PRADA Group

PRADA Group

Patrizio Bertelli

Miuccia Prada

The Group

The structure of
Terranuova Bracciolini (AR)

The first Prada store,
Galleria Vittorio Emanuele II
Milan

Presentation

"Prada's engagement in the world of ideas and innovation, as it has always considered fashion, luxury, and style as an overarching project beyond the continuous production of clothes, shoes, and bags. Careful observation of and curiosity about the world, society, and culture are at the core of Prada's creativity and modernity. This pursuit has pushed Prada beyond the physical limitations of boutiques and showrooms, provoked an interaction with different and seemingly distant worlds, and introduced a new way to create a natural, almost fashionless fashion"
Miuccia Prada and Patrizio Bertelli

These values have transformed a family business into a major player in the luxury market worldwide.

The PRADA Group is one of the world's leaders in design, production and distribution of luxury handbags, small leather goods, footwear, ready-to-wear, accessories, eyewear and fragrances. The Group owns some of the most prestigious international brands: Prada, Miu Miu, Car Shoe and Church's .

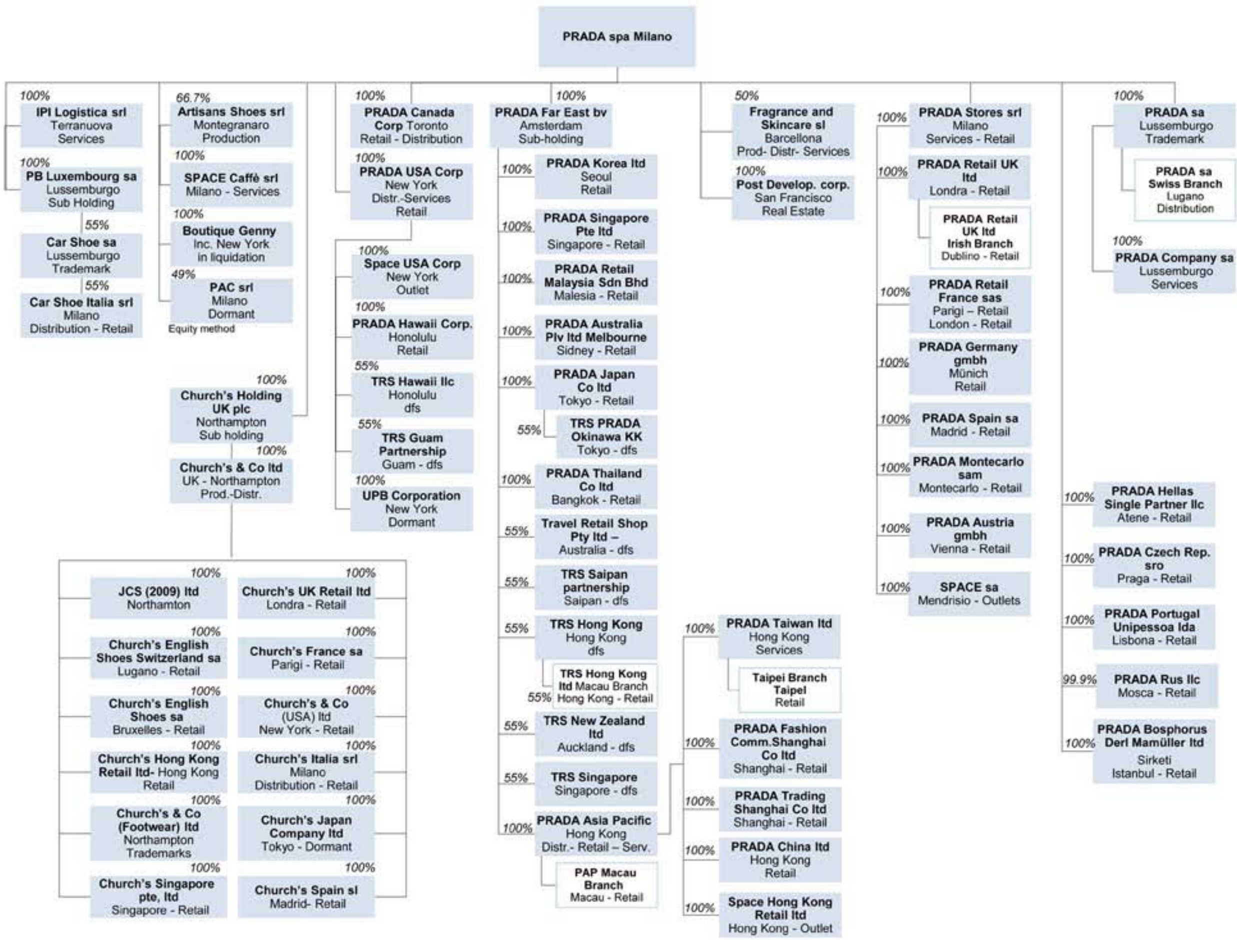
The Group operates in around 80 countries through 265 DOS, 35 franchising and a network of selected high-end multi-brand stores and luxury department stores.

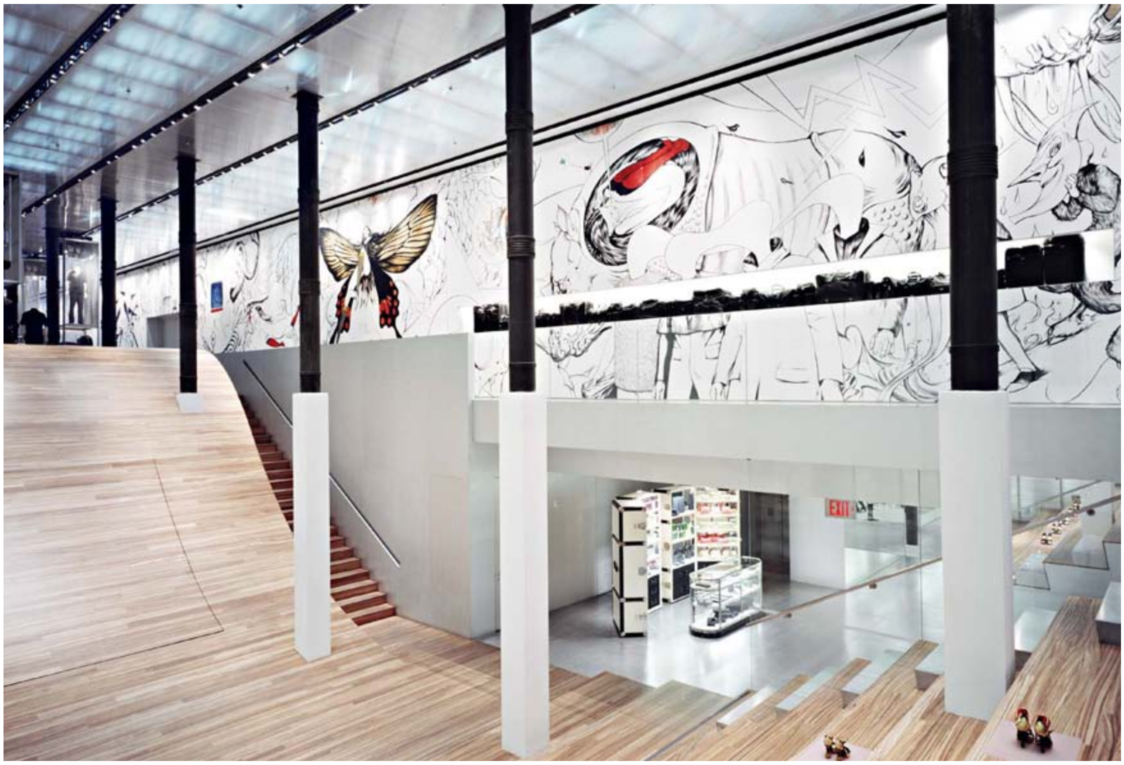
Prada's distinctive features and prestige derive from its particular industrial process management which allows the Group to offer its customers products of unequalled quality, creativity and exclusivity.

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

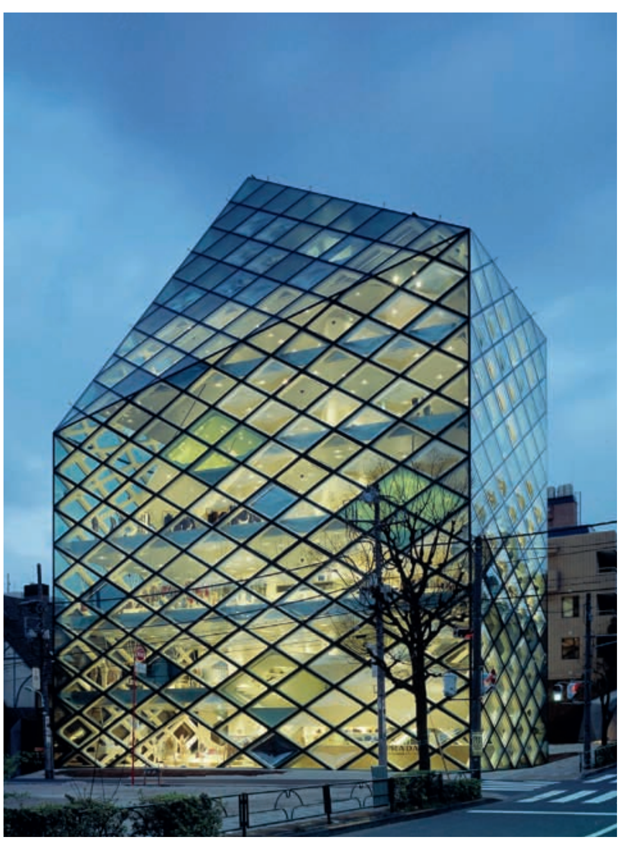
The result is the exclusive relationship between each customer and the PRADA Group brands, its products, its communication, its stores. This is why customers recognize in Prada's products a personal and important part of their desire for self-expression and communication with the world around them.

Structure of PRADA Group





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



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

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

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

Fall/Winter 2010
Advertising campaign
for Prada

Fall/Winter 2010
Advertising campaign
for Prada

History of PRADA Group

The Prada brand dates back to the beginning of the last century. In 1913, Mario Prada opened a luxury store in the Galleria Vittorio Emanuele II in Milan, selling leather handbags, travelling trunks, leather accessories and beauty cases, luxury accessories and precious items which were characterized by an exclusive design and handcrafted using fine materials. Prada rapidly became a reference point for the European aristocracy and for the most elegant members of the haute-bourgeoisie in Europe.

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

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario's grandaughter, started with Patrizio Bertelli, a Tuscan entrepreneur already active in the leather goods sector with Granello and Sir Robert companies, a partnership that combined creativity and business genius inaugurating a new era.

In 1977, Patrizio Bertelli set up I.P.I. spa to consolidate the production resources that he had built during the previous ten years, including those of Sir Robert and Granello. In the same year, I.P.I. spa obtained an exclusive license from Miuccia Prada to produce and distribute leather goods bearing the Prada brand name. In the following years, the activities of the two families were gradually brought together within a single Group and, in 2003, IPI spa was merged into PRADA spa.

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

In addition, a new brand, Miu Miu, was launched in 1993.

In 1999 Prada acquires the full control of Church's Group, one of the most prestigious brand of English shoes.

In 2001 Prada acquires the control of Car Shoe trademark, an historical Italian brand famous for exclusive driving shoes.

In 2003, Prada entered into a ten-year licensing agreement with Italian eyewear manufacturer Luxottica, one of the world leaders in the eyewear industry. The Luxottica Group currently produces eyewear for the Prada and Miu Miu brands.

In 2003 a joint-venture with Spanish cosmetic manufacturer Puig Beauty & Fashion Group has been set up and launched its new Prada women's fragrance at the end of 2004.

Fall/Winter 2010
Advertising campaign
for Miu Miu

Fall/Winter 2010
Advertising campaign
for Miu Miu

The main stages in the recent development of the Prada and Miu Miu brands were as follows:

1979: launch of Prada women's footwear collection

1983: opening of a second store in Via della Spiga, Milan

1986: opening of the first store in the United States in New York

1989: launch of Prada women's ready-to-wear collection

1993: launch of Miu Miu women's collections (ready-to-wear, bags and footwear)

launch of Prada men's collections (ready-to-wear and footwear)

1997: launch of Prada Linea Rossa products

2000: launch of Prada eyewear collection

2001: opening of the first "Epicenter" store in SoHo, New York

2003: opening of the second "Epicenter" store in Aoyama, Tokyo

joint-venture with Puig Beauty for the fragrance lines

2004: opening of the third "Epicenter" store in Beverly Hills, Los Angeles

2006: Miu Miu fashion show in Paris

Prada launches its first men's fragrance

2007: launch of Prada phone by LG

launch of new Prada women's fragrance, Infusion d'Iris

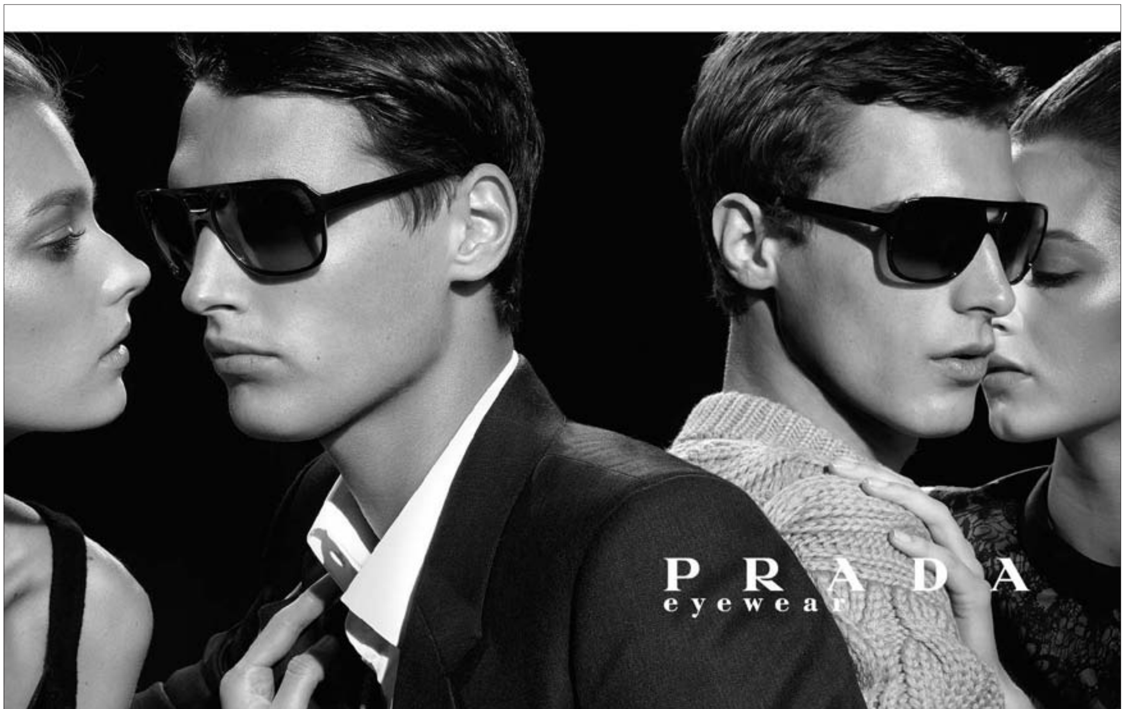
2008: launch of Infusion d'Homme, the new Prada men's fragrance

launch of the new Prada phone by LG

2009: launch of "Made to Measure" (customised and made to measure men's shirts) and "Made to Order" (possibility to customize clothes, accessories and shoes) exclusive services available in a new concept renovated store in Corso Venezia, Milan

launch of Prada women's frangrances Eau Ambrée and Infusion de Fleur d'Oranger

Fall/Winter 2010
Advertising campaign
for Prada Eyewear



Fall/Winter 2010
Advertising campaign
for Prada Eyewear

The Group Brands

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

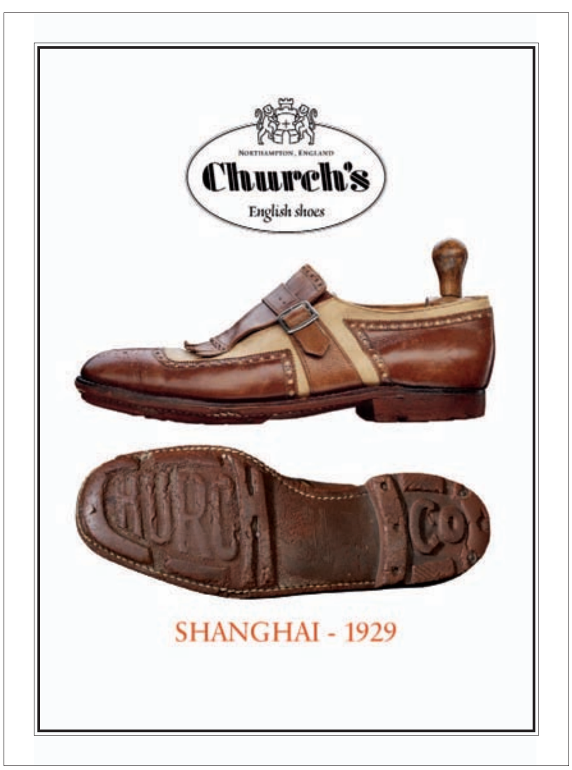
Prada: an historic brand that represents the best of Italian culture and tradition with unmistakable style, sophisticated elegance and uncompromising quality. At the same time, this is one of the most innovative fashion brands, able to re-define the norm and set new trends. Prada tends to go beyond conventional solutions to anticipate and satisfy consumers' tastes.

Miu Miu: Miuccia Prada's other soul, a brand with a very strong and autonomous identity, characterized by an avant-garde, sensual, sometimes provocative, style aimed at a clientele particularly focused on research and experimentation.

Church's: founded in Northampton (England) in 1873, is the world renowned symbol of century-old tradition in luxury footwear production, characterized by classic style and sophisticated English elegance. In 2009 the brand proposed a new range of lifestyle items.

Car Shoe: an historic Italian brand, identified for decades with the most exclusive driving shoes with black rubber studded soles that give better grip on the car pedals. More recently, the brand has developed new models and offers a complementary line of accessories.

2010
Advertising campaign
for Car Shoe



2010
Advertising campaign
for Church's

Stategic processes

Design

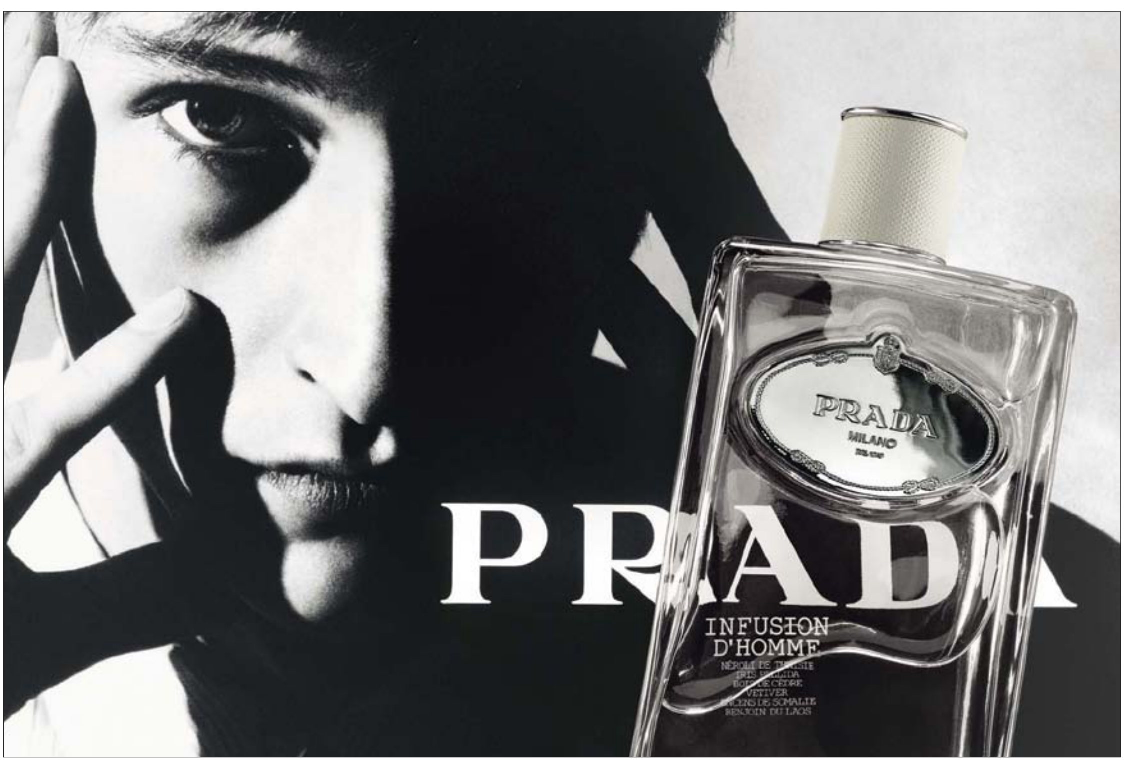
The first step of the quality process starts from the creative process.

Miuccia Prada has the ability to combine intellectual curiosity, search for new and unconventional ideas, cultural and social interests with a strong sense of fashion and attention to detail.

This unique approach enables Prada to anticipate and set trends, continually experimenting with shapes, fabrics, leathers and production techniques. This experimentation and exchange of ideas are the essential components of the design content found in each Prada product. The time spent at the so-called "drawing board" is fundamental in defining each collection. Each ready-to-wear collection harmonizes with footwear and accessories to create a well-defined, consistent brand image.

Miuccia Prada and Patrizio Bertelli's talent, coupled with their extraordinary personalities, continue to attract other internationally renowned talents who want to work with them in many different creative fields. This results in formidable teams in all aspects of the creative process: from design, to architecture, to photography and to the interior design of the stores. Prada products have even been presented and interpreted as works of art.

2010
Advertising campaign
for Prada Parfums



2010
Advertising campaign
for Prada Parfums

Production

The second step of the value chain involves the choice and selection of fabrics, leathers and other raw materials. These are always carefully chosen and often exclusively made for Prada based on very detailed specifications. With an annual consumption of some 4 million meters of fabric and a similarly impressive amount of leathers, Prada can benefit from privileged attention of the best fabric makers as well as tanners in the world.

