,788	100.0%
Cost of goods sold	(836,417)	-48.3%	(717,728)	-47.8%
Gross margin	895,694	51.7%	784,061	52.2%
Operating expenses	(488,765)	-28.2%	(446,248)	-29.7%
Interest and other financial income (expenses), net	49,219	2.8%	6,557	0.4%
Profit before tax	456,147	26.3%	344,369	22.9%
Income tax	(167,851)	-9.7%	(105,370)	-7.0%
Net income for the year	288,297	16.6%	238,999	15.9%
ROE	23.78%		29.54%	
ROI	27.42%		23.60%	
ROS	23.49%		22.49%	
Depreciation, amortization and impairment	25,969	1.5%	20,328	1.4%
EBIT	406,928	23.5%	337,813	22.5%
EBITDA	432,898	25.0%	358,141	23.8%

Net revenues for the twelve months ended January 31, 2013 totaled Euro 1,732.1 million, 15.3% more than the Euro 1,501.8 million recorded the previous year. The increase was driven by the retail channel thanks to the opening of new DOS and SSSG (Same Store Sales Growth) by existing stores.

EBITDA for the year amounted to Euro 432.9 million with a 20.9% increase on 2011. The Company benefited from its gross margin growth, achieving an improvement in EBITDA notwithstanding increased operating expenses. The improved profitability was largely thanks to economies of scale achieved in relation to fixed costs.

The increase in operating expenses included an increase in royalties expenses of Euro 30.5 million.

Net financial income totaled Euro 49.2 million and mainly comprised the following income and expenses:

– dividend income of Euro 46 million;

– net exchange income of Euro 11 million;

– net interest expenses of Euro 5.9 million;

– impairment loss on investments of Euro 0.5 million.

The tax charge for the year, represented as a percentage of profit before taxation, was 36.8% against 30.6% last year. The 2012 tax rate was affected by an extraordinary tax charge paid in October 2012, amounting to some Euro 42 million and relating to the years 2010 and 2011. Despite this extraordinary tax charge, the profits generated by operating activities were enough to lead to an improvement in the Company's net income in 2012 and it reached Euro 288 million (Euro 238 million in 2011).

During the year, the Company did not carry out any unusual and/or atypical transactions with a significant impact on the financial statements.

Analysis of the statement of financial position

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

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Non-current assets	1,297,042	1,175,872
Current assets excluding financial assets	739,514	777,038
Current liabilities excluding financial liabilities	486,927	469,413
Net working capital	252,587	307,625
Long-term liabilities, including deferred taxation	16,190	11,237
Employee benefits	25,759	17,778
Provisions for risks	23,726	23,204
Net invested capital	1,483,954	1,431,278
Shareholders' equity	1,393,234	1,212,250
Long-term financial payables	18,781	135,984
Short-term financial payables (net of cash and cash equivalents)	71,939	83,044
Net financial indebtedness	90,720	219,028
Shareholders' equity and net financial indebtedness	1,483,954	1,431,278
Ratios		
Net financial indebtedness/Shareholders' equity	0.07	0.18
Current assets/Current liabilities	1.52	1.66

Net invested capital increased by Euro 52.7 million (3.7%), because of an increase in non-current assets, essentially because of capital expenditure incurred during the year. Net financial indebtedness decreased by Euro 128.3 million, thanks to free cash flows for the year.

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Property, plant and equipment	279,164	218,972
Intangible assets	93,547	93,926
Investments in subsidiaries and associated undertakings	884,909	828,927
Deferred tax assets	33,815	32,295
Other non-current assets	4,589	1,751
Derivative financial instruments, non-current	1,018	-
Total non-current assets	1,297,042	1,175,871
Percentage of tangible assets already depreciated	0.58	0.55

Property, plant and equipment and Intangible assets showed a net increase of around Euro 121 million. Details of capital expenditure for the period are provided in Notes 7 and 8.

Investments in subsidiaries and associated undertakings recorded a net increase of Euro 56 million, mainly because of the acquisition of Anita Smaga sa and Erfico sa and share capital increases by PRADA Rus llc and PRADA Brazil, as highlighted in Note 9.

The following table contains a breakdown of Net working capital.

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Trade receivables	488,559	539,783
Inventories	153,640	185,857
Trade payables	(393,545)	(345,785)
Net operating working capital	248,654	379,855
Derivative financial instruments	33,600	(11,917)
Other receivables from parent, subsidiary, associated companies and related parties	5,159	4,930
Other current assets	32,589	22,328
Current tax receivables (payables)	9,171	(19,079)
Other liabilities to parent, subsidiary, associated companies and related parties	(5,547)	(4,160)
Other current liabilities	(71,039)	(64,331)
Net other current assets/(liabilities)	3,933	(72,229)
Net working capital	252,587	307,626

The overall decrease of Euro 55 million is due to Euro 131.2 million decrease in net operating working capital and Euro 76 million increase in net other current assets. In particular, the fair value of derivative financial instruments changed from a liability of Euro 11.9 million to an asset of Euro 33.6 million.

The decrease in net operating working capital is due to reductions in trade receivables (-Euro 51.2 million) and inventories (-Euro 32.2 million). In addition, trade payables increased by Euro 47.8 million, due to higher production volumes as a result of growth in the Company's sales.

Net financial position

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Long term financial payables	18,277	134,902
Obligations under financial leases	503	1,081
Long term financial debt	18,781	135,984
Bank overdraft and short term loans	118,410	112,470
Financial payables to the parent company, subsidiaries, associates and related parties	312,324	282,357
Financial receivables from the parent company, subsidiaries, associates and related parties	(218,952)	(198,198)
Obligations under financial leases	571	1,002
Cash and cash equivalents	(140,414)	(114,587)
Short term financial debt	71,939	83,044
Net financial debt	90,719	219,028
Net financial position, net of parent company and other Group companies	(2,652)	134,869

As at January 31, 2013, the net financial position shows net debt of Euro 90.7 million, with a decrease of Euro 128.3 million compared to the previous year. Thanks to free cash flows for the year, the net financial position is positive when calculated net of intercompany debt.

As shown in the Statement of cash flows, cash flows from operating activities amounted to Euro 345.9 million and wholly funded all investing activities for the period (Euro 77.4 million), payment of dividends to PRADA spa shareholders (Euro 127.9 million) and repayments on long-term bank loans (Euro 100.7 million).

The Company takes on variable rate debt and generally uses IRS and collars to hedge the interest rate risk by converting variable rate loans into fixed rate loans or loans subject to interest rates within an agreed range.

Policy on hedging of financial risks

The Company's financial risk hedging policies and the effects of the strategies adopted are described in the Notes to the financial statements.

Research and development

The Company sees the creative process as the first step towards quality.

This unique approach enables the Company to anticipate and set trends, experimenting with shapes and fabrics, leathers and production techniques.

Research and development activities are aimed at the creation of innovative products through the search for new or improved materials, the research and definition of design concepts, the development and production of prototypes.

Relationships and transactions with related parties

Information on relationships and transactions with related parties is provided in Note 27.

Treasury stock

As at January 31, 2013, the Company did not hold any treasury stock.

Significant events during the year

For a review of the most significant events during the year, see the "Corporate information" and "Significant acquisitions and disinvestments" sections of the Notes to the financial statements.

Events after the reporting period

There are no events to be reported.

Outlook for 2013

The Group remains confident that the strategy which has been coherently deployed in recent years with regard to brand positioning and retail expansion will again be a key success factor for the forthcoming year, even in a general economic environment that remains challenging.

Proposed allocation of net income for the year

The Board of Directors proposes that the net income for the period of Euro 288,296,583 be allocated as follows:

- Euro 4,786,769 to the Legal reserve;
- Euro 230,294,160 to the shareholders as dividends;
- Euro 53,215,654 to Retained earnings.

The Chief Executive Officer

Patrizio Bertelli

Milan, April 5, 2013

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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, hereafter the "Listing Rules".

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code on Corporate Governance Practices (the "Former Code") formerly contained in Appendix 14 of the Listing Rules during the period from February 1 to March 31, 2012 and the Code during the period from April 1, 2012 to January 31, 2013 (the period from February 1, 2012 to January 31, 2013, both days inclusive, is referred to in this report as the "Reviewed Period"). This Corporate Governance Report summarizes how the Company has applied the principles and implemented the code provisions contained in the Former Code and 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 acknowledgments 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 Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

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 business activities and strategic development of the Company and the Group.

b. Board Meetings

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, to assess its operational and financial performance (including the annual budget, interim and quarterly results), to appoint the members of its Committees, and to approve connected transactions and the investments plan. The average attendance rate of the Directors for these six meetings either in person or through electronic means of communication was 90%.

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, Committee Meetings and shareholders' general meeting held during the Reviewed Period are set out in the following table:

Directors	Board	Audit Committee	Remunera-tion Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Ms. Miuccia PRADA BIANCHI (Chairperson)	5/6				1/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	6/6*				1/1
Mr. Carlo MAZZI (Deputy Chairman)	6/6				1/1
Mr. Donatello GALLI (Chief Financial Officer)	6/6				1/1
Non-Executive Directors					
Mr. Marco SALOMONI 1	6/6		3/3	1/1	1/1
Mr. Gaetano MICCICHÉ	2/6				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 2	6/6	5/5	3/3	1/1	1/1
Mr. Giancarlo FORESTIERI 3	6/6	5/5	3/3		1/1
Mr. Sing Cheong LIU 4	6/6	5/5		1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI 5	6/6	5/5			1/1
Mr. Roberto SPADA 6	4/5	3/4			
Mr. David TERRACINA 6	4/5	4/4			
Mr. Riccardo PEROTTA 7	1/1	1/1			0/1
Mr. Gianandrea TOFFOLONI 7	1/1	1/1			1/1
Date(s) of Meeting	Mar 29, 2012	Mar 29, 2012	Mar 27, 2012	June 7, 2012	May 22, 2012
	June 7, 2012	June 7, 2012	June 7, 2012		
	July 19, 2012	Sept 24, 2012	Sept 24, 2012		
	Sept 24, 2012	Dec 4, 2012			
	Dec 6, 2012	Jan 29, 2013			
	Jan 29, 2013				
Average Attendance Rate of Directors	90%	100 %	100%	100%	89%

Notes:
*: On January 29, 2013, Mr. Patrizio Bertelli attended only half meeting
1: Member of Remuneration Committee and the Nomination Committee
2: Chairman of Audit Committee, Remuneration Committee and Nomination Committee
3: Member of Audit Committee and Remuneration Committee
4: Member of Audit Committee and Nomination Committee
5: Chairman of the Board of Statutory Auditors
6: Member of the Board of the Statutory Auditors from May 22, 2012
7: Member of the Board of the Statutory Auditors until May 22, 2012

Ms. Miuccia Prada Bianchi, the Chairperson of the Company, was absent for one 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 Meeting being held, the Chairperson rendered her views and comments to the Deputy Chairman, who led the Directors through the agenda of the relevant Board Meeting.

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' general 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 connected transactions and other significant operational and financial matters.

All Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management which give a balanced and comprehensive assessment of the performance, position and prospects of the Company and the Group in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

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 the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 3, 2013. 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.

g. Directors' Training

Each Director, after his/her appointment, is provided with a comprehensive, formal and tailored induction program to ensure that he/she has a proper understanding of the key areas of business operations and practices of the Company, as well as his/her responsibilities under the relevant laws, rules and regulations.

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes and developments of the Company's business and on the latest development of the laws, rules and regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering the topics of connected transactions, notifiable transactions, price-sensitive information disclosure requirements and disclosure of Directors' interests. The Non-Executive Directors and Independent Non-Executive Directors also attended on March 29, 2012 a tour and introduction of the Company's operations in Tuscany, Italy, conducted by the Executive Directors to enable them to gain a better understanding of the business. These initiatives are taken to ensure that the Directors' contribution to the Board is informed and relevant.

Directors are requested to provide records of the training they have received to the Group Corporate Affairs Director and the Joint Company Secretary, Ms. Patrizia Albano.

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 Company'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' general meeting called to approve the financial statements of the Company for the third year of the Board's term.

At the shareholders' general meeting of the Company held on May 22, 2012, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors (including the Non-Executive Directors) will therefore expire at the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2015.

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

Corporate Governance Functions of the Board

The Board is responsible for determining and supervising the application of appropriate corporate governance policies of the Company, in accordance with the provisions of the Code. The Board's role in this regard is:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Conduct, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative decree 231 of June 8, 2001) and the Company's procedures;

(v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and

(vi) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

During the Reviewed Period, the Board approved the terms of reference which regulates its corporate governance functions

Board committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is chaired by an Independent Non-Executive Director. In order to comply with the Code, on March 29, 2012 the Board revised the terms of reference of the Audit Committee and Remuneration Committee and adopted a new terms of reference of the Nomination Committee. Each of the Committees' terms of reference is 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 June 8, 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 to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. 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 and internal control and risk management systems, 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 five meetings (with an attendance rate of 100%) to review with senior management and the Company's internal and external auditor and board of 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, tax update and financial reporting matters (including the annual results for the year ended January 31, 2012, the first quarterly results as of April 30, 2012, interim financial results as of July 31, 2012 and third quarterly results as of October 31, 2012 before recommending them to the Board for approval).