Prada products are made in its 16 state-of-the-art facilities in Italy and in England and through a network of external suppliers, all of them selected for their craftsmanship skills. This system allows strict control of the overall production process and also maximizes the individual capacities of each facility. Furthermore, it guarantees top quality and the greatest level of flexibility.

The core of Prada production employees has been working with the company for an average of 20 years. This means the highest level of specialization as well as dedication to the brand and a smooth transfer of know-how to younger generations.

Distribution

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

The most evident proof is the Epicenter Concept Store Program. These very special stores, located in New York, Los Angeles and Tokyo, have been designed in collaboration with world-famous architects such as Rem Koolhaas and Herzog & de Meuron, to re-invent and re-visit the concept of shopping. Prada Epicenters blend shopping and interaction with space, creating synergies with new technologies and different cultural influences. This offers customers a multitude of unique experiences and exclusive services.

In terms of distribution channels, the Group has developed a strong network of Directly Operated Stores and integrates this with a significant presence in selected high-end multi-brand stores and luxury department stores.

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

The wholesale channel (department and multi-brand stores) guarantees a number of points of sale in prestigious locations in key markets and provides a direct and immediate comparison with the competition. The sales performance in the wholesale channel is therefore a very useful indicator of consumers' tastes and the brand's relative strength.

65% of PRADA Group's consolidated sales are generated by the retail channel, while the remaining 35% comes from wholesale.

Luna Rossa
Valencia 2007

Luna Rossa
Valencia 2007

Image and communication

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

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

Cultural and commercial in-store events (such as fashion and trunk shows as well as the highly-acclaimed "Waist Down" skirt exhibition) help raise the brands' profile and increase awareness of the most recent collections in local markets, from Tokyo to New York, from Hong Kong to London.

Prada took part in the America's Cup in 2000, 2003 and 2007 editions. This experience, which led also to the development of a sport clothing and accessories line, has contributed to further spread the image of Prada in the world, associating the brand with one of the oldest and most prestigious international sport competitions.

Art and culture

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

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

The flexible nature of the Fondazione Prada has also developed along a number of different routes, in a variety of fields of cultural research including art, architecture, philosophy, science, design and cinema.

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

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

Brand recognition and evaluation

Prada is one of the 100 most important brands in the annual Interbrand's ranking and has consistently been one of the few Italian brands present in the ranking year after year.

This gives strength to the Group's "brand equity" as a fashion brand's desirability must be accompanied by an equally strong appeal and recognition.

Prada has managed to gain such a high level of international renown that it has even captured the attention of literature and the movie industry (the best selling novel "The Devil Wears Prada" was published in 2003, followed by a movie of same name in 2006), to testify the fact that this brand is now synonymous with elegance and style.

PRADA Group's Human Resources

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

The Human Resources Department operates in an international environment, cooperating closely with the business areas in order to verticalize processes and to develop local competencies and specificities.

In 2009 the Human Resources Department has continued its activities aimed at the reorganization of business processes with a view on efficiency and effectiveness, integration between headquarters and subsidiaries and focus on the business.

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

The training and development policies implemented in 2009 were mainly aimed at strengthening the Retail Stores Area fully in line with the development of this channel.

The Group's presence in the international market through its four brands and the total control over the whole value chain offer to the Group's employees the possibility to grow both inside their areas of competence as well as at horizontal and international level.

Corporate Information

Miuccia Prada Bianchi (Chairwoman)
Patrizio Bertelli (Chief Executive Officer)
Carlo Mazzi (Deputy Chairman)
Donatello Galli (Managing Director)
Brian Blake (Managing Director, resigned April 27, 2009)
Marco Salomoni (Director)
Marco Cerrina Feroni (Director)
Francesco Tatò (Director, office expired on May 28, 2009)
Gian Franco Oliviero Mattei (Indipendent Director appointed on May 28, 2009)
Giancarlo Forestieri (Indipendent Director)

Internal Control Committee

Gian Franco Oliviero Mattei (Chairman appointed on May 28, 2009)
Marco Salomoni
Giancarlo Forestieri
Francesco Tatò (office expired on May 28, 2009)

Remuneration Committee

Carlo Mazzi (Chairman)
Giancarlo Forestieri
Francesco Tatò (office expired on May 28, 2009)
Gian Franco Oliviero Mattei (appointed on May 28, 2009)

Board of Statutory Auditors

Antonino Parisi (Chairman)
Nino Clerici (office expired on May 28, 2009)
Olderigo Fantacci (office expired on May 28, 2009)
Riccardo Perotta (appointed on May 28, 2009)
Gianandrea Toffoloni (appointed on May 28, 2009)

Supervisory Board (L. 231/2001)

David Terracina (Chairman)
Franco Bertoli
Marco Salomoni

Majority Shareholder

PRADA Holding bv
Dam 3-7
1012 JS Amsterdam
The Netherlands

Corporate Headquarter

Via A. Fogazzaro, 28
20135 Milan
Italy

Auditor

Deloitte & Touche Spa
Via Tortona 25
20144 Milan
Italy

Corporate Governance

The Corporate governance model adopted by the PRADA Group since 2007, consists of a set of legal rules and standards able to grant an efficient and transparent operation of corporate bodies and control systems. The structure, in compliance with applicable regulations and with the guidelines of the "Corporate Governance Code" for Listed Companies, is in line with the models adopted in the most advanced financial markets.

This structure, based on the traditional system of Governance, provides the following Corporate bodies at the Company level:

- Board of Directors (two of whose members meet the requirements of independence);
- Board of Statutory auditors;
- Internal Control Committee;
- Remuneration Committee.

Related parties transactions are regulated by a formal procedure adopted by the Board of Directors held on December 18, 2007.

Finally, the model of organization management and control (according to D. Lgs. 231/2001) established by the Company together with the Supervisory Board during the Board of Directors held on December 18, 2007, was updated in the current year to take account of legislative changes in the meantime.

Financial review

The report of the Board of Directors refers to the Group of companies controlled by PRADA spa (the "Company"), holding company of the PRADA Group (the "Group") and is based on the Consolidated Financial Statements of the Group at January 31, 2010 (year 2009), prepared in accordance with IAS/IFRS.

The Report must be read together with the Financial Statements and the Notes to the Financial Statements which are an integral part of the Consolidated Financial Statements.

Consolidated Income Statements

(amounts in thousands of Euro)	January 31, 2010	%	January 31, 2009	%
			(adjusted)	
Net sales	1,530,577	98.0%	1,604,148	97.6%
Royalties	30,661	2.0%	39,481	2.4%
Net revenues	1,561,238	100.0%	1,643,629	100.0%
Cost of goods sold	(586,582)	-37.6%	(690,533)	-42.0%
Gross margin	974,656	62.4%	953,096	58.0%
Operating expenses	(787,624)	-50.4%	(762,142)	-46.4%
EBIT	187,032	12.0%	190,954	11.6%
Interest and other financial income (expenses), net	(31,882)	-2.0%	(37,136)	-2.3%
Profit before taxation	155,150	10.0%	153,818	9.4%
Taxation	(52,503)	-3.4%	(52,631)	-3.2%
Net profit from operations to be continued	102,647	6.6%	101,187	6.2%
Net profit from discontinued operations	(2,307)	-0.1%	(602)	0.0%
Minority interests net result from operations to be continued	177	0.0%	1,779	0.1%
Group net result from operations to be continued	102,470	6.6%	99,408	6.0%
Depreciation and amortisation	103,187	6.6%	91,688	5.6%
EBITDA from operations to be continued	290,219	18.6%	282,642	17.2%

The "Cheaney" business unit (owned by the Church's Group) was sold on August 7, 2009 therefore, pursuant to IFRS 5, has been classified as "Discontinued operations" in the income statement for the current year and in the previous one, which has been adjusted.

Key-figures

Economic key-figures (amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010	change % last year
		(adjusted)		
Net revenues from operations to be continued	1,660,561	1,643,629	1,561,238	-5.0%
EBITDA from operations to be continued	315,971	282,642	290,219	2.7%
Total EBITDA	318,817	282,217	288,410	2.2%
EBIT from operations to be continued	239,733	190,954	187,032	-2.1%
Total EBIT	242,482	190,359	184,726	-3.0%
Result before taxation from operations to be continued	199,977	153,818	155,150	0.9%
Net result for the Group	129,521	98,806	100,163	1.4%
EBITDA from operations to be continued %	19.0%	17.2%	18.6%	-
EBIT from operations to be continued %	14.4%	11.6%	12.0%	-

Financial figures (amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010	change % last year
Non-current assets	1,282,750	1,429,837	1,460,521	2.1%
Net working capital	257,092	257,696	171,044	-33.1%
Net operating working capital	286,804	271,202	259,278	-4.4%
Net capital invested	1,420,078	1,549,651	1,490,812	-3.7%
Net financial position (to third parties)	513,421	554,776	485,338	-12.5%
Group net equity	908,410	1,003,107	1,047,903	4.5%
Investments	94,557	159,204	134,516	-15.5%
Operating cash flow	172,004	165,912	279,886	68.7%

2009 highlights

In the last two years the world's major economies have been hit by an unprecedented recession in the recent past. International trade and Gross Domestic Product of major countries have suffered a drastic decline, the only significant exceptions were China and India, albeit with a relative slow down in their pace of growth.

In 2009, after a first half in which the crisis intensified and broadened, significantly deteriorating prospects for world economic growth, some signs of recovery emerged from the last quarter. In addition to an improvement in financial market conditions, the real economy began to show some signs of stabilization in terms of international trade and demand, also in the more mature industrialized countries.

The luxury market has also suffered from the crisis, although comparatively less than other sectors, recording, especially in the first half of the year, a major contraction in consumption and consequently, after more than a decade of almost uninterrupted growth, showed in 2009 a 11% fall in real terms.

In light of this complex economic environment, the results achieved in 2009 by PRADA Group can be considered satisfactory, both in terms of operating profitability and cash flow generation, reflecting the effectiveness of strategies undertaken even before the advent of the economic downturn.

The constant development of the retail network, now present in the most prestigious locations of the world, combined with the strength of the brands and the appeal of the products offered, enabled the PRADA Group to effectively respond to the changing scenarios that have characterized the different markets in 2009. Furthermore the management was focused on stronger actions aimed to cost saving and efficiency that together have contributed to improve profitability and optimize financial resources.

Net revenues for the period ended January 31, 2010 totalled at Euro 1,561.2 million, showing a decrease of 5% (-6.8% at constant exchange rates) compared to Euro 1,643.6 million recorded during the year ended January 31, 2009, albeit with opposite trends in the various distribution channels.

The excellent performance of the retail channel, which scored a sales increase of 13.8% (+10.6% at constant exchange rates), partially offset the loss of revenues of the wholesale channel – which recorded a decrease of 26.4% over the previous year (-26.6% at constant exchange rates) - mainly due to the reduced orders of the independent customers in the markets most affected by economic crisis, primarily the American one.

A great boost to the growth of retail sales was given by 35 new openings including 16 Prada stores, 15 Miu Miu stores, 3 Church's stores and 1 Car Shoe store. The most significant ones were the following: for Prada, the inauguration of the first freestanding in Prague, the entry in Istinye Park malls in Istanbul, The Mix City in Shenzhen (China) and Ion Orchard in Singapore, in addition to the new stores in Madrid and in Tokyo's Ginza; for Miu Miu, it is worth mentioning the stores in Istanbul, Bal Harbour, Honolulu, Shenzhen, Singapore, Seoul, Busan (Korea) and Kuala Lumpur.

It should be noted that on a like-for-like basis (comparable stores and constant exchange rates basis) the retail network was able to keep sales in line with the previous year also thanks to the unremitting work in making the shopping experience always unique and exclusive, consistent with the image of the brands. All the renovations and relocations made on some major stores, including Shanghai (Plaza 66), Hong Kong (Canton Road), Madrid (Calle Serrano), Paris (Faubourg Saint Honore) and Forte dei Marmi, must be read in this sense.

Despite the decline in total revenues, operating profitability of the Group improved during the period. The gross margin amounted to Euro 974.7 million in 2009 (Euro 953.1 million in 2008) and stood at 62.4% of net revenues, increasing by 4.4 percentage points over the previous year, mainly boosted by the increased incidence of the retail channel over the wholesale.

The EBITDA from continuing operations, amounting to Euro 290.2 million (Euro 282.6 million in 2008), raised its incidence on revenues from 17.2% to 18.6%.

The EBIT, which amounted to Euro 187 million, showed a slight decrease compared to 2008 primarily as a result of higher depreciation resulting from the investments plan made during the last two years.

Favored by lower financial charges, the Group net income, which amounted to Euro 100.2 million, shows an increase compared to 2008 (+1.4%).

To be emphasized are the effects of these results on cash flows, that enabled the Group to support the important investments plan, to reward Shareholders and to reduce the Group's global bank debt at the end of the year, which shows a decrease of Euro 69.4 million.

On March 10, 2009, PRADA sa acquired from Telecom Italia spa the remaining 49% share of Luna Rossa Trademark sarl bringing its stake to 100%.

Moreover, as previously noted, on August 7, 2009, the "Cheaney" footwear business has been disposed as it was no longer considered strategic for the Group.

Communication

In a difficult market environment such as the one that characterized 2009, communication plays an extremely delicate role, that the Group interpreted balancing its actions between cost saving and focus on high-impact initiatives also using unconventional channels.

The innovative architectural project of the Prada Transformer in Seoul should be read in this perspective: the most important effort in communication that engaged Prada in 2009. So called for its ability to "transform" and adapt to multiple needs turning on itself, this particular building, designed by the renowned Dutch architect Rem Koolhaas, combines into one pavillon the four sides of a tetrahedron (hexagon, cross, rectangle and circle), each one was functionally conceived for a specific installation. Then the building has been flipped each time (with the help of cranes) to create four volumes, each of them with their own identity depending on the planned event (retrospective exhibition, film festival, installation of contemporary art). The Prada Transformer was placed right next to the 16th century Seoul's Gyeonghui Imperial Palace in order to juxtapose Korean history, tradition and folklore with the expression of the most advanced architectural thinking. During its life, events of different nature were alternated inside the Prada Transformer, all of them of international importance. The very choice of Seoul, city characterized by a rapid growth rate, plays a strategic role in the development of the Asian market for the Group. The space was opened at the end of April, with the "Waist Down - Skirts by Miuccia Prada" exhibition, an ongoing project by Miuccia Prada in collaboration with AMO: basically a collection of skirts in motion that ranges from the first Prada fashion show to nowadays collections. The space was then converted in June, in a movie theater for the movie retrospective "Flesh, Mind & Spirit" directed by Alejandro González Iñárritu, and in August, into an exhibition space that has hosted the installation "Turn into me" of the young, but already award-winning, Swedish artist Nathalie Djurberg, organized by Fondazione Prada.

The Prada Transformer generated an extraordinary level of press and public interest on a global scale. On September 14, 2009, the President of the Italian Republic, Giorgio Napolitano, during his official trip to Korea visited the Prada Transformer as evidence of deep appreciation into the innovative approach of an Italian company leader in the world (www.pradatransformer.com).

Another noteworthy initative was the presentation in November 2009 of the "Prada Book". A work that explores and explains the many aspects through which Prada has expressed itself during the years and continues to speak now: from fashion to communication, from research of the excellence to the technology development, from architecture to art. A catalogue that traces the map of a creative activity that exceeds and undermines the simple definition of "fashion house" and that has created, over thirty years, a range of projects that, starting from fashion, are landed to the most diverse fields of culture, art and design. The book is being sold in Prada stores all over the world, on the www.prada.com website, as well as in major bookstores, and scored a success in sales that exceeded any expectations.

Moreover, during the year, the traditional communication activity continued to support the brands and commercial development, also through in-store events around the world focused on the strengthening of the relations with customers and with the territory. Among the most important projects it is worth mentioning the initiative called "The Iconoclasts" which took place in February and March, during fashion weeks. The image of the Prada stores, on Broadway in New York, Old Bond Street in London, Via Montenapoleone in Milan and Avenue Montaigne in Paris, was entrusted to four of the world's most famous fashion editor, who played with their vision for the setting and presentation of the Prada woman Spring/Summer 2009 collection.

As part of the continuous reserach activities that also involves the concept of the stores, which are considered an essential key to the brand image, in September 2009 the new shop in Corso Venezia in Milan was opened with a big event during the Fashion Week.

The shop (run by the company Venezia 3 srl, which is owned by the Prada family) has been completely renovated both in the architecture and in the range of merchandise offered, becoming - in the world of Prada - the first example of a new shopping experience.

This store is the prototype of a more contemporary concept in terms of shopping experience. It unveiled a new vision of Prada which is translated into a unisex offer of ready-to-wear, footwear and accessories where often male style is expressed in female proposals. The centerpiece of the shop is the exclusive “Made To Order” service with which the customer can customize a wide range of products.

Net sales analysis

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc/Dec %
			(adjusted)		
Net sales by geographic area					
Italy	330,005	21.6%	385,198	24.0%	-14.3%
Europe	372,992	24.4%	436,332	27.2%	-14.5%
North America	227,783	14.9%	290,041	18.1%	-21.5%
Asia Pacific	396,123	25.9%	282,670	17.6%	40.1%
Japan	189,447	12.4%	186,828	11.6%	1.4%
Other countries	14,227	0.8%	23,079	1.5%	-38.4%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales by trademark					
Prada	1,209,465	79.0%	1,265,637	78.9%	-4.4%
Miu Miu	252,304	16.5%	239,480	14.9%	5.4%
Church's	43,604	2.8%	49,851	3.1%	-12.5%
Car shoe	18,461	1.2%	34,340	2.1%	-46.2%
Other	6,743	0.5%	14,840	1.0%	-54.6%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales by product line					
Clothing	396,399	25.9%	470,846	29.4%	-15.8%
Leather goods	711,642	46.5%	634,107	39.5%	12.2%
Footwear	410,493	26.8%	488,368	30.4%	-15.9%
Other	12,043	0.8%	10,827	0.7%	11.2%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales by distribution network					
DOS (outlets included)	991,493	64.8%	871,266	54.3%	13.8%
Independent clients, franchises and related parties	539,084	35.2%	732,882	45.7%	-26.4%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales	1,530,577	98.0%	1,604,148	97.6%	-4.6%
Royalties	30,661	2.0%	39,481	2.4%	-22.3%
Total revenues	1,561,238	100.0%	1,643,629	100.0%	-5.0%

Consolidated net revenues, for the period ended January 31, 2010, amounted to Euro 1,561.2 million, down 5% over the previous year. At constant exchange rates the decline was 6.8%, with a positive effect almost exclusively due to the revaluation of the Japanese yen (+12%).

Distribution Network

Opposite trends were recorded, however, in the two different sale channels.

Double-digit growth for sales of the retail network: the 265 owned shops scored revenues for Euro 991.5 million, higher by 13.8% (+10.6% at constant exchange rates) to those of 2008, while revenues of the wholesale channel had a drop of 26.4% (-26.6% at constant exchange rates) resulting from the contraction of orders in markets most affected by the economic crisis.

The incidence of the retail revenues of the Group increased from 54.3% in 2008 to 64.8% in 2009.

Markets

Particularly brilliant, the Asia Pacific area (excluding Japan) which continues a development trend that has lasted several years now, with a 40.1% growth in 2009 (+37.8% at constant exchange rates) mainly driven by the performance of China and South Korea.

In Europe, the wholesale channel decreased by 33% at constant exchange rates, while the retail channel marked a significant growth of 15% (+19% at constant exchange rates) also affected by the openings in some new countries (Greece, Czech Republic and Turkey) and by the UK market which, for the second year in a row, shows a particularly significant growth trend (+8% like-for-like).

The United States, a country where the crisis has further eroded the spending power of consumers, are in decline by 21.5% (-24.2% at constant exchange rates). Also in this case the wholesale channel is the one to show a stronger decline. The drop in orders from department stores led to a decrease of 36% at constant exchange rates. Better results for owned stores: with a turnaround that began the last quarter sales reduction has been contained at 2% (-6% at constant exchange rates).

Also in Italy the effects of the economic situation had a negative impact on the domestic consumption attitude and further reduced the flow of tourists. The retail channel, even recovering during the last quarter, ended the year with a decline of 6%, while sales to independent stores, decreased by 18% with a performance not different from the other countries.

The Japanese market remains stagnant where sales, which amounted to Euro 189.4 million, recorded only an increase of 1.4% over 2008 (-10.4% at constant exchange rates). In this context, the Group's performance, also helped by Miu Miu's good results, can be positively seen within the industry. Japan, where PRADA Group is present only with owned stores, remains a primary market in terms of image and volumes.

In "Other countries" the Group operates only through independent customers or franchising contracts; the 2009 decrease occurred mainly in the UAE, Kuwait and South Africa.

Products

Analyzing revenues by product category, it is worth highlighting that, thanks to the 2009 growth, the leather goods now represents almost half of the Group's total revenues. This result is the consequence of a clear business strategy, and has also driven by Asia, where leather goods are the most important part of the sales mix.

Royalties

The licenses business contributed Euro 30.7 million (Euro 39.5 million in 2008) to the revenues of the period and primarily relate to royalties on sales of eyewear for Euro 23.2 million (Euro 27.7 million in 2008), perfumes for Euro 3.8 million (Euro 5.1 million in 2008), mobile phones for Euro 1.7 million (Euro 4.1 in 2008) and franchise agreements for Euro 1.6 million (Euro 2.3 million in 2008).

Brands

As for brands, it is worth noting the continued growth of Miu Miu, which showed a clearly positive result even in the difficult Japanese market (+20.7% and +6.2% at constant exchange rates). Prada, representing 79% of Group revenues, presents trends which do not differ from those previously commented in relation to the consolidated data.

Other trademarks, Church's and even more Car Shoe, suffered the negative trend of the wholesale channel and have been also penalized by the geographical distribution, with a poor presence in the markets with higher growth rate.

Prada Brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc/Dec %
Net sales by geographic area					
Italy	248,993	20.6%	286,787	22.7%	-13.2%
Europe	284,285	23.5%	331,205	26.2%	-14.2%
North America	203,267	16.8%	254,523	20.1%	-20.1%
Asia Pacific	326,939	27.0%	234,206	18.5%	39.6%
Japan	135,176	11.2%	140,642	11.1%	-3.9%
Other countries	10,805	0.9%	18,274	1.4%	-40.9%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales by product line					
Clothing	347,658	28.7%	410,038	32.4%	-15.2%
Leather goods	553,665	45.8%	498,608	39.4%	11.0%
Footwear	297,139	24.6%	346,805	27.4%	-14.3%
Other	11,003	0.9%	10,186	0.8%	8.0%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales by distribution network					
DOS (outlets included)	779,181	64.4%	698,779	55.2%	11.5%
Independent clients, franchises and related parties	430,284	35.6%	566,858	44.8%	-24.1%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales	1,209,465	97.7%	1,265,637	97.2%	-4.4%
Royalties	28,621	2.3%	36,746	2.8%	-22.1%
Total revenues	1,238,086	100.0%	1,302,383	100.0%	-4.9%

Miu Miu brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc/Dec %
Net sales by geographic area					
Italy	51,782	20.5%	55,662	23.2%	-7.0%
Europe	55,772	22.1%	60,825	25.4%	-8.3%
North America	22,092	8.8%	29,966	12.5%	-26.3%
Asia Pacific	66,474	26.3%	45,140	18.8%	47.3%
Japan	53,692	21.3%	44,494	18.6%	20.7%
Other countries	2,492	1.0%	3,393	1.5%	-26.6%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales by product line					
Clothing	46,497	18.4%	54,049	22.6%	-14.0%
Leather goods	154,570	61.3%	128,660	53.7%	20.1%
Footwear	50,198	19.9%	56,137	23.4%	-10.6%
Other	1,039	0.4%	634	0.3%	63.9%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales by distribution network					
DOS (outlets included)	177,278	70.3%	132,894	55.5%	33.4%
Independent clients, franchises and related parties	75,026	29.7%	106,586	44.5%	-29.6%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales	252,304	99.3%	239,480	99.0%	5.4%
Royalties	1,688	0.7%	2,378	1.0%	-29.0%
Total revenues	253,992	100.0%	241,858	100.0%	5.0%

Church's brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009 (adj)		Inc/Dec %
Net sales by geographic area					
Italy	13,176	30.2%	16,277	32.7%	-19.1%
Europe	25,910	59.4%	28,145	56.5%	-7.9%
North America	1,849	4.2%	2,666	5.3%	-30.6%
Asia Pacific	2,137	4.9%	2,168	4.3%	-1.4%
Japan	245	0.6%	390	0.8%	-37.2%
Other countries	287	0.7%	205	0.4%	40.0%
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales by product line					
Clothing	422	1.0%	473	0.9%	-10.8%
Leather goods	1,206	2.8%	1,114	2.2%	8.3%
Footwear	41,976	96.2%	48,264	96.9%	-13.0%
Other	-	-	-	-	-
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales by distribution network					
DOS (outlets included)	28,153	64.6%	30,433	61.0%	-7.5%
Independent clients, franchises and related parties	15,451	35.4%	19,418	39.0%	-20.4%
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales	43,604	99.5%	49,851	99.8%	-12.5%
Royalties	209	0.5%	111	0.2%	88.3%
Total revenues	43,813	100.0%	49,962	100.0%	-12.3%

Car Shoe brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2010		Inc/Dec %
Net sales by geographic area					
Italy	13,709	74.3%	21,032	61.2%	-34.8%
Europe	3,536	19.2%	8,865	25.8%	-60.1%
North America	385	2.1%	2,661	7.7%	-85.5%
Asia Pacific	175	0.9%	464	1.4%	-62.3%
Japan	23	0.1%	138	0.4%	-83.3%
Other countries	633	3.4%	1,180	3.5%	-46.4%
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales by product line					
Clothing	-	-	-	-	-
Leather goods	2,010	10.9%	4,833	14.1%	-58.4%
Footwear	16,451	89.1%	29,507	85.9%	-44.2%
Other	-	-	-	-	-
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales by distribution network					
DOS (outlets included)	4,550	24.6%	4,863	14.2%	-6.4%
Independent clients, franchises and related parties	13,911	75.4%	29,477	85.8%	-52.8%
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales	18,461	100.0%	34,340	100.0%	-46.2%
Royalties	-	-	-	-	-
Total revenues	18,461	100.0%	34,340	100.0%	-46.2%

Number of stores

Directly operated stores – including outlet stores – and franchise stores can be summarized as follows:

	January 31, 2010		January 31, 2009	
	Owned	Franchises	Owned	Franchises
Prada	177	29	166	29
Miu Miu	51	6	36	3
Car Shoe	3	-	2	-
Church's	34	-	34	-
Total	265	35	238	32

	January 31, 2010		January 31, 2009	
	Owned	Franchises	Owned	Franchises
Italy	31	5	31	5
Europe	73	13	63	11
North America	21	-	20	-
Asia Pacific	87	15	72	12
Japan	53	-	52	-
Middle East	-	2	-	4
Total	265	35	238	32

During the period the Group opened 41 points of sale: 35 owned by the Group (16 Prada, 15 Miu Miu, 3 Church's and 1 Car Shoe) and 6 franchises (2 Prada and 4 Miu Miu).

8 stores owned by the Group (5 Prada and 3 Church's) and 3 franchises (2 Prada and 1 Miu Miu) have been closed during the same period. A list of stores opened and closed during the period is provided below.

Prada	Owned	Opening	Busan, Shinsegae Centum (Korea)
			Tokyo, Ginza Matsuya (Japan)
			Madrid (Spain)
			Seoul, Hyunday Mokdong (Korea)
			Prague (Czech Republic)
			Paris, Printemps (2) (France)
			Singapore ION Orchard (Singapore)
			Shenzhen, MIXC - City Crossing (China)
			Dalian, Time Square (China)
			Seoul, YDP Shinsegae (Korea)
			New York, Sacks 5th Avenue (United States)
			Istanbul, Nisantasi (Turkey)
			Sant'Elpidio (Italy)
			Fucecchio (Italy)
			Busan, Lotte Gwangbok (Korea)
	Franchises	Opening	Seoul, Incheon Shilla Airport (Korea)
			Zurich (Switzerland)
	Owned	Closing	Tokyo, Ginza Mitsukoshi (Japan)
			Osaka, Umeda Hankyu (Japan)
			Florence Men (Italy)
			Montegranaro (Italy)
			Ancona (Italy)
	Franchises	Closing	Dubai, Sack's
			St Moritz, Trois Pommes Palace (Switzerland)

Miu Miu	Owned	Opening	Honolulu, Ala Moana (United States)
			Miami, Bal Arbour (United States)
			Busan, Shisegae Centum (Korea)
			Shenzhen, MIXC- City Crossing (China)
			Singapore ION Orchard (Singapore)
			Tokyo Ginza Matsuya (Japan)
			Paris, Printemps (2) (France)
			Istanbul, Istinye (Turkey)
			Busan, Shinsegae Gangnam (Korea)
			Yokohama, Sogo (Japan)
			Costa Mesa (United States)
			Melbourne, David Jones (Australia)
			Kuala Lumpur (Malaysia)
			Busan, Lotte Gwangbok (Korea)
	Franchises	Opening	Zurich (Switzerland)
			Seoul, Hotel Lotte DF (Korea)
			Busan, Lotte DF (Korea)
			St Moritz (Switzerland)
	Franchises	Closing	Dubai
Church's	Owned	Opening	Madrid (Spain)
			Geneva (Switzerland)
			London, White City (Great Britain)
	Owned	Closing	London, (Great Britain)
			Houston (United States)
			Washington (United States)
Car Shoe	Owned	Opening	Rome (Italy)

Operating and financial expenses analysis

Cost of goods sold and Gross margin

The trend in gross margin which, compared to previous year, increases its incidence on sales of 4.4 percentage points, from 58% to 62.4%, is due to the different channel/markets mix, to the effects of a continuous process of rationalization of the production platform and to the positive impact of foreign exchange rates on the turnover.

Operating expenses

Operating expenses can be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	% on net revenues	January 31, 2009	% on net revenues
			(adjusted)	
Product and development	96,794	6.2%	88,206	5.4%
Advertising and promotion	75,823	4.9%	99,542	6.1%
Selling	484,624	31.0%	428,056	26.0%
General and administration	130,383	8.3%	146,338	8.9%
Total	787,624	50.4%	762,142	46.4%

Operating expenses show a 3.3% increase over the previous year. Excluding the impact of exchange rates, they would be almost unchanged compared to 2008 (+1.1%).

Product and development expenses include both the design phase, intended as research and experimentation of shapes, fabrics, leathers, production techniques and definition of the design concept, and the product development phase meant as product industrialization and production of prototypes. This item is shown net of the tax relief of Euro 0.8 million (Euro 3.8 million in 2008) for industrial research and competitive development pursuant to Law 296 of December 27, 2006.

Advertising and communication expenses include the expenditure incurred to develop advertising campaigns, organize fashion shows and other events, sponsorship fees and overheads attributable to this functional area. Compared to previous year these expenses recorded a significant decrease which is due to a strategic choice that has favoured non-conventional forms of communication.

Selling expenses, increased by 13.2% (+9.7% at constant exchange rates), reached Euro 484.6 million compared to Euro 428.1 million in 2008. The increase is consequent to the expansion of the retail network that had a net increase of 27 stores over the previous year.

To counter the negative effects of the crisis on the profitability of the Group, the management has started, already in the second half of 2008, a review of business processes aimed at cost containment. The effects of these actions are visible in the reduction of general and administration expenses which are in decline by 10.9% (-11.9% at constant exchange rates).

In order to provide further information on the income statement structure, it should be noted that operating expenses include depreciation, amortization and impairment adjustments for both tangible and intangible fixed assets for a total amount of Euro 95.8 million (Euro 84.6 million at January 31, 2009), personnel expenses, excluding industrial employees, for Euro 258.7 million (Euro 250.5 million at January 31, 2009), fixed rents for Euro 118 million (Euro 109.3 million at January 31, 2009) and variable rents for Euro 94 million (Euro 70.7 million at January 31, 2009).

Labour cost

Employee Remuneration

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Manufacturing	74,122	76,282
Design and Product development	48,572	47,879
Advertising and Promotion	8,134	8,957
Selling	149,820	139,575
General & Administrative	52,137	54,081
Total	332,785	326,774

Headcount

(units)	January 31, 2010	January 31, 2009
		(adjusted)
Manufacturing	1,862	1,970
Design and Product development	743	746
Advertising and Promotion	98	101
Selling	3,367	3,156
General & Administrative	694	721
Total	6,764	6,694

Employees remuneration and headcount for the year 2009 have been adjusted taking into account the sale of the Cheaney business.

Interest and other financial income (expenses), net

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Net interest income (expenses), to related parties	334	1,711
Net interest income (expenses), to third parties	(16,976)	(27,211)
Realized exchange gains (losses), net	(3,277)	(217)
Unrealized exchange gains (losses), net	(4,671)	(1,859)
Other financial income (expenses), net	(7,292)	(9,561)
Total	(31,882)	(37,137)

The net financial result of the period shows an improvement of Euro 5.2 million compared to previous year.

The trend in net interest income is consistent with the general decline in rates and with the changes in the net financial position and in receivables towards the parent company.

Realized and unrealized exchange losses of the year amounted to Euro 7.9 million (Euro 2.1 million in 2008) and are basically a result of the fluctuations of U.S. Dollar, Japanese Yen, Hong Kong Dollar and British Pound against the Euro.

"Other financial incomes/(expenses)" include expenses resulting from the valuation of investments, as well as financial charges related to the securitization of receivables and financial discounts.

Statement of financial position analysis

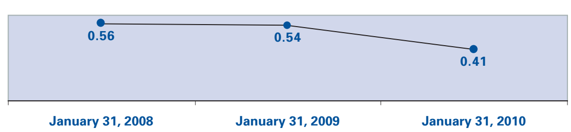
Net invested capital analysis

In order to better represent the net invested capital, in the following table it is summarized the reclassified statement of financial position.

(amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010
Fixed assets	1,282,750	1,429,837	1,460,521
Current assets net of financial items	641,915	637,237	532,446
Current liabilities net of financial items	384,823	379,541	361,403
Net Working Capital	257,092	257,696	171,043
Assets held for sale	4,928	1,413	1,413
Long term liabilities, deferred tax included	80,461	89,072	92,195
Post-employment benefits	34,507	36,103	36,831
Provisions	9,724	14,120	13,139
Net Invested Capital	1,420,078	1,549,651	1,490,812
Equity of the Group	908,410	1,003,107	1,047,903
Minority interests	4,121	9,192	8,756
Total consolidated net equity	912,531	1,012,299	1,056,659
Long term financial debts	337,826	271,695	119,107
Short term financial debts, net of cash and cash equivalents	169,721	265,657	315,046
Net financial debt	507,547	537,352	434,153
Equity of the Group, and net financial debt	1,420,078	1,549,651	1,490,812

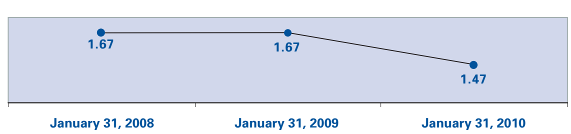
Index			
Net financial debt/equity of the Group	0.56	0.54	0.41

Debt/equity



Current assets/Current liabilities	1.67	1.67	1.47

Current ratio



Net invested capital shows a reduction of Euro 58.8 million compared to previous year. The decrease is mainly due to the contraction in the net working capital. It should be also emphasized the loss of value of the entire invested capital for Euro 23 million resulting from fluctuations in exchange rates.

The increase of the Shareholders' equity, amounted to Euro 44.4 million, mainly ascribable the result of the period net of dividends paid to the Shareholders of PRADA spa for Euro 47.8 million.

Fixed assets analysis

(amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010
Property, plant and equipment	239,010	379,191	417,965
Intangible assets	924,936	901,116	893,319
Associated undertakings	8,785	9,912	9,509
Deferred tax assets	86,993	106,185	111,373
Other non current assets	23,026	33,433	28,355
Total fixed assets	1,282,750	1,429,837	1,460,521
Depreciation ratio of technical fixed assets	0.60	0.53	0.53

Fixed assets show a net increase of Euro 31 million.

The Group's net investments of the period, amounting to Euro 134.5 million, include: Euro 109.6 million invested into the retail area, with the aim of further developing the distribution network, Euro 15.8 million into the industrial and logistics area and Euro 9.2 million into the corporate area.

In addition the Group invested Euro 9.3 million to purchase the remaining 49% of the Luna Rossa trademark.

Depreciation, amortization and impairment of tangible and intangible fixed assets, charged to the 2009 income statement, amounted to Euro 93.9 million (Euro 80.1 million in 2008). The impairment of tangible and intangible assets amounted to Euro 9.8 million (Euro 11.8 million in 2008).

Deferred tax assets amount to Euro 111.4 million. The increase is substantially attributable to deductible temporary differences relating to the residual useful life of fixed assets and realizable value of stocks.

Net operating working capital analysis

(amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010
Trade receivables	243,032	250,512	224,198
Inventories	282,263	251,197	231,476
Trade payables	(238,491)	(230,507)	(196,396)
Net operating working capital	286,804	271,202	259,278

The net operating working capital, net of translation differences, is broadly in line with the previous year.

The level of stocks marks a reduction of 7.9% despite the expansion of retail network, thanks to a careful management of inventory levels at all stages of the operating cycle.

Net financial debt analysis

The following table summarizes the net financial debt.

(amounts in thousands of Euro)	January 31, 2008	January 31, 2009	January 31, 2010
Long term debt	327,704	264,032	111,439
Obligations under finance leases	10,121	7,663	7,668
Long term financial debt	337,826	271,695	119,107
Bank overdraft and short term loans	268,562	366,538	459,283
Payables to the parent company and to related parties	4,919	2,751	2,806
Receivables from the parent company and related parties	(15,715)	(20,696)	(54,537)
Obligations under finance leases	3,364	3,414	5,513
Other Shareholders' loan	4,921	521	545
Cash and cash equivalents	(96,330)	(86,871)	(98,564)
Short term financial debt	169,721	265,657	315,046
Total net financial debt	507,547	537,352	434,153
Total financial debt, net of Parent Company, related parties and Other Shareholders' financial payables and receivables (Total net financial debt used to calculate covenants – note 27 of Consolidated Financial Statements)	513,421	554,776	485,339
Ratio total net debt/EBITDA	1.61	1.97	1.68
Ratio EBITDA/net financial expenses	8.01	7.60	9.05

The Group's total net financial position is Euro 434.2 million, down by Euro 103.2 million over the previous year.

The cash flow generated from the current operations (Euro 279.9 million) fully financed investments for the period (Euro 142.1 million) and, after having distributed dividends to PRADA spa Shareholders (Euro 47.8 million), allowed for a substantial reduction in the net indebtedness of the Group.

Group and Company risk factors

Risk factors related to the sector where the Group operates

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

Prada's international activities expose the Group to some macroeconomic factors that may affect the economic and financial situation of the Group. As described in previous paragraphs, 2009 was characterized by a continued international economic crisis that had already had negative impacts on economic performance last year. The Group's strategy, focused on the development of the international retail channel, has already proved to be an adequate tool to counter the effects of the crisis. The growth of retail sales, both in absolute and relative terms, enabled the Group not to lose profitability during the crisis and to be able to exploit market opportunities from early signs of recovery seen in the last quarter of the period.

Risks connected to the protection of intellectual property rights

The fashion and luxury market is characterized by the extreme importance vested in trademarks and other intellectual property rights. Prada's success also depends on its capacity to protect and promote its own trademarks and intellectual property rights and to prevent counterfeiting. For this purpose, the Group invests appropriate resources in worldwide trademark protection and in monitoring the market in order to take repressive measures against counterfeiters of trademarks and models.

Risks connected to brand image and recognizability

The success of the Group in the world luxury market is linked to the image and distinctiveness of owned trademarks. These features depend on many factors, like the style and design of products, the quality of materials and techniques used, the image and location of the Group's directly operated stores, the careful selection of licensees of some product categories and the communications and marketing activities. The preservation of the image and prestige acquired by the Group's trademarks in the luxury industry is an objective that PRADA Group pursues by carefully monitoring each step of the process, both inside and outside the company, in order to guarantee uncompromised quality.

Risks factors specific to the Group

Risks connected to exchange rate fluctuations

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuations against the Euro. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa as worldwide distributor, the Group enters into option and forward sale and purchase agreements so as to guarantee the counter value in Euro of identified financial and commercial cash flows. The management of exchange rate risk is explained in Note 12.

Risks connected to interest rate fluctuations

The interest rate risk translates into the risk that interest outflows can fluctuate following to changes in interest rates structure. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa, the Group uses interest rate swaps and collars. These instruments have the effect of converting variable rate loans into fixed rate loans or loans at rates within a negotiated range of rates. The management of the interest rate risk is explained in Note 12.

Risks connected with key managers

The Group's results depend on one side on the contribution of certain key figures, who played an essential role in the development of the Group thanks to their experience in the fashion and luxury industry, and on the other side on the ability to attract and retain skilled figures in the design, marketing, and merchandising of products. The Directors believe that the Group's management will ensure continuity in operations.

Risks connected to the implementation of strategic guidelines

The Group's ability to increase revenues and improve profitability depends on the successful implementation of its strategy for each brand, which is based, as described before, on worldwide sales growth through the retail network. The Group pursues this objective through a progressive expansion in geographic areas where its presence can be strengthened further, taking the opportunities offered by the market in the selection of new points of sale and paying great attention to the display of products and brands.

Risks connected to the outsourcing of manufacturing activities

The Group outsources some manufacturing phases and the production of some finished products to external contract manufacturers. In order to ensure the continuity of the supplying, the Group uses a large number of contract manufacturers and constantly monitors their work through its technicians and inspectors, thus guaranteeing the same high quality standards of in-house production. Finally, external manufacturers are contractually bound to comply with labour and social security rules and regulations provided for by the law and by national collective agreements, as well as laws and regulations on the work environment, health and safety.

Credit risk

Credit risk is defined as the risk of financial loss due to the default by a party to fulfill its obligations in a transaction. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements. The Group's Directors essentially believe that the Group's credit risk mainly regards trade receivables generated from the wholesale channel. The Group manages the credit risk and mitigates the related negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers. Moreover, the fact that the total receivables balance is not highly concentrated on individual customers and that the net sales are evenly spread, throughout the world, reduces the risk of financial losses.

Liquidity risk

The liquidity risk is intended as the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Treasury Department, reporting to the C.F.O., is responsible for optimizing management of 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 Group to meet its needs deriving from investing activities, working capital management and repayment of loans as they fall due, without using all the available funds. The surplus funds can be in case thus allocated to the payment of dividends.

Legal and regulatory risk

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

- the possible inadequacy of corporate procedures designed to assure compliance with the principal Italian and foreign regulations applying to the Group;
- the risks associated with health and safety at work in compliance with Italian Legislative Decree 81/08 and equivalent regulations in each country the Group operates;
- the risks associated with antitrust rules in the areas where the Group operates;
- the risks related to the processing of personal data in compliance with specific regulations;
- the possibility of events that adversely affect the reliability of annual financial reporting and the safeguarding of Group assets;
- changes in international tax laws that could expose the Group to non-compliance risks;
- the possible legal sanctions for wrongful acts pursuant to Law 231/2001 and subsequent amendments;
- the possible risks associated with industrial compliance (i.e. the compliance of finished products marketed and raw and consumption materials used by the Group with national and international laws and regulations).

The Group has adopted appropriate organizational and control models in order to ensure compliance with the above-mentioned laws and regulations and to reduce risks to acceptable levels.

Risks associated to data processing

Data are processed through information systems ensuring that:
- they are properly protected against unauthorized access, loss (even accidental) and use that is not consistent with the assigned tasks
- data are processed in compliance with applicable laws and regulations.

Unusual and/or atypical transactions

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

Information on relationships and transactions with related parties

Information on the Group's relationships and transactions with related parties is provided in the Notes to the Consolidated Financial Statements (note 39).

Outlook for 2010

The Group has faced the general economic crisis maintaining its leadership in style and innovation with a framework of strict cost control, focusing on strengthening the direct distribution channel and minimizing the investments in working capital.

These initiatives have allowed the results of the period to benefit from the initial recovery in major worldwide markets, seen in the last months of 2009.

The Group then looks at the current year with confidence but, at the same time, knowing that the recovery is not yet solid and that the exit timing and manner from the global recession are still uncertain. For these reasons, the activities of management will remain focused on the continuous optimization of business processes and cost control.