The Audit Committee has also held a meeting on April 3, 2013 to review the annual results for the year ended January 31, 2013 before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued to Deloitte & Touche spa and its network for the audit of the financial statements ending January 31, 2013, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	602
Tax advices	Deloitte & Touche spa/ Deloitte Network	25
Out of pocket expenses		16
Total independent auditor's compensation accrued for the period ended January 31, 2013		643

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Non-Executive Director, Mr. Marco Salomoni.

During the Reviewed Period, the Remuneration Committee held three meetings (with attendance rate of 100%) to review the long-term incentive plan connected to the Group's results, to review the consultancy agreements with the Chairperson and the Chief Executive Officer and to recommend the division of the aggregate remuneration of Directors resolved by the shareholders' general meeting on May 22, 2012.

Remuneration Policy

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

The Company has adopted cash long term incentive plans for senior managers and a small number of key people for retention purposes, under which the benefit of a senior manager or a key person under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period. Other incentive schemes specific to sales staff are also in place, and technicians of the Company may receive a collection bonus that is provided to them after the development of a seasonal collection.

The aggregate amount of remuneration of the Directors of the Company is approved by the shareholders in a 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 allowances 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 Nomination Committee on March 29, 2012 to comply with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-Executive Directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and adoption, where appropriate. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr Sing Cheong Liu and one Non-Executive Director, Mr. Marco Salomoni.

During the Reviewed Period, the Nomination Committee held one meeting on June 7, 2012 (with all members attending) to elect its chairman. In addition, the Nomination Committee held a meeting on April 3, 2013 to assess and confirm the independence of the Independent Non-Executive Directors of the Company.

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.

At the shareholders' general meeting of the Company held on May 22, 2012, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of all of the current statutory auditors (including the alternate statutory auditors) will therefore expire at the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2015.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors of the Company are Mr. Marco Serra and Mr. Cristiano Proserpio.

Directors' responsibility and auditors' responsibility for Separate Financial Statement

The Directors are responsible for preparing the Separate Financial Statements of the Company for the year ended January 31, 2013 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company itself. In preparing these Separate Financial Statements, the Directors have selected suitable accounting policies and, made judgments and estimates that are prudent and reasonable. The Separate Financial Statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

As regards the auditor of the Company, its responsibilities are stated in the auditor's report on the Separate Financial Statements.

Joint Company Secretaries

As disclosed in the prospectus of the Company dated June 13, 2011, the Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries of the Company.

During the Reviewed Period, Ms. Patrizia Albano, who is qualified as a lawyer admitted to the Bar Association of Rome (Ordine degli Avvocati di Roma) has attended continuous professional training sessions in Italy of not less than 20 hours, on matters including directors' duties and responsibilities and other corporate activities to update her skills and knowledge. Ms. Yuen Ying Kwai undertook over 15 hours of relevant professional training to update her skills and knowledge. In addition, both Ms. Albano and Ms. Yuen have attended training sessions held by the Company's legal advisors (Slaughter and May) and the Company's compliance adviser (Anglo-Chinese Finance Limited) relating to the Listing Rules and Securities and Futures Ordinance of Hong Kong (Cap. 571) for a total of 4 hours.

Shareholders' Rights

a. Convening shareholders' general meeting by shareholders

Pursuant to Article 14.2 of the Company's By-Laws, a shareholders' general meeting has to be called by the Board when requested by shareholders representing at least one-twentieth of the Company's share capital, provided that the request mentions the item(s) to be discussed at the meeting. If there is an unjustified delay in calling the meeting by the Board, action will be taken by the board of statutory auditors.

b. Putting forward proposals at shareholders' general meeting

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days as of the notice of call of a shareholders' general meeting, by setting out the proposed additions (five days in the circumstances indicated under the second paragraph of Article 14.4).

c. Making enquiry to the Board

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at (corporateaffairs@pradagroup.com) or at the Company's address: Via Antonio Fogazzaro n. 28, Milan 20135, Italy. The Company will not normally deal with verbal or anonymous enquiries.

d. Procedures for shareholders to propose a person for election as Director

The procedures for shareholders to propose a person for election as Director of the Company are set out in Articles 19.3 and 19.4 of the Company's By-laws, details of which have been disclosed in the Company's announcement dated March 30, 2012.

Constitutional Documents

During the Reviewed Period, there was no significant change in the Company's constitutional documents.

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. On December 6, 2012 the Board approved a revision of the risk assessment model adopted by the Company, aimed to cover developments since the first adoption of the risk assessment model.

The Internal Audit Department provides an independent review of the adequacy and 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 Company itself, 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 Company.

Investor relations and communications

The Company endeavors 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 performance and activities of the Company and the Group via the annual report, interim report, press releases, announcements and presentations.

Financial Statements

Statement of financial position

(amounts in Euro)	Note	January 31 2013	January 31 2012
Assets			
Current assets			
Cash and cash equivalents	1	140,414,307	114,587,104
Trade receivables, net	2	488,559,086	539,782,714
Inventories	3	153,640,348	185,857,302
Derivative financial instruments	4	34,502,815	893,992
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	224,110,698	203,128,112
Other current assets	6	57,653,403	45,574,008
Total current assets		1,098,880,657	1,089,823,233
Non-current assets			
Property, plant and equipment	7	279,164,192	218,972,373
Intangible assets	8	93,546,618	93,926,322
Investments in subsidiaries and associated undertakings	9	884,909,469	828,927,287
Deferred tax assets	26	33,814,937	32,295,019
Other non-current assets	10	4,588,566	1,750,729
Derivative financial instruments - non current	4	1,017,741	-
Total non-current assets		1,297,041,523	1,175,871,730
Total Assets		2,395,922,180	2,265,694,963
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	11	118,410,037	112,470,106
Financial and other payables to parent company, subsidiaries, associates and related parties	12	317,870,762	286,516,757
Trade payables	13	393,544,631	345,785,292
Current tax liabilities	14	15,893,634	42,325,291
Derivative financial instruments	4	902,671	12,810,986
Obligations under financial leases	15	571,254	1,002,328
Other current liabilities	16	71,038,948	64,330,809
Total current liabilities		918,231,937	865,241,569
Non-current liabilities			
Long-term financial payables	17	18,277,311	134,902,489
Obligations under financial leases	15	503,495	1,081,216
Long-term employee benefits	18	25,759,628	17,777,867
Provisions	19	23,725,724	23,204,147
Deferred tax liabilities	26	15,476,346	9,492,379
Other non-current liabilities	20	681,129	1,410,181
Derivative financial instruments - non current	4	32,315	334,682
Total non-current liabilities		84,455,948	188,202,960
Total liabilities		1,002,687,885	1,053,444,529
Share capital		255,882,400	255,882,400
Other reserves		849,055,311	717,369,151
Net income/(loss) of the year		288,296,583	238,998,883
Shareholders' equity	21	1,393,234,295	1,212,250,434
Total liabilities and shareholders' equity		2,395,922,180	2,265,694,963

Income statement

(amounts in Euro)	Note	January 31 2013	January 31 2012
Net revenues	22	1,732,110,966	1,501,788,431
Cost of goods sold	23	(836,417,391)	(717,727,837)
Gross Margin		895,693,575	784,060,594
Operating expenses	24	(488,765,080)	(446,247,879)
Interest and other financial income (expenses), net	25	49,218,627	6,556,572
Income before taxation		456,147,122	344,369,286
Income taxes	26	(167,850,539)	(105,370,403)
Net income of the year		288,296,583	238,998,883

Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Net income of the year	288,297	238,999
Items recycled to P&L:		
Fair value movements recognized in cash flow hedge reserve	33,651	(10,938)
Tax impact of above item	(9,254)	3,008
Change in cash flow hedge reserve less tax impact	24,397	(7,930)
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	(4,208)	498
Tax impact of above item	440	-
Change in actuarial reserve less tax impact	(3,768)	498
Net gains (losses) recognized directly in equity	20,628	(7,432)
Total comprehensive income of the year	308,925	231,567

Statement of cash flows

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Income before taxation	456,147	344,369
Income statement adjustments:		
Depreciation and amortization	22,494	20,314
Impairment of fixed assets	3,475	14
Losses/(gains) on disposal of fixed assets	336	(431)
Impairment of investments	536	3,708
Non-monetary financial (income)/expenses	(40,151)	(20,358)
Other non-monetary (income)/charges	1,358	9,278
Changes in Statement of financial position:		
Trade receivables, net	41,793	(59,210)
Inventories, net	32,194	(55,712)
Trade payables	49,175	35,322
Other current assets and liabilities	(2,911)	(7,128)
Other non-current assets and liabilities	(6,021)	(8,556)
Cash flows generated from operations	558,425	261,609
Interest paid	(5,273)	(10,224)
Income taxes paid	(207,215)	(107,780)
Net cash flows generated from operations	345,937	143,605
Cash flow generated (used) from investing activities:		
Purchase of property, plant and equipment	(82,968)	(62,703)
Disposal of property, plant and equipment	3,968	91
Purchase of intangible assets	(5,280)	(5,503)
Disposal of intangible assets	80	1,800
Investments in subsidiaries	(39,262)	(7,397)
Disposal of investments	-	3,628
Dividends received	46,002	31,828
Cash flows generated (used) by investing activities	(77,460)	(38,257)
Cash flows generated (used) by financing activities:		
Share capital increase less directly attributable costs	-	205,171
Dividends paid	(127,941)	(2,482)
Change in short-term borrowings	(2,179)	(85,601)
Repayment of short-term portion of long-term borrowings	(100,722)	(108,531)
New long term borrowings arranged	1,617	-
Cash flow generated (used) by financing activities	(229,225)	8,557
Change in cash and cash equivalents net of bank overdraft	39,251	113,905
Exchange differences	(3)	(1,256)
Opening cash and cash equivalents, net of bank overdraft	101,163	(11,486)
Closing cash and cash equivalents, net of bank overdraft	140,411	101,163
Cash and bank balances	140,414	114,587
Bank overdraft	(3)	(13,424)
Closing cash and cash equivalents, net of bank overdraft	140,411	101,163

Statement of changes in 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	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income (loss) for the year	Share-holders' equity
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 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
Allocation of 2010 net income	-	-	-	24,556	-	98,220	-	(122,776)	-
Dividends paid	-	-	-	-	-	(35,000)	-	-	(35,000)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(7,930)	238,999	231,069
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	498	-	-	498
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
Allocation of 2011 net income	-	-	-	11,950	-	227,049	-	(238,999)	-
Dividends paid	-	-	-	-	-	(127,941)	-	-	(127,941)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	24,397	288,297	312,694
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(3,768)	-	-	(3,768)
Balance at January 31 2013	2,558,824,000	255,882	410,047	46,390	182,899	189,416	20,304	288,297	1,393,235

Notes to the Financial Statements

Corporate information

PRADA spa is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At January 31, 2013, 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 indirect shareholders of PRADA Holding bv are Patrizio Bertelli and the Prada family.

In terms of Art. 2497 et seq of the Italian Civil Code, the Company is not subject to the management and control of any company or entity.

These Financial Statements were approved by the Board of Directors on April 5, 2013.

Basis of preparation

The Financial Statements, comprising the Statement of financial position, Income statement, Statement of comprehensive income, Statement of cash flows, Statement of changes in shareholders' equity and Notes to the financial statements, are prepared in compliance with International Financial Reporting Standards (IAS/IFRS) and related interpretations (SIC/IFRIC) as approved by the European Commission and in force at the reporting date.

Amendments to accounting standards

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to PRADA spa from February 1, 2012

The following amendment to IFRS has been endorsed by the European Union and is applicable to PRADA spa effective from February 1, 2012. The matters in question do not affect these financial statements ending January 31, 2013, but they could have future accounting impacts:

– IFRS 7 "Financial instruments: disclosures". The amendments made to this Standard, effective from annual periods beginning on or after July 1, 2012, require disclosures for all transferred financial assets that are not derecognized, particularly when an entity continues to be involved in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.

New standards and amendments issued by the IASB, endorsed by the European Union and early adopted by PRADA spa

– IAS 1 "Presentation of financial statements". The objective of the amendments made to this Standard, effective from annual periods beginning July 1, 2012, are to make the presentation of the increasing number of items of other comprehensive income clearer, and to assist users of the financial statements in distinguishing between the items of other comprehensive income that can be reclassified subsequently to profit or loss, and those that will never be reclassified to profit or loss.

New standards and amendments issued by the IASB, endorsed by the European Union but not yet applicable to the PRADA Group as effective from annual periods beginning on or after January 1, 2013

– IAS 19 "Employee benefits". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, should help users of financial statements to better understand how defined benefit plan affect entity's financial position, financial performance and cash flows.

- IFRS 11 "Joint Arrangements". This new Standard, effective at the latest as from the commencement date of a financial year starting on January 1, 2014, establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31 "Interests in Joint Ventures and SIC-13 "Jointly Controlled Entities - Non-monetary Contributions by Ventures'". The IFRS provides guidelines to determine the type of joint arrangement in which an entity is involved (joint operation or joint venture) by assessing its rights and obligations arising from the arrangement.