The growth processes will lever the recognized capability to offer consumers products with distinctive features of innovation and quality and will be increasingly focused on the retail channel, through organic growth of the existing locations and through further expansion of the network of stores in emerging and traditional markets.

Chief Executive Officer

Patrizio Bertelli

Milan, March 26, 2010

Consolidated Financial Statements

Consolidated Statement of Financial Position

(amounts in thousands of Euro)	Notes	January 31, 2010	January 31, 2009
			(adjusted)
Assets			
Current assets			
Cash and cash equivalents	9	98,564	86,871
Trade receivables, net	10	224,198	250,512
Inventories	11	231,476	251,197
Derivative financial instruments	12	180	3,440
Receivables from parent company and related parties	13	56,421	22,322
Other current assets	14	74,708	130,462
Assets held for sale	15	1,413	1,413
Total current assets		686,960	746,217
Non-current assets			
Property, plant and equipment	16	417,965	379,191
Intangible assets	17	893,319	901,116
Associated undertakings	18	9,509	9,912
Deferred tax assets	37	111,373	106,185
Other non-current assets	19	28,355	33,433
Total non-current assets		1,460,521	1,429,837
Total Assets		2,147,481	2,176,054
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	20	459,283	366,538
Payables to parent company and related parties	21	5,620	3,226
Other Shareholders' loans	22	545	521
Trade payables	23	196,396	230,507
Current tax liabilities	24	62,189	33,904
Derivative financial liabilities	12	9,278	21,266
Obligations under finance leases current	25	5,513	3,414
Other current liabilities	26	90,726	93,389
Total current liabilities		829,550	752,765
Non-current liabilities			
Long-term debt	27	111,439	264,032
Obligations under finance leases non current	25	7,668	7,663
Post-employment benefits	28	36,831	36,103
Provision for contingencies and commitments	29	13,139	14,120
Deferred tax liabilities	37	59,404	64,525
Other non-current liabilities	30	32,633	22,429
Derivative financial instruments non current	12	158	2,118
Total non-current liabilities		261,272	410,990
Total Liabilities		1,090,822	1,163,755
Shareholders' equity			
Share capital		250,000	250,000
Other reserves		743,411	681,973
Translation reserve		(45,671)	(27,672)
Net result for the period		100,163	98,806
Total Group equity	31	1,047,903	1,003,107
Minority interest	32	8,756	9,192
Total liabilities and Shareholders' equity		2,147,481	2,176,054

In compliance with the revised version of IAS 1, the caption "Derivative financial instruments" as at January 31, 2009 has been adjusted in order to show the non current portion.

Consolidated Income Statement

(amounts in thousands of Euro)	Notes	January 31, 2010	%	January 31, 2009	%
				(adjusted)	
Net revenues	33	1,561,238	100.0%	1,643,629	100.0%
Cost of goods sold	34	(586,582)	-37.6%	(690,533)	-42.0%
Gross margin		974,656	62.4%	953,096	58.0%
Operating expenses	35	(787,624)	-50.4%	(762,142)	-46.4%
Interest and other financial income/(expenses), net	36	(31,882)	-2.0%	(37,136)	-2.3%
Income before taxes		155,150	9.9%	153,818	9.4%
Income taxes	37	(52,503)	-3.4%	(52,631)	-3.2%
Net income for the year from operations to be continued		102,647	6.6%	101,187	6.2%
Net income of minority interest from operations to be continued	32	177	0.0%	1,779	0.1%
Group net income for the period from operations to be continued		102,470	6.6%	99,408	6.0%
Loss from discontinued operations		(2,307)	-0.1%	(602)	0.0%
Group net income, total		100,163	6.4%	98,806	6.0%

The "Cheaney" business unit (owned by the Church's Group) was sold on August 7, 2009 therefore, pursuant to IFRS 5, has been classified as "Discontinued operations" in the income statement for the current year and in the previous one, which has been adjusted.

Consolidated Statement of Cash Flows

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Profit (loss) before taxation from operations to be continued	155,150	153,818
Profit (loss) before taxation from discontinued operations	(2,307)	(602)
Total profit (loss) before taxation	152,843	153,216
Income statement adjustments:		
Depreciation and amortization from operations to be continued	93,804	79,911
Depreciation and amortization from discontinued operations	497	170
Impairment of fixed assets	9,383	11,777
Financial (income) expenses	30,020	27,800
Other not monetary changes	4,757	(463)
Balance sheet changes		
Other non current assets and liabilities	3,846	(4,239)
Trade receivables, net	24,445	8,578
Inventories, net	15,048	41,795
Trade payables	(33,519)	(8,900)
Other current assets and liabilities	39,417	(10,285)
Cash flows generated by operating activities	340,541	299,360
Interests paid, net	(21,208)	(35,392)
Taxes paid, net	(39,447)	(98,056)
Net cash flows generated by operating activities	279,886	165,912
Purchase of assets	(132,791)	(144,307)
Acquisition of investments	(9,310)	(7,788)
Cash flow used by investing activities	(142,101)	(152,095)
Dividends paid to PRADA spa Shareholders	(47,750)	-
Dividens paid to other Shareholders	(343)	(1,262)
Repayment of short term portion of long term borrowings - third parties	(114,624)	(117,532)
Proceeds from long term borrowings – third parties	23,007	37,267
Change in short term borrowings – third parties	38,547	94,731
Change in short term borrowings - parent company and related parties	(23,960)	(29,630)
Cash flow used by financing activities	(125,123)	(16,426)
Change in cash and cash equivalents net of bank overdraft	12,662	(2,609)
Exchange differences	(3,329)	7,327
Opening cash and cash equivalents, net of bank overdraft	59,862	55,144
Closing cash and cash equivalents, net of bank overdraft	69,195	59,862
Cash and cash equivalents	98,564	86,871
Bank overdraft	(29,369)	(27,009)
Closing cash and cash equivalents, net of bank overdraft	69,195	59,862

Statement of changes in Consolidated Shareholders' equity

(amounts in thousands of Euro, except for the number of shares)	Number of shares	Share capital	Translation reserve	Other reserves	Net result	Consolidated net equity
Balance as at February 1, 2008	250,000,000	250,000	(47,772)	576,661	129,521	908,410
Appropriation of 2007 result	-	-	-	129,521	(129,521)	-
Change in the consolidation scope	-	-	-	91	-	91
Acquisition cost of further shares of controlled companies	-	-	-	(5,817)	-	(5,817)
Other movements	-	-	-	(14)	-	(14)
Total comprehensive income for the year	-	-	20,100	(18,469)	98,806	100,437
Balance as at January 31, 2009	250,000,000	250,000	(27,672)	681,973	98,806	1,003,107
Appropriation of 2008 result	-	-	-	98,806	(98,806)	-
Other movements	-	-	-	(135)	-	(135)
Dividends			-	(47,750)	-	(47,750)
Total comprehensive income for the year	-	-	(17,999)	10,517	100,163	92,681
Balance as at January 31, 2010	250,000,000	250,000	(45,671)	743,411	100,163	1,047,903

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Group's net income for the period	100,163	98,806
Minority interest's net income for the period	177	1,779
Consolidated net income for the period	100,340	100,585
Profits/(losses) recognized in cash flow hedge reserve	11,332	(18,743)
Profits/(losses) recognized in actual gain/(losses) reserve	(817)	274
Profits/(losses) recognized in translation reserve	(18,273)	20,799
Profits/(losses) recognized in equity (Group + Minority Interests)	(7,758)	2,330
Group Consolidated comprehensive income for the period	92,681	100,437
Minority interests Consolidated comprehensive income for the period	(100)	2,478
Consolidated comprehensive income	92,581	102,915

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

Notes to the Consolidated Financial Statements

1. General Information

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

Through its directly-operated–stores network (DOS) and a selected number of wholesalers the Group operates in all major international markets.

The Company is a joint-stock company, incorporated and domiciled in Italy, with registered office in via Fogazzaro 28, Milan, Italy. At the balance sheet date, 94.89% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, and 5.11% by Intesa SanPaolo, a major banking group domiciled in Italy.

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

The corporate operations that took place in 2009 are the followings:

- on February 26, 2009 the commercial subsidiary PRADA Bosphorus Deri Mamuller Limited Sirketi was set up to carry out retail activities in Turkey;
- on March 10, 2009 the remaining 49% of the stake in Luna Rossa Trademark sàrl (a Luxembourg company owner of the Luna Rossa trademark) was acquired from Telecom Group;
- on April 16, 2009 ended the liquidation of PRADA Switzerland sa;
- on May 5, 2009 PRADA spa acquired an Italian footwear manufacturing unit;
- on May 11, 2009 the commercial subsidiary Church Spain sl was set up to carry out retail activities in Spain;
- on August 7, 2009 the Cheaney business, active in the classical men shoes market, was sold to third party;
- on August 18, 2009 the commercial subsidiary Church Singapore pte ltd was set up to carry out the Church's retail activities in Singapore;
- on November 1, 2009 Santacroce srl and Eurobracco srl have been merged in PRADA spa;
- on December 18, 2009 Luna Rossa Trademark sarl has been dissolved and the relevant activities have been transferred to its controlling company PRADA sa.

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.

2. Basis of presentation

The PRADA Group's Consolidated financial statements as of January 31, 2010, including "Consolidated Statement of Financial Position", "Consolidated Income Statement", "Consolidated Comprehensive Income Statement", "Consolidated Statement of

Cash Flows", "Statement of changes in consolidated Shareholder's equity" and "Notes to the Consolidated Financial Statements" are prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

The Group prepares the Consolidated financial statements on the basis of IFRS pursuant to art. 3 paragraph 2 of Legislative Decree n. 38 dated February 28, 2005.

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

The Consolidated income statement is classified by destination.

Cash flow information is reported in the Consolidated statement of cash flows which forms an integral part of consolidated financial information.

Furthermore, a reconciliation between the Company and the Group net result and Shareholders' equity has been prepared .

Every item in the Consolidated statement of financial position, Consolidated income statement, Consolidated statement of cash flows and Statement of changes in consolidated Shareholder's equity is detailed in the Notes to the Consolidated financial statements. The Notes are presented in a systematic way.

3. Accounting standards amendments

Amendments to IFRS/IAS effective from January 1, 2009 adopted by the Group

IAS 1 Revised – Presentation of Financial Statements

The revised version of IAS 1 does not permit the presentation of components of comprehensive income (that is "non-owner changes in equity") in the statement of changes in equity, requiring these to be presented separately from owner changes in equity. Under the revised standard, all non-owner changes in equity are required to be presented in one statement showing performance for the period (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income). These changes are also required to be shown separately in the Statement of changes in equity. The Group has adopted the revised standard retrospectively from 1 February 2009, electing to present all the non-owner transactions in two statements: Consolidated income statement and the Consolidated Statement of comprehensive income. The Group has consequently amended the presentation of the Statement of changes in the Shareholders' equity. In addition, as part of its 2008 annual improvements project, the IASB published an amendment to IAS 1 (Revised) which requires an entity to classify hedging derivative financial instruments between current and non-current assets and liabilities in the Statement of financial position. The Group has consequently amended the Statement of Financial position also for the previous year.

Amendment to IFRS 7 – Improving Disclosures about Financial Instruments

The amendment was issued in order to improve the disclosure requirements for fair value measurements and reinforce existing principles for disclosures concerning the liquidity risk associated with financial instruments. In particular, the amendment requires disclosures to be made on the basis of a hierarchy of the inputs used in valuation techniques to measure fair value. The adoption of the amendment only affected the disclosures in the notes and had no effect on the measurement of items in the financial statements.

Amendments and interpretations to IAS/IFRS effective from January 1, 2009 but not applicable to the Group.

- Improvement IAS 16 “Property, plant and equipment”
- Improvement IAS 18 “Revenue”
- Improvement IAS 19 “Employee benefits”
- Improvement IAS 20 “Government grants and disclosure of government assistance”
- Amendment to IAS 23 “Borrowing costs”
- Improvement IAS 28 “Investments in associates”
- Improvement IAS 29 “Financial reporting in hyperinflationary economies”
- Improvement IAS 31 “Interests in joint-venture”
- Improvement IAS 36 “Impairment of assets”
- Improvement IAS 38 “Intangibile assets”
- Improvement IAS 39 “Financial instruments: recognition and measurement”
- Improvement IAS 40 “Investment property”
- Emendament to IAS 32 “Financial instruments: discosures”
- IFRIC 13 “Customer loyalty programmes”
- IFRIC 15 “Agreement for the construction of real estate”
- IFRIC 16 “Hedges for the net investment in a foreign operation”
- Amendment to IFRS 2 “Share based payment”

Amendments and interpretations to IAS/IFRS early adopted by the Group

IFRS 8 – Operating segments

Effective from January 1, 2009 IFRS 8 replaces IAS 14 “Operating segments” requiring that detailed information must be provided for each “operating segment” that makes up the business. An operating segment is intended as a business division whose operating results are regularly reviewed by top management so that they can make decisions about the resources to be allocated to the segment and assess its performance. PRADA Group early adopted this standard starting from the financial statements as of January 31, 2008.

Amendment to IFRS 3 – Business combinations and to IAS 27 – Consolidate and separate financial statements

On January 10, 2008 the IASB issued a revised version of IFRS 3 – Business Combinations and an amended version of IAS 27 - Consolidated and Separate Financial Statements. The main change is the elimination of the obligation to measure every asset and liability at fair value at each stage in a step acquisition of subsidiaries. In these cases Goodwill is only to be measured on acquiring control as the difference, at acquisition date, between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Moreover, for a business combination in which the acquirer achieves control without purchasing all of the acquiree, the remaining (non-controlling) equity interests are measured either at fair value or by using the method already provided previously in IFRS 3. The revised IFRS 3 also requires acquisition-related costs to be recognised as expenses and the acquirer to recognise the obligation to make an additional payment as part of the business combination (contingent consideration). In the amended version of IAS 27, the IASB has added a requirement specifying that changes in a parent's interest in a subsidiary that do not result in the loss of control, as well as of additional shares in companies already controlled, must be accounted for as equity transactions and recognised within equity. Moreover, the amendment to IAS 27 requires losses pertaining to non-controlling interests to be allocated to non-controlling interest equity, even if this results in the non-controlling interest having a deficit balance. Finally, when a parent looses control of a subsidiary, but retains an ownership interest, it must initially measure any retained investment at fair value and recognize any gain or losses, following to the loss of control, to income statement. The Group decided to early adopt the new version of IFRS 3 and IAS 27 starting from the Consolidated Financial Statements as of January 31, 2009.

4. Consolidation area

The consolidated financial information comprises the accounts of the PRADA spa and the Italian and foreign companies over which the Company directly or indirectly exercises control through the power to govern their financial and operating policies so as to obtain benefits from their activities.

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

Joint-ventures and associated companies are consolidated using the equity method. Associated companies are those in which the Group has a significant influence, but does not exercise effective control. Influence is considered significant when the Group owns between 20% to 50% of the company's share capital or when significant influence can be exercised through existing agreements.

Investments in other companies are those in which the Group has less than 20% of the share capital. These are valued at cost.

The list of the companies included in the consolidated financial statements is provided in Note 41.

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2010 and January 31, 2009 in accordance with IFRS, are as follows:

- the financial statements of PRADA spa are prepared under IFRS and those of its subsidiaries are adjusted, when necessary, to comply with IFRS and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information are those closed at the reporting date;
- assets and liabilities, costs and revenues of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements irrespective of the percentage held. The book value of equity investments, directly or indirectly owned by the holding company, is eliminated against the corresponding portion of Shareholders' equity of the companies in which the interest is held.
- for companies consolidated on a line-by-line basis that are not 100% owned by the Group, the share of net equity and results for the year of minority interests are separately disclosed as "Minority interests" in the consolidated statement of financial position and consolidated income statement. When the net equity pertaining to minority interests is negative, it is shown under other receivables where the minority shareholder has made a binding agreement to cover the losses;
- the difference between the acquisition cost of investments in subsidiaries acquired after January 1, 2004 and the corresponding share of Shareholders' equity at the date of acquisition is allocated, if positive, to assets, liabilities and contingent liabilities based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the income statement immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity;
- at the date of the first time application, goodwill was stated at deemed cost less impairment losses if any. Deemed cost is calculated based on the difference between the amount paid for the investment and the relevant net equity. Goodwill arising from various acquisitions is not amortized but tested annually for impairment. Any impairment in the value of goodwill is charged to the income statement;
- profits and losses, assets and liabilities of joint-ventures and associated undertakings are accounted for using the equity method. According to this method, investments in joint-ventures and associated undertakings are recorded in the statement of financial position at cost and adjusted to account for any changes in the companies' net equity post acquisition as well

as any impairment. Losses exceeding the Group's interest are recorded only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the Group's interest in the net fair value of identifiable assets and liabilities acquired and contingent liabilities is recorded as goodwill. Goodwill is included in the book value of the investment and is tested for impairment. If the cost is lower than the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recorded in the income statement for the year of acquisition;

- during the consolidation process, receivables and payables, costs and revenues arising from inter-company transactions are fully eliminated. Any unrealized gains or losses generated by transactions between the Group's consolidated companies and included in inventories and fixed assets at the reporting date are also eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is impaired;
- dividends paid by consolidated companies are also eliminated from the income statement and added to prior year retained earnings if, and to the extent that, they have been drawn from the latter;
- the financial statements of each foreign entity are prepared in their respective local currency. The statement of financial position is translated into Euro using the year-end exchange rate, whereas the income statement is translated using the average exchange rate for the year. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period and translation differences arising on conversion of the income statement using the average rate of the period and the rate at the end of the period are recorded as a translation reserve in the consolidated Shareholder's equity. The translation reserve in consolidated Shareholder's equity represents translation differences recorded as from first time application on January 1, 2004;
- the reporting currency used to prepare the consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal 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 and bank overdrafts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in "Bank overdrafts and short-term loans".

Trade account receivables and payables

Trade account receivables are carried at nominal value less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off when identified. Trade account payables are recorded at their nominal values. Transactions denominated in foreign currencies are recorded at the exchange rate as at the date of the transaction. At the end of the period, the transactions denominated in foreign currencies are translated using the exchange rate as at the end of the period. 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 only if all risks and rewards connected with the financial asset are substantially transferred. Risks and rewards are considered transferred when the Group is no longer significantly exposed to the variability in the present value of future net cash flows associated with the asset.

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, to directly adjust the value of the inventory, are made for slow moving and obsolete inventories as well as if the estimated selling prices are lower than cost.

Assets held for sale

A non-current asset is classified as held for sale if its book value is mainly recovered through sale instead of through its continued usage. Assets held for sale are valued at the lower of their net book value and their fair value less any disposal costs.

Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost or manufacturing cost, including any charges directly attributable, and 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 acquisition or construction 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 of the year, when they are incurred.

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

All costs incurred during the period between the renovation starting date and the opening date are capitalized as "Leasehold improvements" as they are deemed necessary to bring the related assets to their working condition in a manner inteded by management. The relevant construction or renovation period ranges from six to eighteen months depending on the type of store/work.

The costs included in leasehold improvements relate to assets not owned by the Group companies.

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

The depreciation rates representing the useful lives are listed below:

Fixed asset category	Depreciation rate
Buildings	3% - 4%
Plant and production equipment	10% - 20%
Leasehold improvements	Shorter of lease term or 10%
Furniture and fittings	10% - 20%
Other Equipments	6% - 33%

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

The values of land and buildings are separated and buildings only are depreciated.

Annually and whenever there is an indication of impairment, an impairment test is applied to calculate the recoverable amount of the asset. This calculation is determined by comparing the carrying value of the asset with the recoverable value (i.e. the higher of fair value less selling costs and value in use).

Fair value is determined based on the best information available to reflect the amount that the Group could obtain, at the date of the period end, by disposing of the asset.

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

Impairment losses are immediately recognized in the income statement.

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

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

Intangible assets

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

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

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

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

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

Software refers to Information Technology projects and includes all internal and external costs incurred to put the asset in use. IT projects include costs for the acquisition of licenses as well as costs incurred for their 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 made to enter into or take over retail store lease agreements. These costs are capitalized and amortized over the shorter period of the lease term or 10 years.

Development costs include expenses incurred to strengthen the brand image through the implementation of highly technological retail projects such as the "In-Store Technology" or through projects aimed to develop the store "concept". The relevant useful life is estimated on a reasonable Directors' appreciation basis, and it is included between three and ten years.

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

Intangible assets categories	Amortization rate
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term or 10%
Software	10% - 33%
Other intangible assets	10% - 33%

All business combinations included within the scope of IFRS 3 are recorded using the acquisition method according to which 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 acquired and liabilities assumed is recorded as goodwill. If additional stakes 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 not individually identified and separately measured, is initially recognized at cost.

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

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

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

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

Whenever the recoverable value of the cash generating unit is lower than its carrying value, an impairment loss is recorded.

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

Investments

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

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

The carrying amount is later increased or decreased to reflect the parent company's share of the profit or loss of the investee after the date of acquisition.

Any goodwill included in the investment value is annually tested for impairment.

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

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

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

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

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

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

Other investments and marketable securities

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

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

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

Deferred tax assets

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

Deductible timing differences are differences between the carrying amount of an asset or liability in the statement of finacial 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 carried-forward and unused tax credits only to the extent that is probable that taxable profit 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.

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

Derivative financial instruments

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

This accounting treatment is used for derivative financial instruments qualified as cash flow hedges. A cash flow hedge is a hedge of the exposure to changes in future cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and which could affect profit or loss. In this case, the qualified 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 in the period the relecnat hedge operation affects the income statement.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as cash flow hedge is immediately recognized in the income statement. If a hedging instrument has expired, but the hedged transaction has not occurred yet, any gain or loss recognized in Shareholders' equity is recognized 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 the equity will be recognized in the income statement.

Obligations under finance leases

Fixed assets acquired under finance leases are recorded at the lower of the market value and the current value of future payments due on the basis of 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", while medium and long-term portions are recorded among non-current liabilities under "Obligations under finance leases".

Non-current financial liabilities

Non-current financial liabilities include payables to banks for medium and long term loans. Bank debt includes principal amounts, interest and additional arrangement costs accrued 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 amount i.e. at the initial amount less principal repayments plus or minus the cumulative amortization (using the effective interest method) of any difference between that initial amount and maturity amount.

Post-employment benefits

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

For defined benefit plans, the amount recognized in the statement of financial position, is the present value, estimated by applying actuarial methods, of the expected future payments required to settle the obligation resulting from employee service in the current and past periods. 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 only matured seniority at the evaluation date. This actuarial liability is then re-measured taking into account the relationship between the service years provided by the employee at the evaluation date and the maturity cumulated at the expected date of settlement of the benefit. Moreover this method includes, within its assumptions, future salary increases whenever due to an employee (such as inflation rates, careers and new agreements) until the estimated termination date of the employment relationship.

The cost of defined-benefit plans, accruing during the year and recorded in the income statement under labor costs, is equal to the discounted average amount of employee entitlements for the current period service, plus the interest cost on the present value of the Group's obligation at the beginning of the year. The interest cost is calculated adopting the previous year discount rate of future outflows used to estimate the liability at the reporting date.

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

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 relevant agreement's period. The valuation of Other long-term benefits too is carried out using the Projected Unit Credit Method.

Provisions

Provisions for risks and charges cover costs of specific nature, of certain or probable existence, whose amount or due date was uncertain at year-end.

Provisions are only accrued when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made based on available information.

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

Deferred tax liabilities

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

Taxable timing 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 transactions other than business combinations and not affecting the accounting result or the tax result at 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 from a transaction or an event directly recognized in equity or from 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 provision for deferred taxes is offset against deferred tax assets only when the two items refer to the same tax and to the same period.

Revenue recognition

Revenues from sales of products are recognized in the income statement when:

- risks and rewards of ownership are transferred to the purchaser;
- the value of revenues can be reliably determined;
- the company's control over the goods sold has ceased;
- economic benefits generated by the transaction will probably flow to the Company;
- the costs pertaining to the transaction can be reliably determined.

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

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

- an expense does not generate any future economic benefit;
- 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.

Store opening costs

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

Financial charges

Financial charges include interests on bank overdrafts, on short and long term loans, financial charges on financial leases and securitization contracts, amortization of initial costs of loan operations, changes in fair value of derivatives – for the portion that can be recognized to the income statement – and annual interests maturing on the present value of post-employment benefits.

Income taxes

The provision for income taxes is determined based on a realistic estimate of the tax charge of each consolidated entity, in accordance with the tax rates and tax laws in force or substantially approved in each country at year-end.

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

Earnings per share

Basic earnings per share are calculated by dividing Group net profit by the weighted average number of ordinary shares.

Changes in accounting policies, errors and changes in accounting estimates

The accounting policies adopted are the same as in prior years unless a change is required by an accounting standard or if the change gives more reliable and more relevant information on the effects of operations on the entity's balance sheet, income statement or cash flow.

Changes in 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 compliance 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 are prospectively recorded in the income statement for the year the change takes place if it is the only year affected. It is also reflected in later years if they are also affected by the change.

Financial risk management

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

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

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

Exchange rate risk

The Group's international sales activities and its worldwide structure expose it to an exchange rate risk due to fluctuations in the exchange rate of the Euro against the US Dollar, Hong Kong Dollar, British Pound, Swiss Franc, Japanese Yen and, to a lesser extent, against other currencies. The Corporate Finance Department is responsible for arranging foreign currency hedges 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 qualified as cash flow hedges is recorded under Shareholders' equity net of the tax effect

Interest rate risk

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

In accordance with IAS 39, these hedging contracts are qualified 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

The process of preparing these consolidated financial statements in compliance with IAS/IFRS 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 unsettled transactions and events as at 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 are used for impairment tests, in determining provisions, allowance for doubtful accounts, allowance for obsolete and slow moving inventories, derivatives, post-employment benefits and in calculating taxes.

7. Significant acquisitions and disinvestments

Luna Rossa Trademark sàrl acquisition

On March 10, 2009 the subsidiary PRADA sa acquired the remaining 49% stake in Luna Rossa Trademark sàrl, a joint-venture with Telecom Italia spa, incorporated in 2005 for the management of the homonymous trademark during the 2007 America's Cup. The acquired interest basically consists in the Luna Rossa trademark and the price paid, equal to Euro 9.3 million, expresses the fair value of the acquisition asset. In December 2009 Luna Rossa Trademark has been liquidated and its assets and liabilities have been transferred to PRADA sa.

Cheaney business disposal

In August 2009, the Group disposed of a footwear manufacturing unit – part of the Church's Group - operating in Great Britain. In compliance with IFRS 5 the relevant costs and revenues were shown on a separate line of the consolidated income statement closed as at January 31, 2010, as well as in the income statement as at January 31, 2009, which was accordingly adjusted.

Costs and revenues from discontinued operations as at January 31, 2010 and January 31, 2009, are below detailed by functional area.

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Net revenues	1,712	4,594
Cost of goods sold	(1,940)	(4,516)
Operating expenses	(161)	(673)
Adjustment to fair value	(1,917)	-
EBIT	(2,306)	(595)
Interest and other financial income (expenses), net	(1)	(7)
Net result from discontinued operations	(2,307)	(602)

8. Segment information

Starting from 2007, the PRADA Group took up the option of adopting IFRS 8, which has replaced IAS 14.

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

The Group's matrix organization structure, based on which responsibilities are assigned cross-functionally among brands, products, channels, geographic areas, together with the complementarity of production processes of the various brands and to the many relationships among the different business segments, does not allow the identification of operating segments in line with IFRS 8. For this reason a single operating segment has been identified.

Nevertheless, in order to provide a better understanding of the effects of the business activities undertaken and the economic context in which the PRADA Group operates over the financial statements, information about the operating results of the various brands is provided in addition to that regarding net sales by trademark, geographical area, product and channel.

Comparative figures for the periods ended January 31, 2010 and January 31, 2009 are shown below:

Net sales analysis

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc./Dec. %
			(adjusted)		
Net sales by geographic area					
Italy	330,005	21.6%	385,198	24.0%	-14.3%
Europe	372,992	24.4%	436,332	27.2%	-14.5%
North America	227,783	14.9%	290,041	18.1%	-21.5%
Asia Pacific	396,123	25.9%	282,670	17.6%	40.1%
Japan	189,447	12.4%	186,828	11.6%	1.4%
Other countries	14,227	0.8%	23,079	1.5%	-38.4%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales by trademark					
Prada	1,209,465	79.0%	1,265,637	78.9%	-4.4%
Miu Miu	252,304	16.5%	239,480	14.9%	5.4%
Church's	43,604	2.8%	49,851	3.1%	-12.5%
Car shoe	18,461	1.2%	34,340	2.1%	-46.2%
Other	6,743	0.5%	14,840	1.0%	-54.6%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales by product line					
Clothing	396,399	25.9%	470,846	29.4%	-15.8%
Leather goods	711,642	46.5%	634,107	39.5%	12.2%
Footwear	410,493	26.8%	488,368	30.4%	-15.9%
Other	12,043	0.8%	10,827	0.7%	11.2%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc./Dec. %
			(adjusted)		
Net sales by distribution network					
DOS (outlets included)	991,493	64.8%	871,266	54.3%	13.8%
Independent clients, franchises and related parties	539,084	35.2%	732,882	45.7%	-26.4%
Total	1,530,577	100.0%	1,604,148	100.0%	-4.6%
Net sales	1,530,577	98.0%	1,604,148	97.6%	-4.6%
Royalties	30,661	2.0%	39,481	2.4%	-22.3%
Total revenues	1,561,238	100.0%	1,643,629	100.0%	-5.0%

Prada brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc./Dec. %
Net sales by geographic area					
Italy	248,993	20.6%	286,787	22.7%	-13.2%
Europe	284,285	23.5%	331,205	26.2%	-14.2%
North America	203,267	16.8%	254,523	20.1%	-20.1%
Asia Pacific	326,939	27.0%	234,206	18.5%	39.6%
Japan	135,176	11.2%	140,642	11.1%	-3.9%
Other countries	10,805	0.9%	18,274	1.4%	-40.9%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales by product line					
Clothing	347,658	28.7%	410,038	32.4%	-15.2%
Leather goods	553,665	45.8%	498,608	39.4%	11.0%
Footwear	297,139	24.6%	346,805	27.4%	-14.3%
Other	11,003	0.9%	10,186	0.8%	8.0%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales by distribution network					
DOS (outlets included)	779,181	64.4%	698,779	55.2%	11.5%
Independent clients, franchises and related parties	430,284	35.6%	566,858	44.8%	-24.1%
Total	1,209,465	100.0%	1,265,637	100.0%	-4.4%
Net sales	1,209,465	97.7%	1,265,637	97.2%	-4.4%
Royalties	28,621	2.3%	36,746	2.8%	-22.1%
Total revenues	1,238,086	100.0%	1,302,383	100.0%	-4.9%

Miu Miu brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc./Dec. %
Net sales by geographic area					
Italy	51,782	20.5%	55,662	23.2%	-7.0%
Europe	55,772	22.1%	60,825	25.4%	-8.3%
North America	22,092	8.8%	29,966	12.5%	-26.3%
Asia Pacific	66,474	26.3%	45,140	18.8%	47.3%
Japan	53,692	21.3%	44,494	18.6%	20.7%
Other countries	2,492	1.0%	3,393	1.5%	-26.6%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales by product line					
Clothing	46,497	18.4%	54,049	22.6%	-14.0%
Leather goods	154,570	61.3%	128,660	53.7%	20.1%
Footwear	50,198	19.9%	56,137	23.4%	-10.6%
Other	1,039	0.4%	634	0.3%	63.9%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales by distribution network					
DOS (outlets included)	177,278	70.3%	132,894	55.5%	33.4%
Independent clients, franchises and related parties	75,026	29.7%	106,586	44.5%	-29.6%
Total	252,304	100.0%	239,480	100.0%	5.4%
Net sales	252,304	99.3%	239,480	99.0%	5.4%
Royalties	1,688	0.7%	2,378	1.0%	-29.0%
Total revenues	253,992	100.0%	241,858	100.0%	5.0%

Church's brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Inc./Dec. %
			(adjusted)		
Net sales by geographic area					
Italy	13,176	30.2%	16,277	32.7%	-19.1%
Europe	25,910	59.4%	28,145	56.5%	-7.9%
North America	1,849	4.2%	2,666	5.3%	-30.6%
Asia Pacific	2,137	4.9%	2,168	4.3%	-1.4%
Japan	245	0.6%	390	0.8%	-37.2%
Other countries	287	0.7%	205	0.4%	40.0%
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales by product line					
Clothing	422	1.0%	473	0.9%	-10.8%
Leather goods	1,206	2.8%	1,114	2.2%	8.3%
Footwear	41,976	96.2%	48,264	96.9%	-13.0%
Other	-	-	-	-	-
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales by distribution network					
DOS (outlets included)	28,153	64.6%	30,433	61.0%	-7.5%
Independent clients, franchises and related parties	15,451	35.4%	19,418	39.0%	-20.4%
Total	43,604	100.0%	49,851	100.0%	-12.5%
Net sales	43,604	99.5%	49,851	99.8%	-12.5%
Royalties	209	0.5%	111	0.2%	88.3%
Total revenues	43,813	100.0%	49,962	100.0%	-12.3%

Car Shoe brand

(amounts in thousands of Euro)	January 31, 2010		January 31, 2009		Variazione %
Net sales by geographic area					
Italy	13,709	74.3%	21,032	61.2%	-34.8%
Europe	3,536	19.2%	8,865	25.8%	-60.1%
North America	385	2.1%	2,661	7.7%	-85.5%
Asia Pacific	175	0.9%	464	1.4%	-62.3%
Japan	23	0.1%	138	0.4%	-83.3%
Other countries	633	3.4%	1,180	3.5%	-46.4%
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales by product line					
Clothing	-	-	-	-	-
Leather goods	2,010	10.9%	4,833	14.1%	-58.4%
Footwear	16,451	89.1%	29,507	85.9%	-44.2%
Other	-	-	-	-	-
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales by distribution network					
DOS (outlets included)	4,550	24.6%	4,863	14.2%	-6.4%
Independent clients, franchises and related parties	13,911	75.4%	29,477	85.8%	-52.8%
Total	18,461	100.0%	34,340	100.0%	-46.2%
Net sales	18,461	100.0%	34,340	100.0%	-46.2%
Royalties	-	-	-	-	-
Total revenues	18,461	100.0%	34,340	100.0%	-46.2%

Analysis of EBITDA by brand

January 31, 2010	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,530,577	1,209,465	252,304	43,604	18,461	6,743
Royalties	30,661	28,621	1,688	209	-	143
Net revenues	1,561,238	1,238,086	253,992	43,813	18,461	6,886
EBITDA	290,219	249,814	41,971	1,045	(1,921)	(690)
EBITDA %	18.6%	20.2%	16.5%	2.4%	-	-

January 31, 2009	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,604,148	1,265,637	239,480	49,851	34,340	14,840
Royalties	39,481	36,746	2,378	111	-	246
Net revenues	1,643,629	1,302,383	241,858	49,962	34,340	15,086
EBITDA	282,641	250,375	30,231	1,354	2,313	(1,632)
EBITDA %	17.2%	19.2%	12.5%	2.7%	6.7%	-

Notes to the Consolidated Statement of Financial Position

9. Cash and cash equivalents

Cash and cash equivalents are detailed as below:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Cash on hand	17,273	9,859
Bank deposits	277	10,025
Bank accounts	81,014	66,987
Total	98,564	86,871

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Trade receivables – third parties	204,997	230,221
Trade receivables – associated companies	1,430	1,981
Trade receivables – other related parties	17,771	18,310
Total	224,198	250,512

In 2005 the Group signed an agreement with Calyon (now Credit Agricole Corporate and Investment Bank - Credit Agricole Group) for the securitization of the trade receivables. The contract provides that PRADA spa can sell, without recourse, the receivables relating to invoices issued to Italian and European customers. The collection service, on behalf of the transferee, is provided by PRADA spa. On January 19, 2010 the parties signed an agreement to anticipate the beginning of the amortization period of the securitization program. This date, originally foreseen starting from August 2011 has been anticipated as at February 20, 2010.

Trade receivables from third parties show a decrease compared to 2008 due to physiological consequence of the decline in wholesale turnover.

Trade receivables from other related parties refer to the sale of finished products (Euro 17 million) and to royalties under franchise agreements (Euro 0.8 million) with retail companies owned by the main Shareholders of PRADA Holding bv (note 39).

Trade receivables from other associated companies refer to royalties accrued from Fragrance & Skincare sl and are related to the distribution of Prada fragrances.

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Trade receivables gross – third party	216,305	239,645
Provision for bad and doubtful debts	(11,308)	(9,424)
Total trade receivables net – third party	204,997	230,221

The allowance for doubtful debts was determined on a detailed basis considering all information available at the date the financial statements were prepared and is revised periodically to adjust the receivables balance to their fair value.

Movements during the period may be analyzed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Opening balance	9,424	7,984
Exchange differences	(1,013)	1,586
Increase	3,670	1,605
Decrease	(773)	(1,751)
Closing balance	11,308	9,424

11. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Raw materials	70,069	86,795
Work in progress	12,565	11,734
Finished products	214,620	214,485
Allowance for obsolete and slow moving inventories	(65,778)	(61,817)
Total	231,476	251,197

Work-in-progress includes materials in production by PRADA spa, by Church & Co. ltd and by sub-contractors third parties.

The reduction of raw materials and the substantial stability in stocks of finished products compared to the previous year, despite a net increase of 27 additional stores, are the result of careful and meticulous management of inventories levels throughout the entire value chain.

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Opening balance	38,562	23,255	61,817
Exchange differences	2	(230)	(228)
Increase (decrease), net	(36)	4,225	4,189
Closing balance	38,528	27,250	65,778

In the year ended as at January 31, 2010 a write down totaling Euro 4.2 million was charged to the income statement for slow-moving finished goods. This write-down was recorded in order to bring the cost of this inventory in line with estimated net realizable value.

12. Derivative financial instruments: assets and liablities

Derivative financial instruments: assets and liabilities current portion

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Financial assets for derivative instruments	180	3.440
Financial liabilities for derivative instruments	(9,278)	(21,266)
Net current carrying amount	(9,098)	(17,826)

Derivative financial instruments: assets and liabilities non current portion

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Financial assets for derivative instruments	-	-
Financial liabilities for derivative instruments	(158)	(2,118)
Net non current carrying amount	(158)	(2,118)

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

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009	IFRS7 level
Forward contracts	5	881	II Level
Options	175	2,559	II Level
Interest rate swaps	-	-	
Positive fair value	180	3,440	
Forward contracts	(1,271)	(935)	II Level
Options	(4,211)	(18,645)	II Level
Interest rate swaps	(3,954)	(3,804)	II Level
Negative fair value	(9,436)	(23,384)	
Net carrying amount	(9,256)	(19,944)	

Following the amendments to IFRS 7 financial instruments valued at fair value are qualified according to three levels of hierarchy:

- Level I, quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level II, inputs, other than quoted prices included within Level I , that are observable for the assets or liabilities , either directly (prices) or indirectly (derived from prices);
- Level III, inputs for the assets or liabilities that are not based on observable market data.

Derivative instruments recorded at January 31, 2010 are all qualified, based on characteristics and determination of fair value, as second level of the hierarchy proposed by IFRS 7.

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

Foreign exchange rate transactions

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

Expected future cash flows mainly consist of collection of trade receivables and payment of trade payables.

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

The notional amounts of the derivative contracts, designated as cash hedges as at January 31, 2010 (as translated at the European Central Bank exchange rate at January 31, 2010) are stated below.

Hedging contracts regarding projected future trade cash flows as at January 31, 2010.

(amounts in thousands of Euro)	Options	Forward contracts	Swaps	January 31, 2010
Currencies				
U.S. Dollar	49,595	1,432	-	51,027
British Pound	19,364	288	-	19,652
Japanese Yen	15,949	1,189	-	17,138
Hong Kong Dollar	37,660	922	-	38,582
Swiss Franc	6,875	1,136	-	8,011
Others	8,110	5,937	-	14,047
			-	
Total	137,553	10,904		148,457

All the existing contracts are expiring within January 31, 2011.

Hedging contracts regarding projected future trade cash flows as at January 31, 2009.

(amounts in thousands of Euro)	Options	Forward contracts	Swaps	January 31, 2009
Currencies				
U.S. Dollar	101,256	31,367		132,623
British Pound	14,702	2,228	(284)	16,646
Japanese Yen	58,575	870	-	59,445
Hong Kong Dollar	50,886	22,737	-	73,623
Swiss Franc	8,654	7,767	-	16,421
Others	10,218	17,336	-	27,554
Euro	-	1,800	-	1,800
Total	244,291	84,105	(284)	328,112

Contracts hedging projected future financial cash flows as at January 31, 2009.

(amounts in thousands of Euro)	Options	Forward contracts	Swaps	January 31, 2009
Currencies				
Japanese Yen	-	(22,484)		(22,484)

All contracts in place as at January 31, 2009 expired within 12 months.

The maturity of these contracts is analyzed in the information on financial risks section of the Notes to the Consolidated Financial Statements.

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

Interest rate transactions

In recent years, the Group entered into Interest Rate Swaps contracts (IRS) in order to hedge the risk of interest rate fluctuations regarding some loans payable.

The key features of the IRS agreements in place as at January 31, 2010 and January 31, 2009 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31, 2010	Bank institution of hedged financial debt	Amount	Due date
					Fair value			
IRS	Euro/000	64,500	2.62% - 4.00%	27/07/2010	(534)	Syndacated loan	129,000	07/2010
IRS	Euro/000	64,500	2.62%	27/07/2010	(534)			
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,060)	Intesa-Sanpaolo	30,000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,058)	Unicredit	30,000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(419)	Carilucca, Pisa and Livorno	10,000	08/2012
IRS	USD/000	22,000	5.7%	01/05/2014	(349)	Sovereign Bank	22,000	05/2014

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31, 2009	Bank institution of hedged financial debt	Amount	Due date
					Fair value			
IRS	Euro/000	107,500	2.62% - 4.00%	27/07/2010	(533)	Syndacated loan	129,000	07/2010
IRS	Euro/000	107,500	2.62%	27/07/2010	(582)			
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,204)	Intesa-Sanpaolo	30,000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,205)	Unicredit	30,000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(280)	Carilucca, Pisa and Livorno	10,000	08/2012

The IRS converts the variable interest rates applying to a series of loans into fixed interest rates.

The IRS have been arranged with leading financial institutions and the Group does not expect them to default.

Under applicable regulations, all of the derivatives in force at the reporting date meet the requirements to be classified as cash flow hedges.

Movements, since February 1, 2009, on the cash flow hedge reserve, recorded as part of the Group's Shareholders' equity before the tax effect, may be analyzed as follows:

(amounts in thousands of Euro)	
Opening balance as at February 1, 2008	5,812
Change in the translation reserve	70
Change in fair value, recognized in equity	(18,762)
Chang in fair value, charged to profit and loss	(6,925)
Closing balance as at January 31, 2009	(19,805)
Change in the translation reserve	(4)
Change in fair value, recognized in equity	10,679
Change in fair value, charged to profit and loss	5,084
Closing balance as at January 31, 2010	(4,046)

Changes in the reserve that are charged to the income statement are recognized under "Interest and other financial income (expense), net".

Information on financial risks

Capital management

The Group's strategy in terms of capital management is intended to safeguard the Group's ability to continue guaranteeing the return to Shareholders, protecting the interests of stakeholders and respecting financial covenants as well as maintaining an adequate capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Notes
Cash and cash equivalents	98,564	-	98,564	9
Trade receivables	224,198	-	224,198	10
Derivative financial instruments	-	180	180	12
Financial receivables	54,537	-	54,536	13
Total as at January 31, 2010	377,299	180	377,478	

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Notes
Cash and cash equivalents	86,871	-	86,871	9
Trade receivables	250,512	-	250,512	10
Derivative financial instruments	-	3,440	3,440	12
Financial receivables	20,696	-	20,696	13
Total as at January 31, 2009	358,079	3,440	361,519	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Notes
Financial debt	574,073	-	574,073	20, 21, 22, 27
Trade payables	196,396	-	196,396	23
Derivative financial instruments	-	9,436	9,436	12
Total as at January 31, 2010	770,469	9,436	779,905	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Notes
Financial debt	633,842	-	633,842	20, 21, 22, 27
Trade payables	230,507	-	230,507	23
Derivative financial instruments	-	23,384	23,384	12
Total as at January 31, 2009	864,349	23,384	887,733	

Credit risk

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

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

The Group manages the credit risk and mitigates the related negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and it is under the responsibility of the Group Commercial Department.