- IFRS 12 "Disclosure of Interests in Other Entities". This new standard, effective at the latest as from the commencement date of a financial year starting on January 1, 2014, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It requires the entity to disclose information that enable users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 "Fair Value measurement". This new Standard, effective from annual periods beginning on or after January 1, 2013, defines the fair value, sets out in a single IFRS a framework for measuring the fair value and requires disclosures about fair value measurements. This IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.

- IAS 28 "Investment in Associates and Joint Ventures". The amendments to this Standard, effective at the latest as from the commencement date of a financial year starting on January 1, 2014, have to be read together with IFRS 11 "Joint Arrangements" and IAS 27 "Separate Financial Statements". The standard (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee and defines the equity method as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee.

- IAS 27 "Separate Financial Statements". The amendments to this standard followed the issue of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and the amendments to IAS 28 "Investment in Associates and Joint Ventures" and prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. Such amendments are effective at the latest as from the commencement date of a financial year starting on January 1, 2014.

- IAS 12 "Income Taxes". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, provide a practical approach for measuring deferred tax assets and deferred tax liabilities when an investment property is measured using the fair value model in IAS 40 "Investment property". These amendments have to be applied retrospectively.

- IFRS 7 "Financial Instruments: Disclosures". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2013, require additional disclosures to enable users of its financial statements to evaluate the effect, or potential effect, of netting arrangements on the entity's financial position. The disclosures required by these amendments have to be applied retrospectively.

– IAS 32 "Financial Instruments: Presentation". The amendments made to this Standard, effective from annual periods beginning on or after January 1, 2014, and to be applied retrospectively, clarify the criterion to be followed when an entity currently has legally enforceable right to set off the financial assets and financial liabilities.

The Company is currently assessing the impact of all of the above new standards and amendments issued by the IASB, endorsed by the European Union but not yet applicable to its Financial Statements, as effective from annual periods beginning on or after January 1, 2013.

New standards, amendments and guidance issued by the IASB, not yet endorsed by the European Union and not applicable to PRADA spa as effective from annual periods beginning on or after January 1, 2013

– IFRS 9 "Financial instruments". This new Standard, effective from annual periods beginning on or after January 1, 2015, represents the first of three phases aimed at replacing entirely IAS 39 "Financial instruments: recognition and measurement". Such phase 1, named "Classification and measurement of financial assets and financial liabilities" requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or fair value. On the liabilities side, most of the requirements of IAS 39 for classifying and measuring financial liabilities remained unchanged, with the exception of the recognition through other comprehensive income, and no longer through income statements, of the change in the fair value of financial liabilities as a result of a change in the credit rating.

– Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements". Such amendments are required to apply for annual periods beginning on or after January 1, 2014.

– Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12) provided additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application when the consolidation conclusion reached at the date of initial application were different between IFRS 10 and IAS 27/SIC 12.

– Annual improvements to IFRSs (2009-2011 Cycle). Such improvements amend:

  • IAS 1 "Presentation of Financial Statements". New criteria have been introduced when reporting comparative information are provided in addition to the minimum comparative financial statements and when a change in accounting policy, a retrospective restatement or a reclassification occur;

  • IAS 16 "Property, Plant and Equipment". The amendment establishes that items such as spare parts, stand-by equipment and servicing equipment are recognized with this IFRS when they meet the definition of IAS 16. Otherwise, such items are classified as inventory;

- IAS 32 "Financial Instruments: Presentation". The amendment clarified that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with IAS 12 "Income taxes".

Financial statements

The Company has prepared the Statement of financial position classifying separately current and non-current assets and liabilities. The Notes contain more detailed information with further breakdowns of the items reported in the Statement of Financial Position.

The Income Statement is classified by destination.

Cash flow information is reported in the Statement of cash flows which forms an integral part of the Financial Statements.

The accounting policies and the notes are an integral part of the Financial Statements.

Every item in the Statement of financial position, Income statement, Statement of cash flows and Statement of changes in shareholder's equity is detailed in the Notes to the financial statements.

Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash equivalents include all highly liquid investments with 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.

In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in Bank overdrafts and short-term loans.

Trade receivables and payables

Trade receivables are carried at nominal amount less the allowance for doubtful accounts, estimated based on an assessment of all disputed and doubtful balances at year-end. Bad debts are written off when identified.

Trade payables are recorded at nominal amount.

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

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 is 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, is 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 immediately in the income statement.

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 in Leasehold improvements relate to refurbishment work carried out on assets not owned by the Company. They are capitalized and amortized based on the lease agreement, taking account of any renewals. 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.

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
Buildings	3% -10%
Production plant and equipment	7.5% - 25%
Leasehold improvements	Remaining lease term
Furniture and fittings	12%
Other equipment	15% - 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 of assets paragraph describes the method used to perform the impairment test.

Impairment losses are recorded immediately in the Income Statement.

At every reporting date, the Company 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 Company 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 had no impairment loss 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 goodwill, development costs, store lease acquisition costs and software.

Development costs include expenses incurred to strengthen the brand image through projects aimed at developing the store "concept". The relevant useful life is estimated based on the Directors' understanding and amounts to between three and ten 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 the cost 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 lease term.

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

Category of intangible assets	Amortization rate
Software	10% - 33%
Store lease acquisition costs	Shorter of lease term and 10 years
Other intangible assets	20% - 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.

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

Impairment of assets

IAS 36 requires an impairment test to be performed on property, plant and equipment, intangible assets and investments whenever there is an indication of impairment.

Goodwill, investments, other intangible assets with an indefinite useful life and assets not yet available for use are tested for impairment at least once a year.

When the carrying amount of these assets exceeds their value in use or their fair value, it is reduced accordingly and the impairment is recognized in the Income Statement.

The recoverable amount of the asset is calculated comparing its carrying amount with the higher of its net selling price (where there is an active market) and its value in use.

Value in use is determined by discounting cash flows expected to arise from the use of the asset or Cash Generating Unit, as well as from the cash flow expected to arise from its disposal at the end of its useful life.

Cash flow projections are based on budgets and forecasts and on long-term plans (generally 5 years) approved by the management and by the relevant business units.

Cash Generating Units are determined based on the organizational structure and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets.

Prada’s Cash Generating Units include trademarks, sales channels and geographical areas.

Investments

Investments in subsidiaries, associated undertakings and joint ventures are accounted for under the cost method and periodically tested for impairment. This test is performed at least once a year or whenever there is an indication of impairment.

The valuation method used is the Discounted Cash Flow model, adopting the process described in the Note Impairment of assets. If an impairment loss has to be recognized, it is charged to the Income Statement in the period in which it is identified. If the reason for the impairment loss no longer applies, the carrying amount of the investment is restored but not to more than its original cost. Such reversals are recorded in the income statement.

Deferred tax assets

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to:

– deductible temporary differences;

– 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 timing differences, tax losses carry-forwards and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible timing differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is 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.

Deferred tax assets relating to items credited or debited directly to shareholders' equity are also credited or debited directly to shareholders' equity.

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.

The effective rate of interest is the rate used to discount payments based on the contractual term of the loan or on a shorter period, if appropriate.

Employee 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 Company's obligations.

The actuarial valuation is carried out 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.

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 Company 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 Company 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 balance sheet date.

Deferred tax liabilities are not discounted.

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

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

The deferred tax 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 amount of the revenues can be reliably measured;
- the Company's effective control over the goods sold has ceased;
- the economic benefits generated by the transaction will probably be enjoyed by the Company;
- the costs pertaining to the transaction can be reliably measured.

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Royalties under franchise agreements are recorded based on the sales made by the Company to the franchisees. Cash discounts are recorded as financial charges.

Accounting for costs

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 recorded.

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.

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 entity included in the tax consolidation, in accordance with the tax rates and tax laws in force or substantially approved in each country 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.

Changes of accounting policy, errors and changes in accounting estimates

The accounting policies adopted are only modified from one year to another if the change is required by an accounting standard or if it provides more reliable and more relevant information on the effects of operations on the Company's Statement of financial position, 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 the case of material errors, the same approach adopted for changes in accounting standards described in the previous paragraph shall be followed. Non material errors are recognized in the income statement in the period in which the error is identified.

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

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

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

Exchange rate risk

The Company's export sales activities expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro primarily against the US Dollar, Hong Kong Dollar, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign exchange risk hedging by entering into derivative contracts (forward sale and purchase, options) with third parties.

In accordance with 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 Company exposes it to the interest rate risk. The Corporate Finance Department hedges this risk by arranging Interest Rate Swap and Collar agreements.

These hedging contracts are designated 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 IAS/IFRS, the preparation of these 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.

Significant acquisitions and disinvestments

On September 28, 2012, PRADA spa acquired from third parties 100% of the share capital in Anita Smaga sa and in Erfico sa for a total consideration of Swiss Francs 19.5 million (equal to Euro 16.1 million). The reasons behind the acquisitions were the lease agreements owned by the two companies that, taken together, allowed the Group to rent unique retail premises in Switzerland deemed as offering great potential for the Group's DOS expansion program.

Statement of financial position

1. Cash and cash equivalents

The following table details the balance at January 31, 2013 and 2012:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Cash on hand	761	979
Bank deposit accounts	110,302	68,500
Bank current accounts	29,351	45,108
Total cash and cash equivalents	140,414	114,587

See the Statement of cash flows for details of cash flows for the year.

2. Trade receivables

Trade receivables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Trade receivables - Third parties	144,762	128,029
Trade receivables - Parent company	124	653
Trade receivables - Subsidiaries and associates	313,169	391,333
Trade receivables - Companies controlled by PRADA Holding bv	3	6
Trade receivables - Related parties	30,501	19,762
Total trade receivables	488,559	539,783

Trade receivables from related parties refer to sales of finished products under franchise agreements with retail companies owned by the main shareholders of PRADA Holding bv.

A detailed breakdown of these receivables by debtor is provided in Note 27 Transactions with parent, subsidiary, associated and related companies.

The allowance for doubtful debts was determined on a specific basis considering all information available at the date the financial statements were prepared in order to bring receivables in line with their fair value.

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Trade receivables, gross	150,868	134,090
Allowance for bad and doubtful debts	(6,106)	(6,061)
Trade receivables, net	144,762	128,029

Movements on the allowance for bad and doubtful debts during the year are detailed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Opening amount	6,061	4,266
Increases	631	2,320
Utilized	(586)	(525)
Closing amount	6,106	6,061

Gross trade receivables at January 31, 2013 are analyzed by maturity date as follows:

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	150,868	124,751	9,820	6,216	5,164	1,096	3,820
Trade receivables, parent, subsidiary and related companies	343,797	291,122	12,875	10,314	5,583	2,378	21,525
Total	494,665	415,873	22,695	16,530	10,747	3,474	25,346

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	134,090	109,740	6,416	3,949	4,939	688	8,358
Trade receivables, parent, subsidiary and related companies	411,754	318,318	13,534	35,527	7,437	3,204	33,733
Total	545,844	428,058	19,951	39,476	12,376	3,892	42,091

3. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Raw materials	75,707	62,597
Work in progress	20,907	13,236
Finished products	130,650	178,648
Allowance for obsolete and slow-moving inventories	(73,624)	(68,624)
Net inventories	153,640	185,857

The decrease in finished products was achieved thanks to measures aimed at further improving the inventory turnover ratio, in order to better react to market changes and reduce risks.

Inventories are valued at weighted average cost.

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, 2012	29,374	39,250	68,624
Provided	-	5,000	5,000
Balance at January 31, 2013	29,374	44,250	73,624

Changes in the allowance for obsolete and slow moving inventories have been recorded to bring the carrying amount of certain inventory categories into line with their estimated realizable value.

4. Derivative financial instruments: assets and liabilities

Derivative financial instruments - assets and liabilities, current portion:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Financial assets regarding derivative instruments	34,503	894
Financial liabilities regarding derivative instruments	(903)	(12,811)
Net carrying amount	33,600	(11,917)

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

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Financial assets regarding derivative instruments	1,018	-
Financial liabilities regarding derivative instruments	(32)	(335)
Net carrying amount	985	(335)

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 2013	January 31 2012	IFRS7 Category
Forward contracts	12,408	316	Level II
Options	22,095	578	Level II
Interest rate swaps	1,018	-	Level II
Positive fair value	35,521	894	
Forward contracts	(129)	(890)	Level II
Options	0	(11,428)	Level II
Interest rate swaps	(806)	(828)	Level II
Negative fair value	(935)	(13,146)	
Net carrying amount	34,586	(12,252)	

All of the derivative instruments reported in the financial statements at January 31, 2013 can be classified as Level II of the fair value hierarchy proposed by IFRS 7. The Company has not entered into any derivative contracts that may be qualified as Level I or III.

The Company 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 Company's activities expose its cash flows – especially those relating to sales - to exchange rate volatility. In order to hedge this risk, the Company enters into options and forward sale and purchase agreements so as to guarantee the value in Euro 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, Korean Won, Japanese Yen, British Pound and Chinese Renminbi.