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

Finally, it must be noted that, in prior years, the Group entered into a five-year securitization program providing for the assignment without recourse of receivables, through which the credit risk is transferred to third parties.

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

(amounts in thousands of Euro)	January 31, 2010	Overdue from				
		0 < 30	31 < 60	61 < 90	91 < 120	More than 120
Trade receivables	235,506	18,491	3,949	3,351	2,021	21,711
Total	235,506	18,491	3,949	3,351	2,021	21,711

(amounts in thousands of Euro)	January 31, 2009	Overdue from				
		0 < 30	31 < 60	61 < 90	91 < 120	More than 120
Trade receivables	259,936	20,807	9,235	3,757	2,604	18,335
Total	259,936	20,807	9,235	3,757	2,604	18,335

At the reporting date the loss expected by the management is entirely covered by the allowance for doubtful receivables.

Movements on the allowance for doubtful debts are shown in Note 10.

Liquidity risk

The liquidity risk is intended as the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk, while the Group Treasury Department, reporting to the C.F.O, is responsible for optimizing management of 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 Group to meet its needs deriving from investing activities, working capital management and repayment of loans as they fall due, without using all available funds that can thus be allocated to the payment of dividends.

As at January 31, 2010 the Group had unused and available credit lines totaling Euro 254.3 million (Euro 302.5 million as at January 31, 2009).

Financial liabilities associated with trade accounts payable (Euro 196,4 million as at January 31, 2010 and Euro 228.2 million as at January 31, 2009) fall due within 12 months.

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

Derivative financial liabilities

(amounts in thousands of Euro)	Contractual cash flow at January 31, 2010	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years
Forward contracts designated as cash flow hedging							
Cash outflow	(3,641)	(1,055)	(2,586)	-	-	-	-
Cash inflow	2,375	329	2,046	-	-	-	-
Other cash flow hedging contracts							
Cash outflow	(1,570)	(1,184)	(386)	-	-	-	-
Cash inflow	865	865	-	-	-	-	-
Interest rate swaps cash flow hedge	(4,097)	(2,590)	(1,324)	(425)	(25)	185	82
Net value	(6,068)	(3,635)	(2,250)	(425)	(25)	185	82

(amounts in thousands of Euro)	Contractual cash flow at January 31, 2009	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years
Forward contracts designated as cash flow hedging							
Cash outflow	(2,819)	(1,342)	(1,477)	-	-	-	-
Cash inflow	1,918	906	1,012	-	-	-	-
Other cash flow hedging contracts							
Cash outflow	(19,343)	(11,602)	(7,741)	-	-	-	-
Cash inflow	2,374	971	1,403	-	-	-	-
Interest rate swaps cash flow hedge	(3,855)	(550)	(993)	(2,243)	(69)	-	-
Net value	(21,725)	(11,617)	(7,796)	(2,243)	(69)	-	-

Non-derivative financial liabilities

(amounts in thousands of Euro)	Carrying amount	Contractual cash flow at January 31, 2010	On demand	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	Beyond 5 years
Obligations under finance lease	13,181	13,979	-	2,961	3,004	5,443	1,437	610	524	-
Financial liabilities – third parties	572,403	593,720	29,357	406,931	36,111	36,719	40,918	18,200	22,881	2,603
Financial liabilities – to other Shareholders, to parent company and other companies controlled by PRADA Holding bv	3,351	3,351	3,351	-	-	-	-	-	-	-
Total	588,935	611,050	32,708	409,892	39,115	42,162	42,355	18,810	23,405	2,603

(amounts in thousands of Euro)	Carrying amount	Contractual cash flow at January 31, 2009	On demand	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	Beyond 5 years
Obligations under finance lease	11,077	11,947	-	2,010	1,725	2,708	3,362	968	601	573
Financial liabilities – third parties	633,208	655,058	29,704	246,009	105,710	178,151	36,793	27,446	19,707	11,538
Financial liabilities – to other Shareholders, to parent company and other companies controlled by PRADA Holding bv	3,272	3,272	3,272	-	-	-	-	-	-	-
Total	647,557	670,277	32,976	248,019	107,435	180,859	40,155	28,414	20,308	12,111

Some non-derivative financial liabilities provide financial parameters to be met by certain Group's companies. These covenants are described in notes 27 and 20 of Consolidated Financial Statements.

Exchange rate risk

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

The exchange rate risk translates into the risk that Group's distributor cash flows may fluctuate as a result of changes in exchange rates. The most important currencies for the Group are: U.S. Dollar, Hong Kong Dollar, Japanese Yen and British Pound.

In addition to the company that acts as worldwide distributor, other Group companies also have cash flows in currencies other than their own. They are exposed to the exchange rate risk as well.

The following table represents the sensitivity of the Group's net result and net equity to a range of fluctuations of the main foreign currencies against Euro, based on the net balance of assets and liabilities as at January 31, 2010.

	Euro --> + 5%		Euro --> - 5%	
(amounts in thousands of Euro)	Effect on net income	Effect on net equity	Effect on net income	Effect on net equity
British pound	(1,212)	(302)	975	179
Hong Kong Dollar	2,894	3,694	(1,208)	(4,547)
Japanese Yen	1,565	2,341	(488)	(2,763)
US dollar	2,342	3,553	(615)	(4,322)
Other currencies	(924)	28	1,171	(272)
Total	4,665	9,314	(165)	(11,725)

The impact on net equity (Euro 9.3 million positive and Euro 11.7 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of a hypothetical strengthening/weakening of the Euro against other currencies.

The effects on the above-mentioned items are recorded before the tax effect. Management believes that this sensitivity analysis is purely indicative,as it is based on the period end exposure, that might not reflect effects actually generated during the year.

Interest rate risk

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

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

The following table shows the sensitivity, of the Group net result and net equity, to a shift in the interest rate curve to which the Group companies' financial position was exposed as at January 31, 2010.

(Amounts in thousands of Euro)	Shift interest rate curve	Effect on net result	Effect on net equity	Shift interest rate curve	Effect on net result	Effect on net equity
Euro	+ 0.50%	(1,154)	(860)	- 0.50%	2,045	1,886
Japanese Yen	+ 0.50%	(272)	(272)	- 0.50%	272	272
US Dollar	+ 0.50%	68	500	- 0.50%	(408)	(571)
Other currencies	from + 0.50% to + 1%	74	74	from - 0.50% to - 1%	(74)	(74)
Total		(1,284)	(558)		1,835	1,513

The total impact on net equity (Euro 0.6 million negative and Euro 1.5 million positive) should be considered as the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve.

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

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

13. Receivables from parent companies and related parties

Receivables from parent companies and related parties are detailed below:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Financial receivables - PRADA Holding bv	54,462	20,626
Financial receivables – other companies controlled by PRADA Holding bv	75	70
Other receivables - PRADA Holding bv	623	383
Other receivables – other related parties	1,095	1,061
Other receivables – other companies controlled by PRADA Holding bv	166	182
Total	56,421	22,322

Financial receivables from PRADA Holding bv amounted to Euro 54.5 million;during the year they have been increased by Euro 78.8 miliuon due to new loans and have been reduced for refunds by Euro 44.9 million.

This receivable will be repaid in 2010 through financial resources resulting from the flow of dividends from PRADA spa, currently under deliberation.

The principal amount is repayable upon request within 15 days of notice while interest accrues at a rate equal to Euribor plus a 1% spread.

Details are listed in note 39.

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
VAT, income taxes and other tax receivables	18,612	66,896
Other current assets	20,142	20,144
Prepayments and accrued income	30,514	35,108
Deposits	5,440	8,314
Total	74,708	130,462

VAT, income taxes and other tax receivables

The decrease in "VAT, income taxes and other tax receivables" is mainly due to the settlement of a tax litigation on transfer prices with Japanese tax authorities (note 29 Provisions) and to the collection of fiscal receivables in the United States.

Other current assets

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Advertising contributions under license agreements	10,505	13,072
Advances to suppliers	1,151	2,547
Incentives for retail investments	4,487	2,729
Advances to employees	527	510
Other receivables	3,472	1,286
Total	20,142	20,144

"Advertising contributions under license agreements" refer to PRADA sa receivables towards licensees which manufacture and distribute Prada and Miu Miu eyewear and telephones and relate to contributions on costs incurred for advertising campaigns during the period 2009.

Prepayments and accrued income

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Rental charges	9,962	10,599
Insurance	822	592
Design costs	11,903	13,872
Fashion shows and advertising campaigns	1,732	1,323
Sponsorship	595	1,233
Securitization agreements	-	353
Consulting	3,032	2,508
Other	2,468	4,628
Total	30,514	35,108

"Design costs" mainly include costs incurred for the realization of collections whose revenues will be recorded in the following year.

"Sponsorship " mainly refers to sponsorships to related parties which are detailed in note 39.

Deposit

"Deposits" mainly include guarantee deposits paid under store leases.

15. Assets held for sale

This item includes assets no longer considered strategic by the Group and whose value will be recovered mainly through disposal and not through continued use.

16. Property, plant and equipment

Movements in the historic cost of "Property, plant and equipment" during the period ended January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	Land & Buildings	Plant & Production Machinery	Leasehold Improve-ments	Furniture & Fittings	Other equipment	Construction in progress	Gross value
Balance as at January 31, 2008	62,918	80,619	251,551	99,186	71,334	26,654	592,262
Change in the consolidation area	41,011	-	-	821	-	-	41,832
Additions	17,620	6,761	61,942	22,794	4,187	27,094	140,398
Disposals	-	624	180	621	1,236	(1)	2,660
Exchange differences	1,884	(1,541)	34,729	5,673	940	1,657	43,342
Other movements	6,385	-	(1,134)	838	(91)	(4,926)	1,072
Impairment	-	(111)	(8,951)	(2,787)	(913)	(95)	(12,857)
Balance as at January 31, 2009	129,818	85,104	337,957	125,904	74,221	50,385	803,389
Change in the consolidation area	-	-	-	-	-	-	-
Additions	2,201	5,874	65,686	19,254	3,549	23,585	120,149
Disposals	448	1,042	1,024	589	4,625	12	7,740
Exchange differences	(2,259)	259	(16,548)	(2,230)	(424)	(466)	(21,668)
Other movements	(518)	268	7,780	3,098	638	(11,876)	(610)
Impairment	-	(344)	(11,327)	(1,374)	(511)	-	(13,556)
Balance as at January 31, 2010	128,794	90,119	382,524	144,063	72,848	61,616	879,964

Movements in the accumulated depreciation of "Property, plant and equipment" during the period ended January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	Land & Buildings	Plant & Production Machinery	Leasehold Improve-mentsi	Furniture & Fittings	Other equipment	Total accumulated depreciation
Balance as at January 31, 2008	9,767	67,520	163,451	67,203	45,311	353,252
Change in the consolidation area	3,066	-	-	697	-	3,763
Depreciation	2,719	5,808	27,897	9,937	7,540	53,901
Disposals	-	609	27	379	1,172	2,187
Exchange differences	394	(1,280)	20,059	3,065	622	22,860
Other movements	3,465	-	(1,539)	(16)	21	1,931
Impairment	-	(111)	(6,280)	(2,332)	(599)	(9,322)
Balance as at January 31, 2009	19,411	71,328	203,561	78,175	51,723	424,198
Change in the consolidation area	-	-	-	-	-	-
Depreciation	3,290	6,099	37,186	12,787	6,891	66,253
Disposals	109	987	310	512	4,517	6,435
Exchange differences	(174)	223	(9,954)	(1,286)	(294)	(11,485)
Other movements	(81)	(21)	(727)	(163)	109	(883)
Impairment	-	(43)	(7,980)	(1,142)	(484)	(9,649)
Balance as at January 31, 2010	22,337	76,599	221,776	87,859	53,428	461,999

Movements in the net book value of "Property, plant and equipment" during the period ended January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	Land & Buildings	Plant & Production Machinery	Leasehold improve-ments	Furniture & Fittings	Other Equipment	Construction in progress	Net book value
Balance as at January 31, 2008	53,151	13,099	88,100	31,983	26,023	26,654	239,010
Change in the consolidation area	37,945	-	-	124	-	-	38,069
Additions	17,620	6,761	61,942	22,794	4,187	27,094	140,398
Depreciation	(2,719)	(5,808)	(27,897)	(9,937)	(7,540)	-	(53,901)
Disposals	-	15	153	242	64	(1)	473
Exchange differences	1,490	(261)	14,670	2,608	318	1,657	20,482
Other movements	2,920	-	405	854	(112)	(4,926)	(859)
Impairment	-	-	(2,671)	(455)	(314)	(95)	(3,535)
Balance as at January 31, 2009	110,407	13,776	134,396	47,729	22,498	50,385	379,191
Change in the consolidation area	-	-	-	-	-	-	-
Additions	2,201	5,874	65,686	19,254	3,549	23,585	120,149
Depreciation	(3,290)	(6,099)	(37,186)	(12,787)	(6,891)	-	(66,253)
Disposals	339	55	714	77	108	12	1,305
Exchange differences	(2,085)	36	(6,594)	(944)	(130)	(466)	(10,183)
Other movements	(437)	289	8,507	3,261	529	(11,876)	273
Impairment	-	(301)	(3,347)	(232)	(27)	-	(3,907)
Balance as at January 31, 2010	106,457	13,520	160,748	56,204	19,420	61,616	417,965

The increase in "Land and Buildings" mainly refers to renovations carried out on a building located in Tuscany, where footwear division production activities have been concentrated.

The acquisitions under the item “Plant and machinery” are related to equipment used in production processes of footwear division.

Also this year the bulk of the Group investments focused on the retail network, with a cost of Euro 109.6 million, mainly included in the categories "Leasehold improvements", "Furniture and Fixtures" and "Construction in progress". Of these, Euro 57 million were invested for the opening of new stores (Euro 43.6 million on the 35 DOS opened in 2009 and Euro 13.4 million on stores opening next year), while Euro 52.6 million relate to expansion and renovation of stores existing at the beginning of the period.

Additions to “Other equipment” mainly refer to hardware purchases.

“Construction in progress”, whose balance as at January 31, 2010 amounted to Euro 61.6 million, relates:

- Euro 31.6 million (including Euro 4 million invested in 2009) to the construction of the new operating offices of PRADA spa in Tuscany, where the leather goods division’s laboratories, raw material’s warehouse and some corporate offices will be based;
- Euro 2.5 million to a building located in Milan and used for offices;
- Euro 23.1 million to Prada and Miu Miu stores opening next year. In particular, Euro 15.5 million are related to investments in the Far East, Euro 4 million in America, and Euro 3.6 million in Europe.

The impairment writedowns recorded as at January 31, 2010 refer to stores that are no longer being used.

At January 31, 2010 “Land and Building” included capitalized interest charges as follows:

(Amounts in thousands of Euro)	Opening book value	Additions	Exchange differences	Depreciations	Change in consolidation scope	Other movements	Closing net book value
Land and Buildings	7,991	384	(617)	(298)	-	-	7,460

17. Intangible fixed assets

Movements in the historic cost of "Intangible assets", in the period ended January 31, 2010 and January 31, 2009, are as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Development costs	Construction in progress	Total gross value
Balance as at January 31, 2008	394,293	535,201	82,825	53,580	39,093	1,058	1,106,050
Change in the consolidation area	-	-	-	-	-	-	-
Additions	177	-	13,767	2,394	1,975	493	18,806
Disposals	-	-	-	-	-	-	-
Exchange differences	(10,772)	(5,205)	(266)	137	36	4	(16,066)
Other movements	-	-	1,255	643	25	(883)	1,040
Impairment	-	-	-	(337)	(3)	-	(340)
Balance as at January 31, 2009	383,698	529,996	97,581	56,417	41,126	672	1,109,490
Change in the consolidation area	9,311	-	-	-	-	-	9,311
Additions	168	2,060	7,517	1,226	2,871	525	14,367
Disposals	-	-	-	153	-	-	153
Exchange differences	1,937	936	(16)	(175)	(16)	(4)	2,662
Other movements	-	-	428	(236)	52	(325)	(81)
Impairment	-	-	-	(65)	-	(52)	(117)
Balance as at January 31, 2010	395,114	532,992	105,510	57,014	44,033	816	1,135,479

Movements in the accumulated amortization of "Intangible assets" during the period ended January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store lease acquisitions	Software	Development costs	Total accumulated amortization
Balance as at January 31, 2008	47,961	19,564	49,491	42,106	21,992	181,114
Change in the consolidation area	-	-	-	-	-	-
Amortization	10,365	-	5,769	5,367	4,678	26,179
Disposals	-	-	-	-	-	-
Exchange differences	(2,328)	(2,307)	288	124	1	(4,222)
Other movements	-	-	201	-	(27)	174
Impairment	-	5,444	-	(315)	-	5,129
Balance as at January 31, 2009	55,998	22,701	55,749	47,282	26,644	208,374
Change in the consolidation area	-	-	-	-	-	-
Amortization	10,487	-	7,446	4,539	5,156	27,628
Disposals	-	-	-	143	-	143
Exchange differences	475	567	(247)	(159)	(2)	634
Other movements	-	-	110	(213)	(9)	(112)
Impairment	-	5,835	-	(56)	-	5,779
Balance as at January 31, 2010	66,960	29,103	63,058	51,250	31,789	242,160

Movements in the net book value of "Intangible assets" in the period ended January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store lease acquisitions	Software	Develop-ment costs	Construction in progress	Total net book value
Balance as at January 31, 2008	346,332	515,637	33,334	11,474	17,101	1,058	924,936
Change in the consolidation area	-	-	-	-	-	-	-
Additions	177	-	13,767	2,394	1,975	493	18,806
Amortization	(10,365)	-	(5,769)	(5,367)	(4,678)	-	(26,179)
Disposals	-	-	-	-	-	-	-
Exchange differences	(8,444)	(2,898)	(554)	13	35	4	(11,844)
Other movements	-	-	1,054	643	52	(883)	866
Impairment	-	(5,444)	-	(22)	(3)	-	(5,469)
Balance as at January 31, 2009	327,700	507,295	41,832	9,135	14,482	672	901,116
Change in the consolidation area	9,311	-	-	-	-	-	9,311
Additions	168	2,060	7,517	1,226	2,871	525	14,367
Amortization	(10,487)	-	(7,446)	(4,539)	(5,156)	-	(27,628)
Disposals	-	-	-	10	-	-	10
Exchange differences	1,462	369	231	(16)	(14)	(4)	2,028
Other movements	-	-	318	(23)	61	(325)	31
Impairment	-	(5,835)	-	(9)	-	(52)	(5,896)
Balance as at January 31, 2010	328,154	503,889	42,452	5,764	12,244	816	893,319

The change in the consolidation area refers to the acquisition of the remaining 49% of the share capital of Luna Rossa Trademark sarl.

The net book value of trademarks is provided below:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Miu Miu	187,687	193,262
Church's	119,188	121,706
Luna Rossa	9,074	-
Car Shoe	6,363	6,560
Prada	4,800	4,963
Other	1,042	1,209
Total	328,154	327,700

Group's trademarks have not been impaired during 2009.

"Other" includes trademark registration expenses.

"Store lease acquisition costs" (Key Money) include intangible assets recorded with reference to costs incurred by the Group to enter into, take over or extend lease agreements for retail premises in the most prestigious retail areas.

The increase recorded during the period is attributable to two lease agreements in Italy and in Germany.

Acquisitions under the heading "Software" refer for Euro 1.2

million to the development of software used for in accounting, finance and retail departments.

The following table contains details of investments in tangible and intangible fixed assets by business area:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Retail	109,601	112,040
Industrial and logistic	15,759	37,384
Corporate	9,156	9,780
Total	134,516	159,204

Goodwill

As at January 31, 2010 “Goodwill” amounted to Euro 503.9 million.

Goodwill split by Cash Generating Unit (CGU) is detailed below:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Italian wholesale	78,355	78,355
Asia Pacific and Japan retail	311,936	311,936
Italian retail	25,850	25,850
Germany and Austria retail	5,064	5,064
UK retail	9,300	9,300
Spain retail	1,400	1,400
France and Montecarlo retail	11,700	11,700
North America retail and wholesale	48,000	48,000
Industrial goodwill	3,492	1,432
Church’s	8,792	14,257
Total	503,889	507,924

As required by IAS 36 the value of goodwill is not amortized. Instead, it is tested for impairment at least once a year.

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

The 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 applied is calculated using the weighted average cost of capital approach (W.A.C.C.). For the test performed as at January 31, 2010 the W.A.C.C. used for discounting purposes is in the range between 5.66% to 8.84%.

Following to the test performed as at January 31, 2010 an impairment loss, attributable to the “Church’s” Cash Generating

Unit, was recorded in the income statement for an amount of euro 5.8 million.

18. Investments

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Investments in associated undertakings and joint-ventures	9,495	9,898
Other investments	14	14
Total	9,509	9,912

Investments in associated undertakings and joint- ventures are accounted for using the equity method.

Details of associated undertakings and joint-ventures as at January 31, 2010 and January 31, 2009 are as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Pac Srl	1,738	1,738
Fragrance & Skincare sl	7,757	8,160
Total	9,495	9,898

Fragrance & Skincare sl is a joint-venture, with the Spanish manufacturer Puig Beauty & Fashion, for distributing of fragrances.

PRADA spa, which owns 50% of shares, acquired it in 2007 from the controlling company PRADA Holding BV. The value of the investment includes a goodwill amounting to Euro 4.4 million annually tested for impairment.

19. Other non-current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Guarantee deposits	24,347	31,056
Deferred revenue for rent	1,650	-
Other receivables	2,358	2,377
Total	28,355	33,433

Guarantee deposits are analyzed by type and expiry date as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Type:		
Stores	22,194	27,938
Offices	1,055	1,904
Warehouses	125	184
Other	973	1,030
Total	24,347	31,056

(amounts in thousands of Euro)	January 31, 2010
Expiry date:	
By 2011	8,018
By 2012	1,702
By 2013	1,872
After 2013	12,755
Total	24,347

20. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Bank overdrafts	29,369	27,009
Short-term loans	430,912	341,229
Deferred cost on loans	(998)	(1,700)
Total	459,283	366,538

Short-term financial loans

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Short-term bank loans	260,039	224,987
Current portion of long-term loans	170,873	112,763
Current portion of debentures	-	3,479
Total	430,912	341,229

The Group generally borrows at variable rates and manages the risk associated with interest rate fluctuations signing interest rate swaps and collars, as cash flow hedges of future interest payments. These instruments have the effect of converting variable rate loans into fixed rate loans or loans at rates within an agreed interval.

Including hedge instruments in force at the reporting date, 84% of medium and long term loans are at fixed rate of interest (74% as at January 31, 2009) while 16% are at floating rate of interest (26% as at January 31, 2009).

This debt structure allows the Group to mitigate the negative effects of possible increases in interest rates.

The increase from Euro 341.2 million to Euro 430.9 million in short-term loans, together with the significant decrease in medium and long-term syndicated loans, are mainly due to a shift of the debt structure toward short-term profile.

In 2005, the PRADA Group obtained a long-term syndacated loan organized and underwritten by IntesaSan Paolo spa, Calyon sa, HSBC Bank plc and Unicredit. As at January 31, 2010 the outstanding portion of this loan amounted to Euro 239.4 million, of which Euro 129 million and Japanese Yen 1,000 million are included in current portion of long - term loans, whereas Euro 80 million and Japanese Yen 2,832 million are included in short-term loans.

This long-term facility is subject to certain financial covenants and conditions, which are based on the consolidated financial statements of the Group. These covenants and conditions refer to a minimum amount of consolidated net worth that shall not be less than Euro 320 million, a maximum level of the ratio of total net borrowings to EBITDA, that shall not exceed 3.5 at the year-end and a minimum level of the ratio of EBITDA to financial charges, that shall not be lower than 4. As of January 31, 2010 the Group fully respected these covenants.

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

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Euro	352,415	273,533
Japanese Yen	61,426	66,018
Other currencies	17,071	1,678
Total	430,912	341,229

Financial payables are stated net of amortized costs, of Euro 1.7 million, incurred to arrange the loans (Euro 1 million deducted from Short-term loans and Euro 0.7 million deducted from Long-term loans).

21. Payables to parent companies and related parties

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

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Financial payables – PRADA Holding bv	2,573	2,500
Financial payables - other companies controlled by PRADA Holding bv	233	251
Other payables – PRADA Holding bv	1,796	2
Other payables - other related parties	1,013	462
Other payables – associated companies	-	8
Other payables- other companies controlled by PRADA Holding bv	5	3
Total	5,620	3,226

Financial payables to PRADA Holding bv bear interests at a rate equal to Euribor/Libor plus a 1% spread and the principal amount is reimbursable upon request within 15 days of notice.

Details are provided in note 39.

22. Other Shareholders' loans

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Other Shareholders' loans	545	521
Total	545	521

At reporting date, payables to other Shareholders refer to loans provided by minority Shareholders of TRS (Travel Retail Shop).

23. Trade payable

Trade payables can be summarized as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Trade payables – third parties	195,577	229,156
Trade payables – related parties	819	1,258
Trade payables – associated companies	-	93
Total	196,396	230,507

Trade payables towards related parties refer to purchases of finished goods from retail companies owned by PRADA Holding bv's main Shareholders, as detailed in Note 39.

24. Current tax liabilities

Current tax liabilities can be summarized as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Income tax payables	45,199	18,768
VAT and other tax payables	16,990	15,136
Total	62,189	33,904

25. Obligations under finance leases

The increase in Obligations under finance leases is due to new lease agreements signed in Japan.

26. Other current liabilities

"Other current liabilities" can be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Payables for capital expenditure	28,247	32,368
Accured expenses and deferred income	23,659	21,181
Other payables	38,820	39,840
Total	90,726	93,389

"Accrued expenses and deferred income" can be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Deferred income	1,837	2,467
Advertising contributions	1,319	373
Lease charges	10,388	6,539
Consultancies	855	937
Maintenance, utilities and insurance	3,261	4,332
Commissions	687	1,072
Personnel costs	1,227	1,849
Other	4,085	3,612
Total	23,659	21,181

"Other payables" are as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Short-term benefits employees and collaborators	26,524	27,099
Customer payments	834	1,881
Advances from customers	2,723	1,239
Customs duties	1,516	1,533
Returns from customers	4,651	2,721
Other	2,572	5,367
Total	38,820	39,840

27. Long-term debt

Long-term financial payables are detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Long-term bank debt	112,121	264,970
Deferred costs on loans	(682)	(938)
Total	111,439	264,032

The decrease in long-term financial payables, from Euro 265 million to Euro 112.1 million, not including the new loans arranged during the year, was due to the repayment of instalments in compliance with the amortization plans provided for by the loan agreements.

Long-term loans include fixed interest rate loans (81% compared to 78% as at January 31, 2009) and floating interest rate loans (19% compared to 22% as at January 31, 2009).

Long term liabilities at January 31, 2010 are detailed as follows:

(amounts in thousands of Euro)	Debt	Currency	Lending bank	Expiry date	Interest rate
					(1)
Post Development corp	15,028	US Dollar	Sovereign Bank	05/2014	5.70%
PRADA Fashion Commerce (Shangai) Co. ltd	3,147	Renminbi	Bank of China	09/2012	5.40%
PRADA spa	5,400	Euro	Monte dei Paschi di Siena	07/2015	2.09%
PRADA spa	26,250	Euro	IntesaSanPaolo	06/2014	5.60%
PRADA spa	24,000	Euro	Unicredit	05/2012	5.50%
PRADA spa	8,750	Euro	C.R. Lucca. Pisa. Livorno	08/2012	4.40%
PRADA spa	13,843	Euro	Cariparma	06/2015	1.94%
PRADA Japan Co. ltd	13,231	Japanese Yen	Mizhuo Bank	07/2013	2.09%
Church & Co plc	2,472	British Pound	HSBC	07/2013	1.20%
Totale	112,121				

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

The long-term facility obtained from Unicredit spa (ex Banca di Roma) is repayable in four installments (three instalments of Euro 6 million due from November 2010 to November 2011 and the remaining Euro 12 million as a bullet repayment in May 2012).

Pursuant to the agreement, PRADA spa may exercise – within 60 days from the expiry date - a term out option thus extending the loan term by two years. In this case, the remaining amount of Euro 12 million may be repaid in five equal installments.

The loan facilities signed with Intesa Sanpaolo spa and Unicredit (ex Banca di Roma spa) are subject to certain financial covenants and conditions, which are based on the consolidated financial statements of the Group. These financial covenants and conditions refer to a minimum amount of consolidated net worth, that shall not be less than Euro 320 million, a maximum level of the ratio of total net borrowings to EBITDA, that shall not exceed 3.5 at the year-end and a minimum level of the ratio of EBITDA to financial charges, that shall not be lower than 4. As of January 31, 2010 the Group fully respected these covenants.

On July 31, 2008 Cassa di Risparmio Parma e Piacenza spa granted PRADA spa a seven-year mortgage loan of Euro 20 million disbursable based on the progress of works on a property located in Tuscany. As at January 31, 2010 the amount received was Euro 13.8 million (Euro 11.1 million as at January 31, 2009). The loan is guaranteed by a mortgage on the property. On January 18, 2010 the amortization schedule was amended while the final maturity remained as the original (June 30, 2015). Following this amendment the reimbursement is established in 7 semi-annual installments starting from December 2012.

The 7 years loan granted in 2008 by Banca Monte dei Paschi di Siena is guaranteed by a mortgage on a property located in Tuscany and acquired during 2008.

On April 3, 2009 Sovereign Bank granted Post Development Corp a five-year mortgage loan of USD 22 million, of which USD 3.3 million are repayable in 59 monthly instalments, due from June 2009 to April 2014 and the remainder through a bullet repayment in May 2014. The loan is guaranteed by a mortgage on the property in New York, head-office of PRADA USA corp. This loan is subject to certain financial covenants that are based on the financial statements of PRADA USA corp and Post Development corp and they have been fully respected as at January 31, 2010.

On September 20, 2009 PRADA Fashion Commerce (Shanghai) Co Limited was granted a three years loan from Bank of China for a total of Renminbi 30 million. The reimbursement is bullet at maturity.

Long-term loans by currency and maturity date may be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Currency		
Euro	78,243	220,123
Japanese Yen	13,231	42,063
British Pound	2,472	2,784
US Dollar	15,028	-
Renminbi	3,147	-
Total	112,121	264,970

(amounts in thousands of Euro)	January 31, 2010
Maturity date:	
2011	32,324
2012	38,183
2013	16,638
After 2013	24,976
Total	112,121

28. Post-employment benefits

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Post-employment benefits	35,786	35,595
Other long-term benefits	1,045	508
Total	36,831	36,103

Post–employment benefits

Post-employment benefits liabilities amounted to Euro 35.8 million as at January 31, 2010 (Euro 35.6 million as at January 31, 2009) and they must be considered defined benefit plans.

The balance includes Euro 10 million of liabilities posted by foreign companies and Euro 25.8 million recorded by Italian companies. The Italian post employment benefits are "Trattamento di fine rapporto" (hereinafter "TFR" i.e. staff leaving indemnity) and the balance - which reflects fair value - was determined projecting the benefit, accruing under Italian law at the reporting date, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method".

The following table shows movements in caption Post-employment benefit liabilities as at January 31, 2010:

	Post-employment benefits – Italian companies (TFR)	Post employment benefits – non-Italian companies	Group Total
Opening balance	26,146	9,449	35,595
Current service cost	81	2,670	2,751
Curtailment	-	-	-
Interest cost	755	528	1.283
Actuarial (gains)/losses	860	249	1.109
Benefits paid	(2,271)	(2,419)	(4,690)
Exchange differences	-	(513)	(513)
Other movements	251	-	251
Closing balance	25,822	9,964	35,786

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

The technical basis for 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.

Post-employment benefits of non-Italian companies also include the fair value of pension schemes attributable to Group companies operating in the United Kingdom. These pension funds provide pensions to employees.

The fair value of the pension funds as at January 31, 2010 was negative for Euro 1 million and was determined by an independent actuary using the Projected Unit Credit Method.

The fair value of the funds is as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Fair value of fund assets	39,709	31,960
Fair value of fund liabilities	(40,756)	(32,468)
Fund net Fair value	(1,047)	(508)

At the reporting date the main fund assets, along with the relevant expected rates of return, were as follows:

(amounts in thousands of Euro)	Assets	Rate of return
Equities	11,954	7.4%
Alternatives	4,846	7.4%
Bonds	17,930	5.1%
Other	4,979	1%
Total	39,709	

Other long-term benefits

The Group signes agreements with some key employees in order to retain them until a certain future date against payment of allowances (the so-called Stability Agreements).

These stability agreements can be considered "Other long-term employee benefits" in compliance with IAS19. They were subjected to actuarial appraisal.

Their fair value, which was determined using the Projected Unit Credit Method, was Euro 1 million as at January 31, 2010.

29. Provisions

Movements on provisions are summarized as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Provision for Investment	Total
Opening balance	1,803	6,866	5,386	65	14,120
Change in consolidation area	-	-	-	(65)	(65)
Exchange differences	(23)	23	(272)	-	(272)
Reversals	(476)	(4,345)	(1,578)	-	(6,399)
Increase	165	4,709	881	-	5,755
Closing balance	1,469	7,253	4,417	-	13,139

The provisions represent the Directors' best estimate of the 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 balance sheet date, the total amount provided for risks and charges was reasonable considering the contingent liabilities that might arise.

Provision for litigation

The provision for litigation amounts to Euro 1.5 million and mainly regards disputes with suppliers and employees of the Group. The amounts utilized during the year regarded the settlement of a dispute with a supplier.

Provision for tax disputes

On December 30, 2005, Genny spa (a company incorporated into PRADA spa) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the sales of the Byblos and Genny businesses (the latter transaction involved two Group companies) and amounted to about Euro 20 million. The Company appealed to the Provincial Tax Commission of Ancona and a hearing took place on January 16, 2007. On May 15, 2007, the Provincial Tax Commission issued its decision which was favorable to the Company.

On June 7, 2008 the Revenue Agency of Ancona filed an appeal against these decisions and on September 18, 2008 PRADA spa filed a counterclaim.

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 totalling Euro 5.7 million for the year 2002. On November 14, 2006 the Company submitted defensive arguments against this claim. On October 9, 2007 the Company received a request for penalties against which it filed an appeal with the Milan Tax Commission on December 14, 2007. On January 19, 2009 the recourse was rejected. On December 1, 2009 the dispute was discussed with the Regional Tax Commission that rejected the appeal on January 20, 2010. The Company will file an appeal to the Supreme Court, but, taking into consideration the evolution of the judgment, it has deemed reasonable to accrue the whole disputed amount.

On November 30, 2005 PRADA Retail France sas received a notice of assessment following an inspection by the French Tax Authorities. The assessment regarded inter-company transfer prices in 2003 and 2004. The dispute essentially concerned the adjustment of the tax losses forwarded by the French company.

Since no agreement was reached with French Tax Authorities, on May 31, 2007, PRADA Retail France filed an application to open a mutual agreement procedure between the French and Swiss authorities.

On December 9, 2009 PRADA Retail France sas has received a notice of assessment, following an inspection by the French Tax Aauthorities with regard to transfer pricing in 2005, 2006 and 2007. Even with regard to this second notice of assessment, on February 17, 2010 PRADA Retail France filed a mutual agreement procedure between the French authorities, on one side, and Swiss and Italian on the other side. On the basis of the evaluation of the risks involved in this litigation, the management, also supported by the opinion of a well known tax advisor, has decided not to post any provision.

In 2008 PRADA Germany received a notice of assessment following an inspection by the German tax authorities. The assessment regarded inter-company transfer prices in 2001, 2002, 2003 and 2004. In July 2008 started the mutual agreement procedure provided for by the Treaty against double taxation between Germany and Switzerland. On September 10, 2008 the German tax authorities communicated the suspension of the ordinary procedure of opposition and of the payment due. Following to this assessment PRADA Germany, in the previous year, accrued Euro 0.4 million deemed reasonable.

During the years 2003-2005 the Japanese Tax Authorities conducted an investigation on PRADA Japan Co. Ltd with regard to transfer prices. On December 27, 2005 Japanese tax authorities issued a formal tax assessment notice for the years from 1999 to 2003. On February 24, 2006 the Company appealed against these assessments in compliance with Japanese laws. PRADA Japan Co. ltd then requested the suspension of the ordinary dispute procedure to start the mutual agreement procedure in compliance with the Treaties against double taxation involving Japanese, Dutch and Luxembourg Competent Authorities. The mutual agreement procedure was formally started between the Japanese Competent Authorities on one side and the Dutch and Luxembourg Competent Authorities on the other side. Then the

Dutch and Luxembourg authorities appointed the Swiss authorities to conduct negotiations with the Japanese authorities. They held several meetings and exchanged documents; at the end of first half 2009 an agreement was finalized to reduce the assessment by around 50% of the original requested amount. According to this agreement also corresponding adjustements have been recognized during second half of 2009. The related provision was accrued in previous year.

In 2007, PRADA Korea ltd was subject to a tax inspection, mainly in relation to transfer prices, with a total assessment of around Euro 0.8 million of additional taxes, interests and penalties. In 2008 PRADA Korea ltd received a notice of tax assessment against which PRADA Korea took all the necessary steps provided by the local law, before the starting of the litigation. Furthermore, as required by local laws, PRADA Korea paid in advance the full amount. This amount will be refunded at the end of the litigation in case of positive outcome of the dispute. In September 2008, since an agreement was not reached with Korean authorities, PRADA Korea appealed to the competent Tax Commission. At the reporting date PRADA Korea ltd posted a provision of Euro 0.8 million.

During the tax inspection at PRADA Korea, Korean authorities verified the existance of a stable organization of PRADA Asia Pacific ltd. in Korea. As a consequence of this inspection, in 2008 PRADA Asia Pacific received a notice of tax assessment for a total amount of Euro 0.6 million of additional taxes, interests and penalties. As required by local laws the Company paid the full amount, which will be refunded at the end of the litigation in case of positive outcome of the dispute. As at January 31, 2010 PRADA Asia Pacific ltd has a provision of Euro 0.6 million.

In some countries Tax Authorities requested information to assess the consistency of transfer prices of products for the determination of income taxes and the imposition of customs duties on imports. Following the likely requirements relating to customs duties, a provision, that represents the best estimate of contingent liabilitiy, has been accrued during the year.

Other provisions

"Other provisions" amounts to Euro 4.4 million as at January 31, 2010. They mainly include the provisions made in relation to lease agreements which may be defined as onerous under IAS 37. Reversals of the period mainly relate to early exit from an onerous contract in the United States.

30. Other non-current liabilities

"Other non-current liabilities" amount to Euro 32.6 million (Euro 22.4 million as at January 31, 2009). They mainly regard liabilities to be recognized on a straight-line basis in relation to costs of commercial leases.

31. Shareholders' equity

The Group's Shareholders' equity is as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Share capital	250,000	250,000
Other reserves	743,411	681,973
Translation reserves	(45,671)	(27,672)
Net result of the period	100,163	98,806
Total	1,047,903	1,003,107

Share capital

As at January 31, 2010 PRADA spa has 250,000,000 ordinary shares with a nominal value of Euro 1 each. This made for total subscribed and paid share capital of Euro 250 million.

At the reporting date 94.89% of the share capital is owned by PRADA Holding bv and 5.11% by Intesa Sanpaolo spa.

Other reserves

"Other reserves" amount to Euro 743.4 million and they mainly consist of prior year retained earnings. The balance as at January 31, 2010 also includes, without the tax impact, actuarial differences resulting from the evaluation of Post-employment benefits, for negative Euro 4.1 million and the fair value of derivative instruments hedging cash flows, for negative Euro 2.8 million.

On August 27, 2009 an ordinary Shareholders' Meeting approved the distribution of dividends of Euro 47,8 million, attributed to a rate of Euro 0.1910 per share.

Net profit for the period

The net profit for the period for the Group was Euro 100.2 million (Euro 98.8 million as at January 31, 2009).

32. Minority interests

The following table summarizes movements in Shareholders' equity pertaining to Minority interests, in the period ended January 31, 2010 and January 31, 2009.

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Opening balance	9,192	4,121
Translation reserve	(275)	699
Dividends	(343)	(1,262)
Recapitalization	-	4,300
Disposal of a 4% stake in Car Shoe sa to the Group	-	(354)
Other movements	7	-
Net profit for the period	177	1,779
Change in consolidation area	-	(91)
Actuarial Gain/losses	(2)	-
Closing balance	8,756	9,192

The recapitalization of last year refers to the capital contribution underwritten by the minority Shareholder of Car Shoe sa on March 31, 2008.

Notes to the Consolidated Income Statement

33. Net revenues

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

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Net sales	1,530,577	1,604,148
Royalties	30,661	39,481
Total	1,561,238	1,643,629

Royalties are paid by licensees on sales of eyewear, fragrances, mobile phones and under franchise agreements.

This royalty income may be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Eyewear	23,240	27,655
Perfumes	3,778	5,087
Mobile phones	1,674	4,118
Franchise agreements	1,617	2,265
Other	352	356
Total	30,661	39,481

This item includes Euro 4.6 million (Euro 6 million as at January 31, 2009) of royalties earned from related parties (Note 39 "Transactions with related parties").

A breakdown of net revenues by brands, geographical areas and products is provided in the Report of the Board of Directors and in Note 8 "Segmental Information".

34. Cost of good sold

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Raw materials purchases and manufacturing expenses	483,627	555,891
Logistics costs, duties, freight and insurance	90,272	89,327
Change in inventory	12,683	45,315
Total	586,582	690,533

The trend in cost of good sold which, compared to previous year, decreases its incidence on sales by 4.4 percentage points, from 42% to 37,6%, is due to the different channel/markets mix, to the effects of a continuous process of rationalization of the production platform and to the positive impact of foreign exchange rates on the turnover.

35. Operating costs

Operating expenses can be detailed as follows:

(amounts in thousands of Euro)	January 31, 2010	% on net revenues	January 31, 2009	% on net revenues
			(adjusted)	
Product and development	96,794	6.2%	88,206	5.4%
Advertising and promotion	75,823	4.9%	99,542	6.1%
Selling	484,624	31.0%	428,056	26.0%
General and administration	130,383	8.3%	146,338	8.9%
Total	787,624	50.4%	762,142	46.4%

Operating expenses show a 3.3% increase over the previous year. Excluding the impact of exchange rates, they would be almost unchanged compared to 2008 (+1.1%).

Product and development expenses include both the design phase - intended as research and experimentation of shapes, fabrics, leathers, production techniques and definition of the design concept - and the product development phase meant as product industrialization and production of prototypes. This item is shown net of the tax relief of Euro 0.8 million (Euro 3.8 million in 2008) for industrial research and competitive development pursuant to Law 296 of 27 December 2006.

Advertising and promotion expenses include the expenditure incurred to develop advertising campaigns, organize fashion shows and other events, sponsorship fees and overheads attributable to this functional area. Compared to previous year these expenses recorded a large decrease which is due to a strategic choice that has favoured non-conventional forms of communication.

Selling expenses, increased by 13.2% (+9.7% at constant exchange rates), reaching Euro 484.6 million compared to Euro 428.1 million in 2008. The increase is consequent to the expansion of the retail network that has a net increase of 27 stores over the previous year.

To counter the negative effects of the crisis on the profitability of the Group, the management has started, already in the second half of 2008, a policy of review of business processes aimed at corporate costs containment. The effects of this initiative are visible in the reduction of general and administration expenses which are in decline by 10.9% (-11.9% at constant exchange rates).

In order to provide further information on the income statement structure, it should be noted that operating expenses include depreciation, amortization and impairment adjustments for both tangible and intangible fixed assets for a total amount of Euro 95.8 million (Euro 84.6 million at January 31, 2009), personnel expenses, excluded industrial employees, for Euro 258.7 million (Euro 250.5 million at January 31, 2009), fixed rents for Euro 118 million (Euro 109.3 million at January 31, 2009) and variable rents for Euro 94 million (Euro 70.7 million at January 31, 2009).

36. Interest and other financial income (expense), net

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Net interest income (expenses), to related parties	334	1,711
Net interest income (expenses), to third parties	(16,976)	(27,211)
Realized exchange gains (losses), net	(3,277)	(217)
Unrealized exchange gains (losses), net	(4,671)	(1,859)
Other financial income (expenses), net	(7,292)	(9,561)
Total	(31,882)	(37,137)

The net financial result of the period shows an improvement of Euro 5.2 million compared to previous year.