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, 2013) are stated below.

Contracts in place at January 31, 2013 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2013
Currency			
US Dollar	154,539	7,380	161,919
Hong Kong Dollar	109,033	71,357	180,390
Japanese Yen	52,960	32,663	85,623
GB Pound	70,525	1,517	72,042
Renminbi	-	56,962	56,962
Korean Won	-	48,672	48,672
Others	41,237	34,185	75,422
Total	428,294	252,736	681,030

All contracts in place as at January 31, 2013 will mature by June 30, 2014.

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 Company does not expect any default by these institutions.

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

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2012
Currency			
US Dollar	123,812	-	123,812
Hong Kong Dollar	159,657	4,893	164,550
Japanese Yen	67,604	1,985	69,589
GB Pound	42,672	-	42,672
Korean Won	-	30,075	30,075
Other	35,412	13,117	48,529
Total	429,157	50,070	479,227

All of the contracts in place at January 31, 2012 expired by January 31, 2013.

Interest rate transactions

The Company enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several loans payable. The key features of the IRS agreements in place as at January 31, 2013 and January 31, 2012 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2013	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	100,000	1.511%	26/07/2013	(588)	Pool loan	100,000	07/2013
IRS	Euro/000	11,250	1.545%	02/06/2014	(141)	Intesa-Sanpaolo	11,250	06/2014
IRS	Euro/000	3,000	2.210%	01/07/2015	(77)	MPS	3,000	07/2015

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	05/2014
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

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 Company does not expect them to default.

Under applicable regulations 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 shareholders' equity, before tax effects, since February 1, 2011, may be analyzed as follows:

(amounts in thousands of Euro)	
Opening balance as at February 1, 2011	5,292
Change in fair value, recognized in Equity	(6,871)
Change in fair value, charged to Income Statement	(4,066)
Closing balance at January 31, 2012	(5,645)
Change in fair value, recognized in Equity	24,961
Change in fair value, charged to Income Statement	8,690
Closing balance at January 31, 2013	28,006

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 Company'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

Financial assets at January 31, 2013	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	140,414		140,414	1
Trade receivables, net	488,559		488,559	2
Derivative financial instruments		35,521	35,521	4
Financial receivables from parent, subsidiary and associated companies and related parties	218,952		218,952	5
Total	847,925	35,521	883,446	

Financial assets at January 31, 2012	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	114,587		114,587	1
Trade receivables, net	539,783		539,783	2
Derivative financial instruments		894	894	4
Financial receivables from parent, subsidiary and associated companies and related parties	198,198		198,198	5
Total	852,568	894	853,462	

Financial liabilities

Financial liabilities at January 31, 2013	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	136,687		136,687	11,17
Financial payables - parent, subsidiary and associated companies and related parties	312,324		312,324	12
Trade payables	393,545		393,545	13
Derivative financial instruments		935	935	4
Total	842,556	935	843,491	

Financial liabilities at January 31, 2012	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	247,373		247,373	11,17
Financial payables - parent, subsidiary and associated companies and related parties	282,357		282,357	12
Trade payables	345,785		345,785	13
Derivative financial instruments		13,146	13,146	4
Total	875,515	13,146	888,661	

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 believe that the Company's credit risk essentially regards trade receivables generated by sales to independent customers in the wholesale channel.

The Company 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 and is carried out by the Group's Commercial Departments.

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 around the world lead to a reduced risk of financial losses.

The expected loss on bad and doubtful receivables at the reporting date is entirely covered by the allowance for doubtful accounts.

Movements on the allowance for doubtful accounts are shown in Note 2. Trade receivables.

Liquidity risk

The liquidity risk relates to the difficulty the Company may face 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.

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 Company 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, 2013, the Company had unused and available bank borrowing facilities totaling Euro 405.7 million.

The following table details the maturity of financial liabilities, showing the earliest date on which the Company 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, 2013	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	(5,422)	(5,387)	(35)	-	-	-
Cash inflows	5,340	5,340	-	-	-	-
Interest rate swaps - cash flow hedge	(768)	(671)	(57)	(36)	(3)	-
Net value	(850)	(718)	(91)	(36)	(3)	-

(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	(910)	(428)	(482)	-	-	-
Cash inflows	-	-	-	-	-	-
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	(8,225)	(4,946)	(2,931)	(321)	(25)	(2)

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan. 31 2013	Future contractual cash flows at Jan. 31, 2013	upon request	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	1,075	1,087	-	488	91	507	-	-	-
Financial debt towards banks	137,013	138,557	-	110,491	9,474	12,696	5,896	-	-
Financial payables towards subsidiaries, parent company and related parties	312,324	312,324	312,324	-	-	-	-	-	-
Total	450,412	451,968	312,324	110,979	9,565	13,203	5,896	-	-

(amounts in thousands of Euro)	Carrying amount at Jan. 31 2012	Future contractual cash flows at Jan. 31, 2012	upon request	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	2,084	2,141	-	554	486	591	510	-	-
Financial debt towards banks	248,646	256,449	13,424	51,485	54,090	120,406	12,735	4,309	-
Financial payables towards subsidiaries, parent company and related parties	282,357	282,357	282,357	-	-	-	-	-	-
Total	533,087	540,947	295,781	52,038	54,576	120,997	13,245	4,309	-

Exchange rate risk

The exchange rate risk to which the Company is exposed depends on foreign currency fluctuation against the Euro.

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 Company are: the U.S. Dollar, Hong Kong Dollar, Japanese Yen, British Pound and Chinese Renminbi.

Exchange rate risk management is one of the risk management activities carried out by the Company's centralized Treasury Department.

The following table shows the sensitivity of the Company's net income and shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on the statement of financial position at January 31, 2013.

(amounts in thousands of Euro)	Euro strengthens by 10%		Euro weakens by 10%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	(1,923)	3,470	2,136	(3,046)
Hong Kong Dollar	6,001	22,221	(11,147)	(23,316)
Japanese Yen	(1,296)	5,577	1,849	(6,552)
US Dollar	(5,253)	8,666	2.823	(1,057)
Chinese Renminbi	(60)	4,867	73	(5,949)
Other currencies	(2,275)	8,120	2,395	(9,194)
Total	(4,804)	52,922	(900)	(56,161)

The total impact on shareholders' equity (Euro 52.9 million positive and Euro 56.2 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 net income and shareholders' equity are stated before the effect of taxation.

Management considers this sensitivity analysis purely indicative, as it is based on the period end exposure which might not reflect the effects actually generated during the year.

Interest rate risk

The Company is exposed to interest rate fluctuations mainly with regard to the interest charges on its financial indebtedness. The interest rate risk is managed as part of the risk management activities carried out by the centralized Treasury Department.

The following table shows the sensitivity of the Company's net income and shareholders' equity to a shift in the interest rate curve in relation to its financial position as at January 31, 2013.

(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%	(220)	(172)	- 0,50%	215	172
GB Pound	+ 0,50%	41	41	- 0,50%	(41)	(41)
Hong Kong Dollar	+ 0,50%	(416)	(416)	- 0,50%	416	416
US Dollar	+ 0,50%	77	77	- 0,50%	(77)	(77)
Other currencies	+ 0,50%	136	136	- 0,50%	(136)	(136)
Total		(382)	(334)		376	334

The total impact on shareholders' equity is 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.

5. Financial receivables and other receivables from parent, subsidiary and associated companies and related parties

Receivables from parent companies and other companies are analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Financial receivables	218,952	198,198
Other receivables	5,159	4,930
Financial receivables and other receivables from parent, subsidiary and associated companies and related parties	224,111	203,128

Financial receivables include correspondence current accounts of Euro 10.7 million and short-term loans of Euro 208.2 million which bear interest and form part of the Group's centralized treasury management.

A detailed breakdown of the balance is provided in Note 27.

6. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
VAT and other tax receivables	25,064	23,246
Other current assets	11,922	2,445
Prepayments and accrued income	20,667	19,884
Total other current assets	57,653	45,574

Tax receivables include VAT receivables of Euro 13.3 million and other tax receivables of Euro 11.8 million.

Other current assets include advances paid towards services, advances to suppliers and other financial receivables.

Prepayments and accrued income include the following prepaid expenses: design, advertising campaign and fashion show costs totaling Euro 12.5 million; software assistance costs of Euro 1.3 million; industrial property rental costs of Euro 2.1 million; amortized costs on loans of Euro 0.2 million; insurance costs of Euro 0.6 million and other costs of Euro 3.9 million. Prepaid design costs mainly includes costs incurred to develop collections that will generate revenue the following year.

7. Property, plant and equipment

Changes in the historical cost of Property, plant and equipment during the year ended January 31, 2013 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 equipment	Assets under construction	Total historical cost
Balance at January 31, 2011	115,517	86,566	36,147	33,575	48,755	13,654	334,213
Additions	37,834	6,645	4,336	3,537	3,049	13,520	68,921
Disposals	-	(300)	(4)	(1)	(1,496)	-	(1,801)
Other movements	-	15	268	-	-	(283)	-
Impairment	-	(8)	-	(2)	(1)	-	(11)
Balance at January 31, 2012	153,351	92,919	40,747	37,109	50,308	26,890	401,323
Additions	34,969	8,604	2,021	1,111	17,174	22,807	86,685
Disposals	(3)	(809)	(71)	(985)	(6,967)	-	(8,835)
Other movements	3,286	127	-	74	0	(3,487)	-
Impairment	-	-	-	(39)	(486)	(41)	(567)
Balance at January 31, 2013	191,602	100,840	42,698	37,270	60,027	46,168	478,605

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2013 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 equipment	Total accumulated depreciation
Balance at January 31, 2011	14,734	72,755	19,623	22,103	38,646	167,861
Depreciation	3,261	6,262	1,771	1,875	3,084	16,253
Disposals	-	(296)	-	-	(1,456)	(1,753)
Impairment	-	(8)	-	(2)	(1)	(11)
Balance at January 31, 2012	17,995	78,713	21,394	23,975	40,274	182,350
Depreciation	4,125	6,703	2,598	2,124	3,267	18,817
Disposals	-	(793)	(1)	(15)	(3,723)	(4,531)
Impairment	3,331	-	-	(39)	(486)	2,806
Balance at January 31, 2013	25,450	84,623	23,991	26,045	39,331	199,441

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2013 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 equipment	Assets under construction	Total net book value
Balance at January 31, 2011	100,783	13,811	16,524	11,471	10,109	13,654	166,351
Additions	37,834	6,645	4,336	3,537	3,049	13,520	68,921
Depreciation	(3,261)	(6,262)	(1,771)	(1,875)	(3,084)	-	(16,253)
Disposals	-	(3)	(3)	-	(41)	-	(48)
Other movements	-	15	268	-	-	(283)	-
Balance at January 31, 2012	135,356	14,206	19,353	13,133	10,034	26,890	218,972
Additions	34,969	8,604	2,021	1,111	17,174	22,807	86,685
Depreciation	(4,125)	(6,703)	(2,598)	(2,124)	(3,267)	-	(18,817)
Disposals	(3)	(17)	(70)	(970)	(3,245)	-	(4,304)
Other movements	3,286	127	-	74	-	(3,487)	-
Impairment	(3,331)	-	-	-	-	(41)	(3,372)
Balance at January 31, 2013	166,152	16,217	18,707	11,224	20,696	46,168	279,164

Additions to Land and buildings, amounting to Euro 35 million, included the purchase of commercial and industrial properties. In the center of Florence the Company acquired the ground floor and basement of a 15th Century building where the main

Prada shop was already operating under a lease agreement with PRADA Stores srl. The Company has also acquired for Euro 12.3 million two industrial facilities, located in Central Italy, already used in its business activities under rental agreements. These last two acquisitions were completed in the first half of the year in compliance with the original commitment agreement signed in 2010. The impairment adjustments recorded in 2012 mainly regarded the write-off of some improvements on real estate projects that have been dropped.

The increases in Production plant and machinery mainly related to purchases of equipment for use in the manufacturing processes.

Additions to Assets under construction totaling Euro 22.8 million included Euro 13.4 million of capex on real estate properties in Tuscany and Euro 4 million on a property in Milan.

At January 31 2013, Land and buildings included capitalized interest expenses of Euro 1,4 million.

8. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2013 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total historical cost
Balance at January 31, 2011	6,821	2,102	-	49,574	85,425	1,090	145,012
Additions	-	-	1,360	4,037	-	972	6,369
Disposals	(1)	-	-	(1)	-	-	(2)
Other movements	-	-	-	1,061	-	(1,061)	-
Impairment	-	-	-	-	-	(14)	(14)
Balance at January 31, 2012	6,820	2,102	1,360	54,671	85,425	987	151,365
Additions	-	-	-	1,515	-	1,967	3,482
Disposals	-	-	-	(83)	-	-	(83)
Other movements	-	-	-	566	-	(566)	-
Impairment	-	-	-	-	-	(102)	(102)
Balance at January 31, 2013	6,820	2,102	1,360	56,669	85,425	2,286	154,662

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2013 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Total accumulated amortization
Balance at January 31, 2011	4,400	2,096	-	43,579	3,303	53,378
Amortization	1,111	1	85	2,865	-	4,061
Other movements	-	-	-	-	-	-
Balance at January 31, 2012	5,510	2,097	85	46,443	3,303	57,439
Amortization	802	1	113	2,762	-	3,678
Disposals	-	-	-	(1)	-	(1)
Balance at January 31, 2013	6,312	2,097	198	49,203	3,303	61,115

Changes in the net book value of Intangible assets during the year ended January 31, 2013 and in prior year are as follows:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total net book value
Balance at January 31, 2011	2,421	6		5,995	82,122	1,090	91,634
Additions	-	-	1,360	4,037	-	972	6,369
Amortization	(1,111)	(1)	(85)	(2,865)	-		(4,061)
Disposals	(1)	-	-	(1)	-	-	(1)
Other movements	-	-	-	1,061	-	(1,061)	-
Impairment	-	-	-	-	-	(14)	(14)
Balance at January 31, 2012	1,310	5	1,275	8,228	82,122	987	93,927
Additions	-	-	-	1,515	-	1,967	3,482
Amortization	(802)	(1)	(113)	(2,762)	-	-	(3,678)
Disposals	-	-	-	(82)	-	-	(82)
Other movements	-	-	-	566	-	(566)	-
Impairment	-	-	-	-	-	(102)	(102)
Balance at January 31, 2013	508	4	1,162	7,465	82,122	2,286	93,547

Goodwill

Goodwill amounted to Euro 82.1 million at January 31 2013 and included Euro 78.3 million relating to sales and distribution activities in Italy. As required by IAS 36, goodwill with an indefinite useful life is not amortized but tested for impairment at least once a year.

The method used to determine 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). The weighted average cost of capital used for discounting purposes was 9.9%. A sensitivity analysis was performed to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the coverage results. The outcome of this simulation did not highlight any indication that values in use could have been lower than the carrying amount.

The impairment test performed as at January 31, 2013 did not identify any impairment losses.

9. Investments

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Investments in subsidiaries and associated undertakings	884,897	828,915
Other investments	13	13
Total	884,909	828,927

Investments in subsidiaries and associated undertakings at January 31, 2013 and 2012 are analyzed as follows:

(amounts in thousands of Euro)	Note	January 31 2012	Increases	Decreases	January 31 2013
Investments in subsidiaries:					
Artisans Shoes srl		2,706			2,706
Church Holding UK plc		108,828			108,828
IPI Logistica srl		1,798			1,798
Post Development Corp.		54,807			54,807
PRADA Bosphorus Deri Mamuller Limited Sirketi	(1)	8,481	3,571		12,052
PRADA Canada Corp.		5,086			5,086
PRADA Czech Republic sro		1,894			1,894
PRADA Far East bv		383,590			383,590
PRADA Hellas Single Partner Limited Liability Company	(2)	2,300		536	1,764
PRADA Maroc sarlau	(3)	133	3,828		3,961
PRADA Portugal, Unipessoal lda		955			955
PRADA Rus llc	(4)	5,029	18,239		23,267
PRADA sa		23,315			23,315
PRADA STORES srl		80,237			80,237
PRADA Ukraine llc	(5)	72	2,796		2,868
PRADA USA Corp.		145,759			145,759
Space Caffè srl		-			-
PRADA Brazil Importaçao e Comercio de Artigos d Luxo ltda	(6)	119	10,817		10,936
PRADA Hong Kong P.D. limited	(7)		1,120		1,120
PRADA Middle East		2,069			2,069
Anita Smaga sa	(8)		12,839		12,839
Erfico sa	(8)		3,307		3,307
Investments in associated undertakings:					
PAC srl - in liquidation		1,738			1,738
Investments in other entities		13			13
Total		828,927	56,518	536	884,909

Investments were tested for impairment and impairment losses of Euro 0.5 million were identified.

An impairment test is performed at least once a year or whenever there is an indication of probable impairment.

(1) on September 12, 2012 the share capital was increased by TRY 18,370,000. The Company funded share capital increases totaling TRY 8,370,000, while the remaining TRY 10,000,000 were transferred from the Advance Share Capital Reserve to Capital account.

(2) The value of the investment has been reduced by Euro 0.5 million to reflect the loss highlighted by the impairment test;

(3) During the year, the Company funded share capital increases totaling EUR 3,828,128;

(4) The increase is due to recapitalization on December 18, 2012 by waiving financial receivables of 700,000,000 RUB and to paid share capital increases totaling RUB 40,000,000.

(5) during the year, the Company funded share capital increases totaling UAH 29,300,000;

(6) During the year, the Company funded share capital increases totaling EUR 10,817,470;

(7) During the year, the Company funded share capital increases totaling EUR 1,120,102;

(8) On September 28, 2012 PRADA spa acquired 100% of the share capital in Anita Smaga sa and Erfico sa for a total consideration of CHF 19,500,000. The reason behind the acquisitions were the lease agreements held by the two companies in respect of unique retail premises in Switzerland.

Additional information on subsidiaries and associated undertakings:

(amounts in local currency /000)	Carrying amount	Local currency	Share Capital	Latest net income / (loss)	Share-holders' equity	% interest held
Artisans Shoes srl	2,706	EURO	1,000	1,073	7,984	66.70%
Church's Holding UK plc	108,828	GBP	78,126	348	121,459	100.00%
IPI Logistica srl	1,798	EURO	600	845	3,342	100.00%
Post Development corp.	54,807	USD	42,221	2,996	77,126	100.00%
PAC srl - in liquidation (1)	1,738	EURO	31	9	3,847	49.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	12,052	TRY	26,000	1,772	10,671	100.00%
PRADA Canada corp.	5,086	CAD	300	5,077	27,503	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	10,409	11,116	100.00%
PRADA Far East bv	383,590	EURO	20	74,625	375,481	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	EURO	6,000	48	942	100.00%
PRADA Maroc Sarlau	3,961	MAD	44,000	(34,842)	6,667	100.00%
PRADA Portugal, Unipessoal lda	955	EURO	5	640	1,002	100.00%
PRADA Rus llc	23,267	RUB	250	(330,094)	400,145	99.90%
PRADA sa	23,315	EURO	31	86,574	270,319	100.00%
PRADA Stores srl	80,237	EURO	520	(1,387)	7,750	100.00%
PRADA Ukraine llc	2,868	UAH	152,211	30,168	196,573	100.00%
PRADA USA corp.	145,759	USD	152,211	30,168	196,573	100.00%
Space Caffè srl	-	EURO	20	(20)	34	100.00%
PRADA Brazil Importaçao e Comercio de Artigos d Luxo ltda	10,936	BRL	27,000	(12,729)	12,557	100.00%
PRADA Hong Kong P.D. limited	1,120	UAH	11,000	589	11,554	100.00%
PRADA Middle East FZCO	2,069	AED	18,000	22,405	39,465	60.00%
Anita Smaga sa	12,839	EURO	226	(377)	1	100.00%
Erfico sa	3,307	EURO	50	(150)	15	100.00%

1) Figures at 31/12/2011

The amounts shown are those reported for consolidation purposes before the resolutions by the respective Boards of Directors approving the financial statements and could well differ from the final version.

10. Other non-current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Advance payments	2,870	-
Other long-term receivables	1,337	678
Long-term guarantee deposits	382	273
Rental contributions receivable	-	800
Total	4,589	1,751

Other long-term receivables include Euro 0.5 million relating to insurance policies in respect of staff leaving indemnity liabilities towards several employees.

11. Bank overdrafts and short-term loans

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Bank overdrafts	3	13,424
Current portion of long-term loans	118,722	99,993
Deferred costs on loans	(315)	(947)
Bank overdrafts and short-term loans	118,410	112,470

The decrease in Bank overdrafts benefits by free cash flows for the year.

Loans are stated net of costs incurred to arrange new financing.

12. Financial payables and other payables to parent, subsidiary and associated companies and related parties

Payables to parent, subsidiary and associated companies and related parties are analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Financial payables	312,324	282,357
Other payables	5,547	4,160
Financial payables and other payables to parent, subsidiary and associated companies and related parties	317,871	286,517

Other payables include sundry payables towards subsidiary companies that are not subject to interest expenses.

See Note 27 for a detailed breakdown of the balance by creditor.

13. Trade payables

Trade payables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Trade payables - third parties	219,341	176,001
Trade payables - related parties	2,816	1,161
Trade payables - subsidiary and associated companies	171,388	168,624
Total	393,545	345,786

The increase in Trade payables is due to higher production volumes as a result of growth in the Company's sales.

Trade payables to subsidiary companies include Euro 103 million of royalties payable to PRADA sa.

Trade payables to related parties regard purchases of finished products from retail companies owned by the main shareholders of PRADA Holding bv.

A detailed breakdown by creditor is shown in Note 27 Transactions with parent, subsidiary and associated companies and related parties.

Total trade payables are summarized below by maturity date.

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	219,341	206,744	6,919	1,626	858	211	2,984
Trade payables - related parties	2,816	1,890	22	72	127	187	517
Trade payables - subsidiary and associated companies	171,388	149,381	4,574	5,447	2,697	1,450	7,838
Total	393,545	358,015	11,514	7,146	3,682	1,848	11,339

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	176,001	161,073	8,684	2,448	876	522	2,398
Trade payables - related parties	1,161	1,112	0	33	7	0	9
Trade payables - subsidiary and associated companies	168,624	141,602	5,373	6,621	3,515	3,154	8,358
Total	345,785	303,787	14,057	9,102	4,398	3,676	10,765

14. Current tax liabilities

Current tax liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Current taxes on income	6,472	34,505
VAT and other taxes	3,894	3,796
Social security liabilities	5,528	4,024
Total	15,894	42,325

Current tax liabilities for corporate income taxes are stated net of advance payments made.

VAT and other taxes refers to withholding taxes on employee remuneration and professional fees and to VAT liabilities arising from e-commerce sales in EU countries.

15. Obligations under finance leases

Property, plant and equipment includes properties with a net carrying amount of Euro 9.7 million acquired under finance leases that are still in place.

At January 31, 2013, the residual liabilities towards leasing companies under finance leases still in place were due as follows:

Payable by the end of the year ending:	
(amounts in thousands of Euro)	
January 31 2014	571
January 31 2015	503
Total	1,074

The decrease in obligations under finance leases is due to installment payments made as due under finance leases in place at January 31, 2013

16. Other current liabilities

Other current liabilities can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Payables to employees	27,439	24,568
Provision for returned goods	24,362	19,968
Payables for capex	18,502	17,382
Other payables	445	2,120
Deferred income	289	284
Financial payables	2	9
Total	71,039	64,331

Payables to employees include wages and salaries, 13th and 14th months' salaries, accrued holidays and productivity bonuses.

The provision for returned goods is created to cover identifiable future liabilities for returns whose amount and due date was not known at the reporting date. The amount of the provision was estimated on the basis of historical/statistical data and on forecasts of the number of items sold that could be returned in future.

"Payables for capital expenditure" include liabilities as at January 31, 2013 for capital expenditure described in Notes 7 and 8 on Property, plant and equipment and Intangible assets.

Other payables includes advances of Euro 0.1 million received from customers and sundry other payables of Euro 0.3 million.

17. Long-term financial payables

Long-term financial payables are analyzed below.

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Long term bank borrowings	18,287	135,229
Deferred costs on LT loans	(10)	(327)
Total	18,277	134,902

The reduction in long-term financial payables is mainly due to the reclassification of the current portion to Bank overdrafts and short-term loans.

Long-term financial payables include fixed interest loans (30%) and variable interest loans (70%). The financial instruments used to hedge the interest rate risk – interest rate swaps and collars – convert the variable rates of interest due on loans into fixed rates or rates within an agreed range.

Long-term borrowing at January 31, 2013 is detailed as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	1,800	Euro	Monte dei Paschi di Siena	July 2015	3.310%
PRADA spa	3,750	Euro	IntesaSanPaolo	June 2014	2.145%
PRADA spa	2,400	Euro	Unicredit	May 2014	0.953%
PRADA spa	10,338	Euro	Cariparma	August 2015	1.575%
Total	18,288				

(1) interest rates include the effect of interest rate hedging operations

Long-term borrowings at January 31, 2012 is detailed as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	100,000	Euro	Pool loan	July 2013	3.01%
PRADA spa	3,000	Euro	Monte dei Paschi di Siena	July 2015	3.31%
PRADA spa	11,250	Euro	IntesaSanPaolo	June 2014	2.145%
PRADA spa	7,200	Euro	Unicredit	May 2014	2.345%
PRADA spa	13,779	Euro	Cariparma	August 2015	2.59%
Total	135,229				

(1) interest rates include the effect of interest rate hedging operations

An analysis of borrowing by maturity date is provided in Note 4.

The long-term loan granted by Banca Monte dei Paschi di Siena to PRADA spa in 2008 –outstanding amount of Euro 3 million reported at January 31, 2013 (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 granted by Cassa di Risparmio Parma e Piacenza to PRADA spa in 2008 – outstanding amount of Euro 15.4 million reported at January 31, 2013 (including current portion of Euro 5.1 million) - is secured by a mortgage on a building in Tuscany where the company has concentrated the logistics activities of the footwear and leather goods divisions.

18. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Post-employment benefits	20,446	17,412
Other long term employee benefits	5,314	366
Total	25,760	17,778

Liabilities for post-employment benefits totaled Euro 20.4 million at January 31, 2013 and were all classified as defined benefit plans.

The TFR liability was determined based on an independent appraisal by Federica Zappari, an Italian registered actuary (no 1134) of *Ordine Nazionale degli Attuari*. 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.

The following table shows movements in liabilities for post-employment benefits in the period ended January 31, 2013:

	Post-employment benefits
Balance at January 31, 2012	**17,412**
Current service costs	24
Financial charges	339
Actuarial (gains)/ losses	4,208
Indemnities paid	(1,537)
Balance at January 31, 2013	**20,446**

Other long-term employee benefits

Other long-term employee benefits were qualified into the IAS 19 category "Other long-term employee benefits" and related to long-term retention and performances plan recognized to Company's employees. As at January 31, 2013, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 5.3 million (Euro 0.4 million as at January 31, 2012), as determined based on the appraisal of the independent actuary Federica Zappari.

19. 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, 2012	**871**	**22,333**	**-**	**23,204**
Reversals	-	(280)	-	(280)
Utilized	(520)	(33)	-	(553)
Increases	-	97	1,257	1,355
Balance at January 31, 2013	**351**	**22,117**	**1,257**	**23,726**

Provisions for risks and charges 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 tax disputes

The Company's main tax disputes are reported below.

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 sales of the "Genny" and "Byblos" businesses. 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. No update on this issue occurred during 2012.

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 acquisition of the "Genny" 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 rejected, the Company filed another appeal with Milan Regional Tax Commission that was rejected in a decision issued on January 20, 2010. The Company then prepared a further appeal to the Supreme Court of Cassation against which the Tax Authority filed its own counter appeal. No update on this issue occurred during 2012.

In October 2012, after Italian Tax Authorities rejected its request not to apply Italian Controlled Foreign Companies rules (CFC) for the 2010 tax year to its Dutch sub-holding company PRADA Far East bv, Prada spa paid some Euro 42 million in order to reduce the risk of application of additional penalties in case of assessment. The amount paid, included under income taxation for the twelve months ended January 31, 2013, followed the "ravvedimento operoso" procedure and represented the taxes due in Italy on the taxable income of PRADA Far East bv at the level of PRADA spa for 2010 and 2011 tax years. For other Group subsidiaries operating in countries where a preferential tax regime applies, the Italian Tax Authorities concluded that they could not admit the request not to apply the CFC rules. In January 2013 the Company filed an appeal to the Provincial Tax Commission of Rome against the response of the Tax Authorities to all of the above mentioned CFC applications and to obtain a refund of the aforementioned Euro 42 million paid.

In May 2012 an audit by the Italian Customs Authority regarding the 2007-2011 tax years began for Prada spa with reference to the method used to value imported products in specific circumstances. The audit was still ongoing at the reporting date. It is worth noting that, in March 2012, the Company filed a request with the Central Italian Customs Authority for a ruling on the same issue.

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 22.1 million carried at January 31, 2013, in respect of the tax disputes described above represents the best estimate of the obligations that the Company could be called upon to fulfill.

Provision for litigation

This provision represents the Directors' assessment of litigation risks at the end of financial year 2012.

Other provisions

Other provisions for risks amounted to Euro 1.3 million as at January 31, 2013, and related to obligations to reinstate premises under lease agreements in their original state.

20. Other non-current liabilities

Other non-current liabilities amount to Euro 0.7 million and regard liabilities to be recognized on a straight-line basis in relation to rental costs for stores in S. Elpidio a Mare, Noventa di Piave and Galleria Vittorio Emanuele II in Milan.

21. Shareholders' equity

Shareholders' equity is analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Share capital	255,882	255,882
Other reserves	849,055	717,369
Net income for the period	288,297	238,999
Total shareholders' equity	1,393,234	1,212,250

Share capital

At January 31, 2013, some 80% 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.

During the previous year, on June 24, 2011, the listing of 19% of the share capital of PRADA spa was successfully completed on the Main Board of the Hong Kong Stock exchange. This operation, as approved by the Shareholders' General Meeting held on May 26, 2011, involved the placement of 423,276,000 shares at an offer price of HKD 39.5 per share, including 58,824,000 new issued shares and 364,452,000 existing shares. Furthermore, on July 6, 2011, the International Underwriters of the IPO exercised their option to purchase a further 63,489,000 shares. This second transaction did not lead to a further share capital increase and did not result into any further cash injection for PRADA spa as the option was exercised on shares already in use before the share capital increase occurred with the listing. The issue of new shares gave rise to a gross capital injection of HKD 2,323.5 million, or Euro 209.8 million at the exchange rate applied to the transaction. Net of the directly attributable costs, the capital injection amounted to HKD 2,288.2 million, or Euro 206.6 million at the exchange rate applied to the transaction. Out of this total amount of Euro 206.6 million, Euro 5.9 million led to an increase in share capital while Euro 200.7 million were recorded as an increase in the share premium reserve.

Share premium reserve

As stated above, the Share premium reserve increased during the previous year by Euro 200.7 million i.e. 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).

Dividends

During the period ended January 31, 2013, the Company distributed dividends of Euro 127.9 million, as approved by the Annual General Meeting held on May 22, 2012 to approve the financial statements for the year ended January 31, 2012. Payment of the dividends was completed by January 31, 2013.

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.

Availability of shareholders' equity

(amounts in thousands of Euro)	January 31 2013	Possible utilization	Amount distributable	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share capital	255,882				
Share premium reserve	410,047	A,B,C	405,260		
Legal reserve	46,390	B			
Other reserves	182,899	A,B,C	182,899		
Non distributable reserves Art. 7 of Legislative Decree 38/2005	20,516				
Retained earnings	168,900	A,B,C	168,900	-	193,750
Cash flow hedge reserve	20,304				
Distributable amount			757,059		

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, 2013, the adjustment required to reach this amount would be Euro 4,787 thousand.

Income statement

22. Net revenues

Net revenues are mainly generated by sales of products and are stated net of returns and discounts. Net revenues for the year ended January 31, 2013 amounted to Euro 1,732 million, 15% more than in prior year (Euro 1,502 million in 2011).

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Net sales	1,729,500	1,500,093
Royalties	2,611	1,695
Net revenues	1,732,111	1,501,788

23. Cost of goods sold

Cost of goods sold is analyzed as follow:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Purchases of raw materials and production costs	708,350	693,103
Logistics costs, duties and insurance	88,139	72,389
Change in inventories	39,928	(47,764)
Total	836,417	717,728

Cost of goods sold has increased by Euro 118.7 million in absolute terms because of the higher volume of business.

Cost of goods sold on net revenues was in line with prior year (up from 47.8% to 48.3%).

24. Operating expenses

Operating expenses may be analyzed as follow:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Product design and development costs	74,870	70,298
Advertising and communication costs	100,605	90,904
Selling costs	246,984	218,554
General and administrative costs	66,306	66,492
Operating expenses	488,765	446,248

Advertising and communication costs include expenses incurred to develop advertising campaigns and organize fashion shows and other events plus overheads attributable to this area of the business. The increase in absolute terms on prior year is mainly due to higher media advertising costs.

Product design and development costs 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. Product design and development costs increased slightly compared to 2011 but fell as a percentage of net revenues (down from 4.7% to 4.3%) as most of the costs of this corporate area are fixed.

Selling costs increased by Euro 28.4 million mainly because of higher royalties.

The Additional information section contains an Income Statement reclassified by nature of expense.

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

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Interest income / (expenses)	(5,850)	(11,470)
Exchange gains / (losses) - realized	5,747	774
Exchange gains / (losses) – unrealized	5,248	(9,118)
Dividends	46,002	31,828
Other financial income / (expenses)	(1,928)	(5,458)
Total	49,219	6,557

Net interest expenses, amounting to Euro 5.9 million (Euro 11.5 million in 2011), represent the difference between total interest income of Euro 6.9 million (Euro 6 million in 2011) and interest expenses of Euro 12.8 million (Euro 17.5 million in 2011).

The reduction in net interest expenses reflects the reduction in financial indebtedness.

Other financial income/(expenses) include a Euro 0.5 million impairment loss on PRADA Hellas.

26. Income taxes

Income taxes for the periods ended January 31, 2013 and January 31, 2012 are analyzed as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Current taxation	138,325	106,228
Prior year taxation	33,774	(246)
Deferred taxation	(4,248)	(612)
Total	167,851	105,370

The increase in current income taxes in absolute terms is essentially due to growth of the business in general. As a percentage of profit before taxation, the tax burden increased from 30.6% to 36.8%, essentially because of the extraordinary Euro 42 million tax charge disclosed under Note 19 and regarding the rejection by the Italian Tax Authorities of PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch sub-holding company PRADA Far East bv.

Movements on net deferred tax assets and deferred tax liabilities are shown below:

(amounts in thousands of Euro)	January 31 2013
Opening balance, net	22,803
Deferred taxes for the period	(4,464)
Closing balance, net	18,339

The deferred tax assets and deferred tax liabilities recorded at the end of the reporting period and at the end of the prior period are shown below and classified based on the nature of the line item to which they relate:

(amounts in thousands of Euro)	Deferred tax, net		Income Statement effect	Share-holders' equity effect
	January 31 2013	January 31 2012		
Employee benefits – defined benefit plans	(313)	(788)	(35)	(440)
Inventories	22,965	21,395	(1,570)	-
Property, plant and equipment	(5,420)	(6,825)	(1,406)	-
Intangible assets	60	124	64	-
Provisions for risks and charges	8,174	7,025	(1,149)	-
Allowance for doubtful debts	(1,304)	(1,287)	17	-
Derivative instruments	(7,702)	1,552	-	9,254
Other temporary differences	1,980	1,810	(170)	
Long term IRAP (Regional Tax) liabilities	(102)	(204)		-
Total	18,339	22,803	(4,249)	8,814

The following table shows the reconciliation between the effective tax rate and the theoretical tax rate:

(amounts in thousands of Euro)	IRES	Eff. IRES rate	IRAP	Eff. IRAP rate	Total tax	Total Eff. rate
Theoretical tax on pre-tax income	125,440	27.50%	17,917	3.93%	143,358	31.43%
Rejection of request not to apply CFC rules	41,852	0.00%			41,852	
Exempt dividends	-12,018	-2.63%	-		-12,018	-2.63%
Aid to economic growth (ACE)	-3,344	-0.73%	-		-3,344	-0.73%
Request for IRES rebate for deduction of IRAP	-7,813	-0.16%			-7,813	
Deduction of costs allocated to Other Comprehensive Income	-717	0.03%	-		-717	0.03%
Other permanent differences	1,670	0.34%	210	0.05%	1,880	0.38%
Adjustments in UNICO tax return	-129	-0.03%	-73	-0.02%	-203	-0.04%
Differences between pre-tax income and net value of production			4,856	1.06%	4,856	1.06%
Taxation for period	144,940	24.31%	22,911	5.03%	167,851	29.50%
Temporary differences	3,945	0.86%	303	0.07%	4,248	0.93%
Current taxation	148,885	25.18%	23,214	5.09%	172,099	30.43%

27. Transactions with parent, subsidiary and associated companies and related parties

The Company enters into commercial and financial transactions with companies owned by entities that directly or indirectly control PRADA spa (related parties). Details of the amounts reported in the financial statements resulting from transactions with related parties are summarized in the tables below.

The said transactions mainly refer to the sale of goods, commercial services, loans granted and received. These transactions take place on an arm’s length basis on the same economic terms as transactions with third parties.

Galleria Transaction

The Company entered into the following continuing related party transaction in the context of the right granted by the Municipality of Milan o to use the premises in the Galleria Vittorio Emanuele II in Milan, Italy (the “Galleria Property”) under a concession agreement for an 18-year period (“the Concession Agreement”).

On January 29, 2013, the Company entered into a business combination agreement with Progetto Prada Arte S.r.l. (“PPA”) for an 18-year term (the “PPA Business Combination Agreement”). PPA is indirectly controlled by Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (both executive directors and substantial shareholders of the Company). The scope of the agreement is to grant the Company the right to represent, on an exclusive basis, the business cooperation between the Company and PPA vis-à-vis the Municipality of Milan in all aspects relating to the Concession Agreement and to bind PPA to pay to the Company the portion of the annual concession fee allocated to PPA, based on the portion of the Galleria Property used by PPA to carry on the cultural activities in the premises, which are required under the Concession Agreement. Since the duration of the PPA Business Combination Agreement is longer than three years the independent financial advisor, namely Somerley Limited, appointed by the Company has confirmed that the duration of the PPA Business Combination Agreement is as required and in accordance with normal business practice for contracts of this type.

Statement of financial position

(amounts in thousands of Euro)	Trade receivables January 31 2013	Trade receivables January 31 2012	Trade payables January 31 2013	Trade payables January 31 2012
Parent company	**124**	**653**	**-**	**-**
PRADA Holding bv	124	653	-	-
Subsidiaries and associates	**313,169**	**391,333**	**171,388**	**168,624**
Anita Smaga Sa	264	-	30	-
Artisans Shoes Srl	873	932	13,698	16,767
Car Shoe Hong Kong Ltd	60	54	-	2
Car Shoe Italia Srl	7,136	4,515	191	184
Car Shoe Sa	141	126	-	-
Car Shoe Singapore Pte. Ltd	10	7	-	-
Car Shoe UK Ltd	23	143	-	-
Church Footwear (Shanghai) Co. Ltd	40	-	-	-
Church & Co. (USA) Ltd	2	18	-	-
Church & Co. Plc	12,097	9,815	356	40
Church Austria Gmbh	47	23	-	-
Church English shoes Sa	1	2	-	-
Church Footwear Ab	17	-	-	-
Church France Sa	34	37	1	-
Church Holding UK Plc	316	231	-	43
Church Hong Kong Retail Ltd	36	20	-	-
Church Ireland Retail Ltd	40	27	-	-
Church Italia Srl	2,335	3,705	8	27
Church Japan Co., Ltd	1	1	-	-
Church Netherlands Bv	47	15	-	-
Church Singapore Pte Ltd	101	94	-	-
Church Spain Sl	25	10	-	-
Church UK Retail Ltd	1,131	1,331	-	-
Church's English Shoes Sw.Sa	5	16	-	23
IPI Logistica Srl	376	382	10,172	8,839
Post Development Corp.	1	1	-	-
PRADA (Thailand) Co.,Ltd	323	339	8	1
PRADA Asia Pacific Ltd	26,262	62,056	6,096	11,028
PRADA Australia Pty. Ltd	935	2,677	360	358
PRADA Austria Gmbh	2,605	1,135	18	118
PRADA Bosphorus Deri Mamuller Limited Sirketi	2,936	11,434	189	137
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	2,746	684	-	-
PRADA Canada Corp.	(2,481)	891	137	90
PRADA Company Sa	10	5	-	-
PRADA Czech Republic Sro	1,044	1,139	128	389
PRADA Emirates Llc (*)	840	665	93	-
PRADA Far East Bv	(373)	15	6	4
PRADA Fashion Commerce (Shanghai) Co. Ltd	6,371	5,991	94	1,415
PRADA Germany Gmbh	10,828	9,974	679	1,971
PRADA Hellas S. Ltd	1,637	5,513	7	11
PRADA Hong Kong P.D. Ltd	119	2	740	-
PRADA Japan Co., Ltd	27,483	42,501	993	4,830
PRADA Korea Ltd	810	979	104	297
PRADA Kuwaitt Wll	749	-	-	-
PRADA Maroc Sarlau	4,200	355	584	-
PRADA Middle East Fzco	11,090	2,438	84	530
PRADA Montecarlo Sam	997	944	42	30

(amounts in thousands of Euro)	Trade receivables Jan 31, 2013	Trade receivables Jan 31, 2012	Trade payables Jan 31, 2013	Trade payables Jan 31, 2012
PRADA Portugal, Unipessoal Lda	1,493	3,003	23	25
PRADA Retail France Sas	20,940	26,249	4,269	7,089
PRADA Retail Malaysia Sdn	216	203	-	-
PRADA Retail Mexico S. de r.l.	1,803	395	216	-
PRADA Retail UK Ltd	27,548	34,844	3,366	2,779
PRADA Singapore Pte, Ltd	893	727	1	1
PRADA Spain Sa	4,822	4,573	111	63
PRADA Rus Llc	11,853	16,166	2,563	-
PRADA Sa	30,643	31,428	122,360	106,291
PRADA Stores Srl	41,660	27,053	930	216
PRADA Sweden Ab	52	-	-	-
PRADA Taiwan Ltd Taipei	844	629	2	2
PRADA Ukraine Llc	1,802	199	13	-
PRADA Usa Corp.	38,531	66,427	1,408	4,680
Space Caffè Srl	(1)	(21)	0	-
Space Hong Kong Ltd	52	1,202	9	1
Space Sa	(265)	643	34	35
Space Usa Corp.	4,362	4,017	577	-
TRS Australia Ltd	-	151	-	0
TRS Guam Boutique	95	51	-	-
TRS Hawaii Llc	859	1,133	417	287
TRS Hong Kong Ltd - Macau	239	72	-	-
TRS New Zealand Pty. Ltd	23	19	-	-
TRS Okinawa Kk	350	862	258	20
TRS Saipan Boutique	20	26	-	-
TRS Singapore Pte Limited	45	39	11	0
Controlled by PRADA Holding bv	3	6	-	-
EXHL Italia Srl	3	6	-	-
Related parties	30,501	19,762	2,816	1,161
Al Tayer Insignia Llc	-	205	-	-
Al Tayer Trends ReadyMade Garments Co.	308	-	-	-
F.lli PRADA Srl	28,055	18,242	1,238	660
Gipafin S.a.r.l.	-	20	-	1
HMP Srl	8	8	-	-
Le Mazza Srl	42	70	36	251
Luna Rossa Challenge 2013 NZ Ltd	592	-	-	-
Luna Rossa Challenge 2013 Srl	117	-	-	-
PRA 1 Srl	39	-	-	-
Progetto PRADA Arte Srl	840	668	18	8
Secva Srl	-	-	1,393	-
Stellarea - Serv de Transp. Marit. Lda	-	28	-	-
Stiching Fondazione PRADA	501	521	-	-
Others (**)	-	-	131	240
Total	343,797	411,754	174,204	169,784

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2013	Jan 31, 2013	Jan 31, 2012	Jan 31, 2012
Parent company	-	48	0	-
PRADA Holding bv	-	48	0	-
Subsidiaries and associates	218,936	3,843	198,185	4,678
Artisans Shoes srl	591	361	5,908	1,597
Car Shoe Italia srl	-	5	1	0
Church & Co. plc	2,298	-	2,277	-
Church France sa	-	-	4	-
Church Holding UK plc	1,532	-	1,593	-
Church Italia srl	-	2,225	37	94
Church's Eng. Shoes Sw.sa	38	-	401	-
IPI Logistica srl	-	197	-	44
PRADA (Thailand) Co.,ltd	-	-	9	-
PAC Srl in liquidation	1,397	-	1,397	-
PRADA Asia Pacific ltd	-	1	-	5
PRADA Australia Pty. ltd	777	1	833	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	8,082	6	4,344	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	6,547	-	1,297	9
PRADA Canada Corp.	3	-	4	-
PRADA Czech Republic sro	1,684	-	1,750	20
PRADA Emirates Llc (*)	-	-	-	30
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	3	-	6
PRADA Germany gmbh	1,030	-	12,533	225
PRADA Hellas S. ltd	3,102	-	102	-
Prada Hong Kong P.D. Ltd.	-	3	-	-
PRADA Japan Co., ltd	114	3	2,121	4
PRADA Korea ltd	-	-	-	2
PRADA Maroc Sarlau	5,614	2	2,692	-
PRADA Middle East Fzco	7,528	6	4,438	5
PRADA Montecarlo sam.	1,106	-	1,119	-
PRADA Portugal, Unipessoal lda	1,662	-	570	-
PRADA Retail France sas	11,542	1	16,706	1,420
PRADA Retail UK	6,778	3	1,071	4
PRADA Rus LLC	10,994	1	10,136	172
PRADA sa	11,937	587	11,814	70
PRADA Spain sa	14,316	18	15,980	9
PRADA Stores srl	116,531	127	98,592	909
PRADA Ukraine Llc.	3,527	281	-	41
PRADA USA Corp.	72	11	75	9
Space Caffè srl	135	1	125	1
TRS Australia ltd	-	-	257	-
Related parties	16	1,267	13	252
F.lli PRADA srl	-	3	-	1
HMP srl	16	62	13	174
Peschiera Immobiliare srl	-	81	-	-
PRA 1 Srl	-	1,041	-	-
Progetto PRADA Arte srl	-	80	-	76
Stiching Fondazione PRADA	-	-	-	2
Total	218,952	5,159	198,198	4,930

(amounts in thousands of Euro)	Other current liabilities	
	January 31, 2013	January 31, 2012
Members of the Board of Directors	88	87

(amounts in thousands of Euro)	Financial payables	Other payables	Financial payables	Other payables
	Jan 31, 2013	Jan 31, 2013	Jan 31, 2012	Jan 31, 2012
Subsidiaries and associates	312,324	5,518	282,357	4,131
Artisans Shoes srl	1	364	-	137
Car Shoe Italia srl	1	615	29	967
Church Italia srl	-	292	-	62
IPI Logistica srl	1,292	28	1,047	134
Post Development Corp.	21,664	-	28,113	-
PRADA Austria Gmbh	1,139	-	1,124	-
PRADA Canada Corp.	32	-	33	-
PRADA Far East bv	229,218	4	194,061	4
PRADA Japan Co., ltd	-	-	1,692	-
PRADA Retail France sas	660	9	417	24
PRADA sa	58,134	1,560	52,598	1,533
PRADA Spain sa	-	-	-	4
PRADA Stores srl	-	2,551	0	1,180
PRADA USA Corp.	165	0	3,224	-
Space Caffè srl	-	95	-	84
Space sa	18	-	19	-
Related parties	-	29	-	29
F.lli PRADA srl	-	8	-	8
Progetto PRADA Arte srl	-	19	-	19
Stiching Fondazione PRADA	-	3	-	3
Total	312,324	5,547	282,357	4,160

Income Statement

(amounts in thousands of Euro)	Net Revenues Jan 31, 2013	Net Revenues Jan 31, 2012	Cost of goods sold Jan 31, 2013	Cost of goods sold Jan 31, 2012
Subsidiaries and associates	**1,194,121**	**1,024,246**	**81,884**	**125,307**
Anita Smaga Sa	(61)	-	-	-
Artisans Shoes Srl	5	-	50,716	61,079
Car Shoe Hong Kong Ltd	-	-	-	2
Car Shoe Italia Srl	9,862	9,007	(257)	(297)
Car Shoe Singapore Pte. Ltd	-	-	-	(1)
Car Shoe UK	-	-	-	(1)
Church & Co. Plc	5,346	4,689	1,077	666
Church Italia Srl	1,914	2,181	-	1
IPI Logistica Srl	-	-	27,202	21,733
PRADA Asia Pacific Ltd	443,528	383,279	1,803	21,446
PRADA Australia Pty. Ltd	-	-	-	7
PRADA Austria Gmbh	13,638	7,540	-	53
PRADA Bosphorus Deri Mamuller Limited Sirketi	6,695	7,964	-	1,944
PRADA Canada Corp.	16,094	13,643	-	5
PRADA Czech Republic Sro	3,314	2,991	0	117
PRADA Emirates Llc (*)	715	126	-	-
PRADA Far East Bv	14,240	10,762	-	1
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	-	18	1,241
PRADA Germany Gmbh	32,502	23,488	1	104
PRADA Hellas S. Ltd	2,102	2,344	-	84
PRADA Hong Kong P.D. Ltd.	-	-	(51)	-
PRADA Japan Co., Ltd	90,441	101,670	613	8,499
PRADA Korea Ltd	0	-	237	437
PRADA Kuwait Wll	196	-	-	-
PRADA Maroc Sarlau	1,988	-	(1)	-
PRADA Middle East Fzco	23,103	3,452	(13)	534
PRADA Montecarlo Sam	3,588	3,160	0	95
PRADA Portugal, Unipessoal Lda	4,201	4,535	6	1,136
PRADA Retail France Sas	81,176	54,624	2	237
PRADA Retail Mexico S. de r.l.	941	242	-	-
PRADA Retail UK Ltd	91,171	69,937	5	502
PRADA Rus Llc	12,854	9,858	(12)	-
PRADA Sa	7	-	-	-
PRADA Singapore Pte, Ltd	-	-	(47)	-
PRADA Spain Sa	10,996	9,974	13	179
PRADA Stores Srl	63,975	58,913	65	479
PRADA Taiwan Ltd Taipei	-	-	-	-
PRADA Ukraine Llc	2,117	-	-	-
PRADA Usa Corp.	195,431	177,686	497	1,927
Space Hong Kong Ltd	-	12,368	9	1,785
Space Sa	11,547	9,738	-	851
Space USA Corp.	41,050	30,286	-	-
TRS Australia Ltd	-	-	-	-
TRS Hawaii Llc	6,411	5,129	-	150
TRS Okinawa Kk	3,033	4,659	-	315
Related parties	**44,049**	**38,229**	**576**	**926**
F.lli PRADA Srl	44,049	38,229	-	545
IPR Srl	-	-	-	-
Le Mazza Srl	-	-	575	364
Luna Rossa Challenge 2007 Sl	-	-	-	17
Total	**1,238,170**	**1,062,475**	**82,459**	**126,233**

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2013	Jan 31, 2012	Jan 31, 2013	Jan 31, 2012
Parent company	(124)	(172)	-	146
PRADA Holding Bv	(124)	(172)	-	146
Subsidiaries and associates	119,769	104,698	35,828	35,491
Anita Smaga Sa	(294)	-	-	-
Artisans Shoes Srl	2,806	2,070	997	1,838
Car Shoe Hong Kong Ltd	(15)	(17)	-	-
Car Shoe Italia Srl	(1,866)	(2,099)	-	8
Car Shoe Sa	(15)	(20)	-	-
Car Shoe Singapore Pte. Ltd	(27)	(19)	-	-
Car Shoe UK Ltd	(30)	(140)	-	-
Church & Co. (USA) Ltd	(18)	(14)	-	-
Church & Co. Plc	(784)	(765)	29	48
Church Austria Gmbh	(23)	(23)	-	-
Church English shoes Sa	(7)	(6)	-	-
Church Footwear (Shanghai) Co. Ltd	(40)	-	-	-
Church Footwear Ab	(17)	-	-	-
Church France Sa	(45)	(91)	-	9
Church Holding UK Plc	(85)	(65)	(16)	71
Church Hong Kong Retail	(17)	(31)	-	-
Church Ireland Retail Ltd	(13)	(27)	-	-
Church Italia Srl	(410)	(324)	-	-
Church Netherlands Bv	(32)	(18)	-	-
Church Singapore Pte Ltd	(7)	(9)	-	-
Church Spain Sl	(17)	(18)	-	-
Church UK Retail Ltd	(373)	(416)	-	(1)
Church's Eng. Shoes Sw.Sa	(19)	(20)	2	16
IPI Logistica Srl	607	552	(1)	(6)
Post Development Corp.	-	(1)	(251)	(517)
PRADA (Thailand) Co.,Ltd	(368)	(515)	0	65
PRADA Asia Pacific Ltd	(5,779)	(4,597)	(1,712)	2,171
PRADA Australia Pty. Ltd	(1,117)	(1,383)	2	125
PRADA Austria Gmbh	(822)	(441)	(14)	(24)
PRADA Bosphorus Deri Mamuller Limited Sirketi	(1,049)	(851)	201	(169)
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	(2,034)	(675)	(75)	12
PRADA Canada Corp.	(265)	(133)	(72)	63
PRADA Company Sa	(5)	(5)	-	-
PRADA Czech Republic Sro	(240)	(198)	(14)	(79)
PRADA Emitates Llc (*)	(1,256)	(494)	(9)	3
PRADA Far East Bv	(310)	(166)	106	(7,755)
PRADA Fashion Commerce (Shanghai) Co. Ltd	(7,236)	(4,520)	(44)	(66)
PRADA Germany Gmbh	(1,397)	(692)	115	242
PRADA Hawaii Corp.	-	-	-	23
PRADA Hellas S. Ltd	(654)	(468)	2	2
PRADA Hong Kong P.D. Ltd	2,119	(2)	14	-
PRADA Japan Co., Ltd	(5,743)	(3,137)	(6,172)	3,893
PRADA Korea Ltd	(2,092)	(1,899)	5	2
PRADA Kuwait Wll	(841)	-	(8)	-
PRADA Maroc Sarlau	(1,824)	(354)	23	0
PRADA Middle East Fzco	(660)	(379)	(822)	320
PRADA Montecarlo Sam	(458)	(219)	14	24
PRADA Portugal, Unipessoal Lda	(814)	(556)	8	12
PRADA Retail France Sas	2,736	2,161	207	356

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2013	Jan 31, 2012	Jan 31, 2013	Jan 31, 2012
PRADA Retail Malaysia Sdn	(258)	(292)	-	0
PRADA Retail Mexico S. de r.l.	(277)	(144)	(26)	9
PRADA Retail UK	(766)	(1,833)	(1,158)	1,047
PRADA Rus Llc	(2,648)	(5,346)	140	736
PRADA Sa	181,845	154,228	44,799	29,381
PRADA Singapore Pte, Ltd	(1,576)	(1,313)	-	0
PRADA Spain Sa	(1,315)	(1,668)	214	271
PRADA Stores Srl	(7,935)	(7,319)	1,382	2,074
PRADA Sweden Ab	(52)	-	-	-
PRADA Taiwan Ltd Taipei	(1,556)	(926)	-	-
PRADA Ukraine Llc	(1,123)	(174)	16	-
PRADA Usa Corp.	(12,315)	(8,447)	(1,601)	731
Space Caffè Srl	(16)	(18)	1	1
Space Hong Kong Ltd	(59)	(95)	(7)	119
Space Sa	(216)	(115)	(57)	85
Space Usa Corp.	(449)	(337)	(281)	209
TRS Australia Ltd	-	-	4	38
TRS Guam Boutique	(105)	(58)	-	-
TRS Hawaii Llc	(173)	(107)	(23)	(18)
TRS Hong Kong Ltd - Macau	(283)	(83)	0	-
TRS New Zealand Pty. Ltd	(24)	(24)	-	-
TRS Okinawa Kk	(19)	(141)	(91)	121
TRS Saipan Boutique	(22)	(26)	-	-
TRS Singapore Pte Limited	(40)	(39)	-	-
Controlled by PRADA Holding Bv	(6)	(6)	-	-
EXHL Italia Srl	(6)	(6)	-	-
Related parties	939	905	(16)	5
Al Tayer Insignia Llc	-	(205)	-	-
Al Tayer Trends ReadyMade Garments Co.	(324)	-	(16)	-
F.lli PRADA Srl	(995)	(559)	-	0
HMP Srl	494	482	3	2
Le Mazza Srl	36	-	-	-
Luna Rossa Challenge 2007 Sl	22	(34)	-	-
Luna Rossa Challenge 2013 NZ Ltd	(567)	-	-	-
Luna Rossa Challenge 2013 Srl	(87)	-	-	-
Peschiera Immobiliare Srl	165	-	-	-
PRA 1 Srl	(39)	-	-	-
Premiata Srl	1	-	-	-
Progetto PRADA Arte Srl	(306)	(334)	(2)	3
Secva Srl	2,272	960	-	-
Stiching Fondazione PRADA	(178)	(323)	-	-
Others (**)	445	919	-	-
Total	120,577	105,425	35,812	35,641

Notes:
(*) Company consolidated based on definition of control expressed in IAS 27
(**) Relatives of members of the Board of Directors

Commitments

Guarantees

Guarantees given relate to comfort letters issued to banks on behalf of subsidiary companies for Euro 204.4 million.

Operating leases

As at January 31, 2013, operating leases mainly referred to industrial buildings and were broken down by due date as follows:

(amounts in thousands of Euro)	
Due within a year	18,753
Due between one and five years	61,256
Due after more than five years	124,424
Total	204,433

Other commitments

As at January 31, 2013, the Company had commitments for the purchase of fixed assets for a total amount of some Euro 2 million, wholly due by January 31, 2014.

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. At January 31, 2013 the Directors maintain that the fair value of this clause cannot be reliably measured.

Additional information

Remuneration of the Board of Directors

(amounts in thousands of Euro)	January 31 2013
Directors' fees	2,700
Remuneration and other benefits	16,004
Bonuses and other incentives	4,156
Benefits in kind	118
Pension, healthcare and TFR contributions	260
Total	23,238

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, checks that the accounting records are properly maintained and operations are correctly reflected in the accounting records) amounted to Euro 0.6 million. The total fees and expenses accrued to Deloitte & Touche spa and its network for the audit of the financial statements ending January 31, 2013, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	602
Tax advices	Deloitte & Touche spa/ Deloitte Network	25
Out of pocket expenses		16
Total independent auditor's compensation accrued for the period ended January 31, 2013		643

Income statement by nature

(amounts in thousands of Euro)	January 31 2013
Net revenues	1,937,040
Change in inventories	(49,950)
Purchases of raw materials and finished goods	583,927
Labor costs	199,925
Amortization, depreciation and impairment	25,969
Other operating expenses	670,341
EBIT	406,928
Interest income (expenses), net	(5,850)
Exchange gains (losses) - realized	5,747
Exchange gains (losses) - unrealized	5,248
Dividends	46,002
Other financial income (expenses)	(1,929)
Interest and other financial income (expenses)	49,219
Income before taxation	456,147
Taxation	167,851
Net income for the period	288,297

Headcount

The average headcount by business division at January 31, 2013 and 2012 is shown below:

(no of employees)	January 31 2013	January 31 2012
Production	1,196	1,153
Product design and development	809	787
Communications	58	53
Selling	514	449
General and administrative services	482	431
Total	3,059	2,873

Employee remuneration

Employee remuneration in the periods ended January 31, 2013 and January 31, 2012 is analyzed by business division as follows:

(amounts in thousands of Euro)	January 31 2013	January 31 2012
Production	60,977	56,722
Product design and development	53,394	49,559
Communications	6,458	5,758
Selling	35,399	29,711
General and administrative services	43,697	45,086
Total	199,925	186,836

Independent Auditors’ Report

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
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Italia

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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 financial statements of PRADA S.p.A., which comprise the statement of financial position as of January 31, 2013, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the related notes to the financial statements. These 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 29, 2012.

3. In our opinion, the financial statements give a true and fair view of the financial position of PRADA S.p.A. as of January 31, 2013, 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 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 financial statements of PRADA S.p.A. as of January 31, 2013.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
April 5, 2013

Statutory Auditors' Report

PROPOSED APPOINTMENT OF LEGAL AUDITORS

PURSUANT TO ART.13 OF LEGISLATIVE DECREE 39/2010

To the Shareholders of PRADA S.p.A.

The Board of Statutory Auditors

HAVING NOTED THAT

- The mandate granted to the current Audit Company is about to expire, the Shareholders' Meeting is required to resolve on the appointment of a legal auditor of accounts;

- Pursuant to art. 13 of Legislative Decree 39 of 27 January 2010 the Shareholders' Meeting shall appoint the legal auditor based on a reasoned proposal made by the Board of Statutory Auditors;

HAVING CONSIDERED THAT

- The Board of Statutory Auditors has received two expressions of interest to be appointed legal auditor;

- The above-mentioned expressions of interest have been submitted by the following Audit Companies:

  KPMG S.p.A. with registered office in Milan, Via Vittor Pisani 27

  DELOITTE & TOUCHE S.p.A. with registered office in Milan, Via Tortona 25

- With reference to the subject matter of the appointment, the expressions of interest shall include, for each fiscal period, the legal audit of accounts and, in particular, the audit of the financial statements and consolidated accounts of the PRADA Group for the three-year period 2013 (closed as at January 31st, 2014) – 2015 (closed as at January 31st, 2016) in compliance with Legislative Decree 39 of 27 January 2010.;

- With respect to the proposals received, the Board of Statutory Auditors has shared its analyses and evaluations also with the Corporate Structure and in particular with the Audit Committee;

- The fees indicated in the expressions of interest to be appointed legal auditor are as specified and compared below:

	Audit Company		
Annual Report	Deloitte and Touche (In Charge)	KPMG	Diff.
Global Hours	18,279	19,700	1,421
Global Fees	**1,605,100**	**1,820,000**	**214,900**
Average Hourly Fee	**87.8**	**92.4**	**4.6**
Interim Review (Half Year)	Deloitte and Touche (In Charge)	KPMG	Diff.
Global Hours (Interim Review)	4,096	4,200	104
Global Audit Fees (Interim Review)	**390,100**	**400,000**	**9,900**
Average Hourly Fee	**95.2**	**95.2**	**- 0.0**
Global Audit Fees (Annual Report+Half Year)	1,995,200	2,220,000	224,800

HAVING VERIFIED THAT

- the procedures for the performance of the audit activities specified in the offers, also in terms of expected number of hours and human resources requirements have been found to be adequate for the scope and complexity of the engagement;

- the expressions of interest also contain a specific declaration concerning the possession of the legal requirements of independence provided for by the law;

- based on the proposals received, the legal audit firms which have expressed their interest in the appointment possess the independence requirements set forth by the law;

- the organizational structure and technical and professional skills of the audit firms are adequate for the scope and complexity of the engagement;

HAVING CONSIDERED THAT

- So far the Audit Firm DELOITTE & TOUCHE S.p.A has carried out the audit activity with a high degree of diligence and professionalism, as well as with the correct spirit of cooperation with the Company's Management and the Board of Statutory Auditors, and after acknowledging and sharing the Audit Committee's report delivered to the Board of Directors on April 3rd, 2013 and that the proposal of DELOITTE & TOUCHE S.p.A is more than Euro 200,000.00 lower that the one submitted by KPMG,

PROPOSES

that the Shareholders' Meeting, on the basis of the above-mentioned reasons, appoints the following Audit Company as legal auditor for the three-year period 2013 (closed as at January 31st, 2014) – 2015 (closed as at January 31st, 2016), after determining the above-mentioned fees for the whole duration of the appointment, as well as any criteria for adjusting them during the period of the appointment:

DELOITTE & TOUCHE S.p.A. with registered office at Via Tortona 25 – 20144 Milan

VAT no./Taxpayer's code no. and Business Registry no.: 03049560166

Audit Manager: Ms.Patrizia Arienti

Milan, April 5th, 2013

The Board of Statutory Auditors

Antonino Parisi

Roberto Spada

David Terracina