The trend in the net interests is consistent with the general decline in rates and with the changes in the net financial position and receivables towards the parent company.

Realized and unrealized exchange losses of the year amounted to Euro 7.9 million (Euro 2.1 million in 2008) and are basically a result of the fluctuations of U.S. Dollar, Japanese Yen, Hong Kong Dollar and British Pound against the Euro.

Other financial income/(expenses) include expenses resulting from the valuation of investments, as well as financial charges related to the securitization of receivables and financial discounts.

37. Taxation

The income tax charge for the period ended as at January 31, 2010 and January 31, 2009 is detailed as follows.

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Current taxation	70,558	61,121
Deferred taxation	(18,055)	(8,490)
Total	52,503	52,631

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

	January 31, 2010
Italian tax rate	31.4%
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	8.7%
Tax effect of utilisation of tax losses carried forward	-1.9%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-4.4%
Group effective tax rate	33.8%

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

amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Opening balance	41,660	21,216
Exchange differences	(3,716)	7,491
Deferred tax from acquisition	-	(1,615)
Change in the consolidation area	-	(213)
Deferred tax on cash flow hedge reserve	(4,336)	6,944
Deferred tax on actuarial gain/losses reserve	239	(128)
Other movements	67	(525)
Deferred tax for the period	18,055	8,490
Closing balance	51,969	41,660

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

	January 31, 2010		January 31, 2009	
(amounts in thousands of Euro)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory	44,536	-	36,337	-
Receivables and other assets	473	1,490	403	1,752
Depreciation	46,698	11,957	43,290	12,874
Deferred taxes from acquisitions	-	40,920	-	42,292
Provision for risks/ Accrued liabilities	6,255	267	7,800	267
Non taxable income/expenses	1,977	847	2,413	3,062
Losses carried forward	3,796	-	2,764	-
Financial instruments	1,429	-	5,853	-
Post-employment benefits	3,533	883	3,483	1,183
Other	2,676	3,040	3,842	3,095
Total	111,373	59,404	106,185	64,525

Tax losses carried forward as at January 31, 2010 are detailed below:

(amounts in thousands of Euro)	January 31, 2010
Expiring within 5 years	3,780
Expiring after 5 years	15,397
Available for carry forward with no time limit	62,862
Total losses carried forward	82,039

The Directors have updated their assessment of tax losses carried forward and, considering the current uncertain macroeconomic scenario, they have reasonably estimated to recognize deferred tax assets in some cases only.

38. Additional information

Earnings and dividends per share

Basic earnings per share are calculated by dividing the net profit attributable to Shareholders by the weighted average number of ordinary shares.

	January 31, 2010	January 31, 2009
Group result in Euro	100,163,294	98,806,152
Weighted average number of ordinary outstanding shares	250,000,000	250,000,000
Basic earning per share in Euro	0,401	0,395
Basic earning per share, on the number of ordinary shares at the reporting date in Euro	0,401	0,395

Headcount

The average headcount by function as at January 31, 2010 and 2009 was as follows:

(in units)	January 31, 2010	January 31, 2009
		(adjusted)
Manufacturing	1,862	1,970
Design and Product development	743	746
Advertising and Promotion	98	101
Selling	3,367	3,156
General & Administrative	694	721
Total	6,764	6,694

Employee remuneration

Employee remuneration in the years ending January 31, 2010 and January 31, 2009 was as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Manufacturing	74,122	76,282
Design and Product development	48,572	47,879
Advertising and Promotion	8,134	8,957
Selling	149,820	139,575
General & Administrative	52,137	54,081
Total	332,785	326,774

Employees remuneration and headcount as at January 31, 2009, have been adjusted for the business unit Cheaney.

PRADA spa Board of Directors' fees

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Directors' fees	2,505	3,280
Compensation and remuneration	15,079	15,767
Bonus and other incentives	6,482	69
Non monetary benefits	153	117
Total	24,219	19,233

Reconciliation between PRADA spa financial statements and Consolidated financial statements

Net income

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
A) Net income for the year of PRADA spa	59,594	(15,774)
Consolidation adjustments:		
Net results of consolidated companies and adjustments to IAS/IFRS	103,990	87,804
Adj. to investments in associates measured with the equity method	(403)	1,015
Intercompany transactions and other adjustments	62,841	27,540
Consolidated net income	100,340	100,585
Minority interest	177	1,779
PRADA Group consolidated net income	100,163	98,806

Net equity

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
B) Net Equity of PRADA spa	790,176	767,766
Consolidation adjustments:		
Shareholders' equity of consolidated companies and IAS/IFRS adjustments	892,209	799,350
Adj. to investments in associates measured with the equity method	707	(9,161)
Book value of the consolidated investments in subsidiaries	(1,083,901)	(1,041,935)
Higher values assigned to the assets of the consolidated companies	507,936	522,691
Intercompany transactions and other adjustments	(50,468)	(26,412)
Consolidated Shareholders' equity	1,056,659	1,012,299
Minority interest	8,756	9,192
PRADA Group Shareholders' equity	1,047,903	1,003,107

Distributable reserves of parent company PRADA spa

(amounts in thousands of Euro)	January 31, 2010	Possible utilization	Distributable amount	Summary of last three years' utlizations For losses coverage	For dividends distribution
Share capital	250,000		166,202		
Share premium reserve	209,298	A,B,C			
Legal reserve	6,905	B	182,899		
Other reserves	182,899	A,B,C			
Non distributable reserves art. 7 of legislative decree 38/2005	20,516				
Retained earnings	65,658	A,B,C	60,965		
Actuarial gain and losses reserve	(1,922)				
Fair Value reserve	(2,771)				
Distributable amount			410,066	-	-

A Share capital increase
B Coverage of losses
C Distributable to Shareholders

Under the article 2431 of the italian Civil Code, the share premium reserve is fully distributable only when the legal reserve reaches an amount equal to the 20% of the share capital.

The adjustment required to reach this level as at January 31, 2010 would amount to Euro 43.1 million.

Exchange rates

The exchange rates against the Euro used to consolidate the statement of financial position and income statement prepared in other currencies as at January 31, 2010 and January 31, 2009 are as follows:

Currencies	Average rate	Avg rate previous year	Closing rate	Opening rate
U.S. Dollar	1,402	1,458	1,397	1,282
Canadian Dollar	1,575	1,569	1,492	1,590
British Pound	0,888	0,810	0,867	0,898
Swiss Franc	1,509	1,577	1,466	1,487
Australian Dollar	1,743	1,765	1,564	2,012
Korean Won	1,759,456	1,639,965	1,622	1,787,830
Japanese Yen	131,140	149,067	126.15	114,980
Hong Kong Dollar	10,870	11,349	10,847	9,940
Singapore Dollar	2,025	2,065	1,961	1,935
Thailand Bath	47,870	48,562	46,332	44,811
Taiwan Dollar	46,109	45,974	44,698	43,068
Russian Rouble	44,162	36,909	42.34	45,758
Czech Crown	26,372	25,053	26,223	27,882
Macau Pataca	11,196	11,689	11,169	10,238
China Remimbi	9,577	10,090	9,534	8,764
New Zealand Dollar	2,180	2,117	1,977	2,527
Ringgit - Malaysia	4,913	4,881	4,764	4,623
Turkish lira	2,163		2,079	

39. Transactions with related parties

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

These transactions mainly refer to the sale of goods, the supply of services, the granting and borrowing of loans and sponsorship and franchising agreements. These transactions take place at the same economic terms as those with third parties.

The following tables show details of related parties transactions for each Statement of Financial Position and income statement item. They also show their incidence on the relevant financial statement item.

Statement of financial position details as of January 31, 2010

(amounts in thousands of Euro)	Trade receivables	Receivables from controlling companies and related parties	Prepayments	Trade payables	Payables to controlling companies and related parties
PRADA Holding bv	-	55,085	-	-	4,369
Other related parties	17,771	1,095	455	819	1,013
Venezia 3 srl	3,407	-	-	64	296
F.lli PRADA srl	5,128	-	-	211	
Montenapoleone 6 srl	3,252	-	-	102	2
IPR srl	3,677	-	-	231	
Spiga 1 srl	2,014	-	-	53	
PRADA Italia spa	115	-	-	76	5
Stellarea	-	28	-	-	-
Luna Rossa Challenge 2007	178	-	300	82	8
Stiching Fondazione PRADA/ Progetto PRADA Arte srl	-	887	155	-	689
Gipafin sarl	-	20	-	-	1
CID USA corp	-	74	-	-	-
HMP srl	-	75	-	-	12
Other	-	11	-	-	1
Other companies controlled by PRADA Holding	-	241	-	-	238
EXHL Design llc	-	125	-		-
Prapar Corporation	-	-	-	-	238
EXHL Retail USA llc	-	99	-	-	-
EXHL Italia	-	7	-	-	-
Other		10	-	-	-
Other associated undertakings	1,430	-	-	-	-
Fragrance and Skincare sl	1,430	-	-	-	-
Members of the Board of Directors					2,040
Statutory Auditors					115
Other related parties					122
Total as at January 31, 2010	19,201	56,421	455	819	7,897

Statement of financial position details as of January 31, 2009

(amounts in thousands of Euro)	Trade receivables	Receivables from controlling companies and related parties	Prepay-ments	Trade payables	Payables to controlling companies and related parties
PRADA Holding bv	-	21,009	-	-	2,502
Other related parties	18,310	1,061	-	1,258	462
Venezia 3 srl	2,675	-	-	214	283
F.lli PRADA srl	5,700	-	-	332	-
Montenapoleone 6 srl	2,733	-	-	104	6
IPR srl	4,530	-	-	492	-
Spiga 1 srl	2,395	-	-	61	-
PRADA Italia spa	193	2	-	1	5
Stellarea	-	28	-	-	-
Luna Rossa Challenge 2007	84	-	-	36	7
Stiching Fondazione PRADA	-	134	-	-	32
Progetto PRADA Arte srl	-	687	-	-	128
Gipafin sarl	-	20	-	-	1
CID USA corp	-	73	-	-	-
HMP srl	-	67	-	-	-
Other	-	50	-	18	-
Other companies controlled by PRADA Holding	-	250	-	-	254
EXHL Design llc	-	135	-		2
Prapar Corporation	-	-	-	-	252
EXHL Retail USA llc	-	98	-	-	-
EXHL Italia	-	17	-	-	-
Other					
Other associated undertakings	1,981	2	-	93	8
Fragrance and Skincare sl	1,981	-		93	5
Luna Rossa Trademark sarl	-	2		-	3
Members of the Board of Directors	-	-		-	190
Statutory Auditors	-	-		-	105
Other related parties	-	-		-	180
Total as at January 31, 2009	20,291	22,322	-	1,351	3,701

Economic details as at January 31, 2010

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	Operating costs (revenues)	Royalties received	Royalties paid	Financial income	Financial charges
PRADA Holding bv	-	-	(253)	-	-	383	44
Other related parties	31,471	3,300	7,121	822	1	-	4
Venezia 3 srl	5,116	553	(2,023)	132	-	-	-
F.lli PRADA srl	10,257	970	(112)	279	-	-	-
Montenapoleone 6 srl	4,705	405	44	123	-	-	-
IPR srl	7,535	1,104	(42)	184	-	-	-
Spiga 1 srl	3,856	274	(112)	104	-	-	-
PRADA Italia spa	-	-	(283)	-	-	-	-
Luna Rossa Challenge 2007	-	(10)	(35)	-	1	-	-
HMP srl	-	-	477	-	-	-	4
Stitching Fondazione	2	3	4,838	-	-	-	-
Maestrale Holding		-	3,500		-	-	-
Other	-	1	869	-	-	-	-
Other companies controlled by PRADA Holding	-	-	(14)	-	-	1	3
Prapar Corporation	-	-	-	-	-	-	3
EXHL Retail USA llc	-	-	-	-	-	1	-
EXHL Italia srl	-	-	(6)	-	-	-	-
EXHL Japan Co. ltd	-	-	(3)	-	-	-	-
PRADA Arte bv	-	-	(5)	-	-	-	-
Other	-	-	-	-	-	-	-
Other associated undertakings	-	-	(545)	3,778	-	-	-
Fragrance and Skincare sl	-	-	(545)	3,778	-	-	-
Total as at January 31, 2010	31,471	3,300	6,309	4,600	1	384	51

Economic details as at January 31, 2009

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	Operating costs (revenues)	Royalties received	Royalties paid	Financial income	Financial charges
PRADA Holding bv	-	-	(222)	-	-	1,868	266
Other related parties	32,889	2,043	1,940	879	2	20	-
Venezia 3 srl	4,224	162	(1,761)	120	-	-	-
F.lli PRADA srl	10,724	701	(100)	296	-	-	-
Montenapoleone 6 srl	4,883	267	(97)	125	-	-	-
IPR srl	8,965	756	(135)	224	-	-	-
Spiga 1 srl	4,092	175	(218)	114	-	-	-
PRADA Italia spa	-	-	(288)		-	-	-
Luna Rossa Challenge 2007	-	(18)	(33)		2	-	-
HMP srl	-	-	463		-	12	-
Stitching Fondazione PRADA	-	-	2,439	-	-	-	-
Progetto PRADA Arte srl	-	-	821	-	-	-	-
Other	1	-	849		-	8	
Other companies controlled by PRADA Holding	-	-	(8)		-	91	2
EXHL Design llc	-	-	-		-	-	-
Prapar Corporation	-	-	-		-	-	2
EXHL Retail USA llc	-	-	-		-	3	-
EXHL Italia srl	-	-	(6)		-	-	-
EXHL Japan Co. ltd			(2)				
Immobiliare 3						25	
PRADA Arte bv	-	-	-		-	56	-
Other						7	
Other associated undertakings		17	(729)	5,087	-	-	-
Fragrance and Skincare sl		17	(729)	5,087	-	-	-
Total as at January 31, 2009	32,889	2,060	981	5,966	2	1,979	268

Statement of finacial position

(amounts in thousands of Euro)	January 31, 2010	Of which related parties	Incid. %	January 31, 2009	Of which related parties	Incid. %
Assets						
Current assets						
Cash and cash equivalents	98,564			86,871		
Trade receivables, net	224,198	19,201	8.6%	250,512	20,291	8.1%
Inventories	231,476			251,197		
Derivative financial instruments, current	180			3,440		
Receivables from parent company and related partiesparties	56,421	56,421	100%	22,322	22,322	100%
Other current assets	74,708	455	0.6%	130,462		
Assets held for sale	1,413			1,413		
Total current assets	686,960			746,217		
Non-current assets						
Property, plant and equipment	417,965	28,903	6.9%	379,191	32,740	8.6%
Intangible assets	893,319	198,505	22.2%	901,116	235,554	26.1%
Associated undertakings	9,509	7,000	81.6%	9,912	7,000	82.3%
Deferred tax assets	111,373			106,185		
Other non-current assets	28,355			33,433		
Total non-current assets	1,460,521			1,429,837		
Total Assets	2,147,481			2,176,054		
Liabilities and Shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans	459,283			366,538		
Payables to parent company and related parties	5,620	5,620	100%	3,226	3,226	100%
Other Shareholders' loans	545			521		
Trade payables	196,396	819	0.4%	230,507	1,351	0.6%
Current tax liabilities	62,189			33,904		
Derivative financial liabilities, current	9,278			21,266		
Obligations under finance leases, current	5,513			3,414		
Other current liabilities	90,726			93,389	475	0.5%
Total current liabilities	829,550			752,765		
Non-current liabilities						
Long-term debt	111,439			264,032		
Obligations under finance leases - non current	7,668			7,663		
Post-employment benefits	36,831			36,103		
Provision for contingencies and commitments	13,139			14,120		
Deferred tax liabilities	59,404			64,525		
Other non-current liabilities	32,633			22,429		
Derivative financial instruments – non current	158			2,118		
Total non-current liabilities	261,272			410,990		
Total Liabilities	1,090,822			1,163,755		
Shareholders' equity						
Share capital	250,000			250,000		
Other reserves	743,411			681,973		
Translation reserve	(45,671)			(27,672)		
Net result for the period	100,163			98,806		
Group Shareholders' equity, total	1,047,903			1,003,107		
Minority interest	8,756			9,192		
Total Liabilities and Shareholders' equity	2,147,481			2,176,054		

Income Statement

(amount in thousands of Euro)	January 31, 2010	Of which related parties	Incid. %	January 31, 2009	Of which related parties	Incid. %
Net revenues	1,561,238	36,071	2.31%	1,643,629	38,855	2.36%
Cost of goods sold	(586,582)	(3,300)	0.56%	(690,533)	(2,060)	0.30%
Gross margin	974,656			953,096		
Operating expenses (*)	(787,624)	(39.261)	4.98%	(762,142)	(29,033)	3.81%
Interest and other financial income/(expenses), net	(31,882)	334	1.05%	(37,136)	1,710	4.60%
Income before taxes	155,150			153,818		
Income taxes	(52,503)			(52,631)		
Net income for the year from operations to be continued	102,647			101,187		
Net income of minority interest from operations to be continued	177			1,779		
Group net income for the period from operations to be continued	102,470			99,408		
Loss from discontinued operations	(2,307)			(602)		
Group net income, total	100,163			98,806		

(*) In addition to the costs by company detailed earlier in this section, this item includes amortization of intangible fixed assets of Euro 8.7 million (Euro 8.8 million in 2008) and Directors remunerations of Euro 24 ,2 million (Euro 19.2 million in 2008).

The main impacts of transactions with related parties on consolidated cash flow for the period, amount to Euro 65 million (of which Euro 72 million shown in Cash Flow Statement within the section "Cash flow used by financing activities")

40. Commitments

Operating leases

As at January 31, 2010 commitments under operating leases were due as follows:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Within one year	175,938	156,969
Between two and five years inclusive	572,981	529,228
After five years	494,964	596,452
Total	1,243,883	1,282,649

The following table shows the amounts paid in 2009 and 2008:

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
		(adjusted)
Minimum fixed lease amounts	124,979	117,961
Variable lease amounts	93,992	70,732
Total	218,971	188,693

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

Finance leases

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

(amounts in thousands of Euro)	January 31, 2010	January 31, 2009
Land and building	34,811	45,758
Forniture and fixture	12,167	-
Other Equipment	3,215	223
Accumulated depreciation	(14,445)	(7,834)
Total	35,748	38,147

The present value of lease payments due after January 31, 2010 is detailed below:

(amounts in thousands of Euro)	
Payable by:	
January 31, 2011	5,513
January 31, 2012	5,222
January 31, 2013	1,365
January 31, 2014	578
January 31, 2015	503
After January 31, 2015	-
Total	13,181

Guarantees

The Company has issued guarantees to third parties, in the interest of Group companies, amounting to Euro 38.9 million and comfort letters in favor of banks for 3.3 million.

41. Consolidated companies

The companies included in the consolidation area are as follows:

Legal entity	Local currency	Share capital (value in thousands loc.curr.)	Group ownership	Registered office	Main business
Italy					
PRADA spa	EURO	250,000		Milan, Italy	Production/Wholesale/ Group Holding
Artisans Shoes srl(*)	EURO	1,000	66.73	Montegranaro, Italy	Shoes production
Space Caffè srl (*) (ex PRADA Advertising srl)	EURO	20	100.00	Milan, Italy	Services
IPI Logistica srl(*)	EURO	600	100.00	Milan, Italy	Services
PRADA Stores srl(*)	EURO	520	100.00	Milan, Italy	Retail/Sub-holding
Car Shoe Italia srl	EURO	10	55.00	Milan, Italy	Wholesale/Retail
Church Italia srl	EURO	51	100.00	Milan, Italy	Wholesale/Retail
Europe					
PRADA Retail UK ltd (**)	GBP	0	100.00	London, UK	Retail
PRADA Germany gmbh	EURO	215	100.00	Munich, Germany	Retail
PRADA Austria gmbh	EURO	40	100.00	Wien, Austria	Retail
PRADA Spain sa	EURO	240	100.00	Madrid, Spain	Retail
PRADA Retail France sas	EURO	4,000	100.00	Paris, France	Retail
PRADA Hellas Single Partner Limited Liability Company (*)	EURO	6,000	100.00	Athens, Greece	Retail
PRADA Monte-Carlo sam	EURO	150	100.00	Monte-Carlo, Monaco	Retail
PRADA sa(*)	EURO	31	100.00	Luxemburg	Services/trademark owner
PRADA Company sa	EURO	3,204	100.00	Luxemburg	Services
PB Luxembourg sa(*)	EURO	31	100.00	Luxemburg	Sub-holding
Car Shoe sa	EURO	2,100	55.00	Luxemburg	Service/Trademark owner
PRADA Far East bv(*)	EURO	20	100.00	Amsterdam, The Ne-therlands	Sub-holding /Services
Space sa	CHF	200	100.00	Lugano, Switzerland	Retail
Church Holding UK plc (*)	GBP	78,126	100.00	Northampton, UK	Sub-holding
Church France sa	EURO	241	100.00	Paris, France	Retail
Church UK Retail ltd	GBP	1,021	100.00	Northampton, UK	Retail
Church's English Shoes Swiss sa	CHF	100	100.00	St. Moritz / Switzer-land	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	Sub-holding/Produc-tion/Wholesale
Church & Co. (Footwear) ltd	GBP	44	100.00	Northampton, UK	Trademark owner
Church English Shoes sa	EURO	75	100.00	Brussels, Belgium	Retail
PRADA Czech Republic sro(*)	CZK	2,500	100.00	Prague, Czech Republic	Retail
PRADA Portugal. Unipessoal lda(*)	EUR	5	100.00	Lisbon, Portugal	Retail
PRADA Rus llc(*)	RUR	315	100.00	Moscow, Russia	Retail
Church Spain, S.L.	EUR	3	100.00	Madrid, Spain	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi	TRY	7,630	100.00	Northampton, UK	Retail
JCS (2009) ltd	GBP	90	100.00	Northampton, UK	Dormant
North America					
PRADA USA corp (*)	USD	152,211	100.00	New York, U.S.A	Services / Wholesale / Retail
PRADA Hawaii corp	USD	14,400	100.00	Delaware, U.S.A.	Retail
Space USA corp	USD	301	100.00	New York, U.S.A.	Retail
UPB corp	USD	70	100.00	New York, U.S.A.	Services
TRS Hawaii llc	USD	400	55.00	Honolulu, U.S.A	Duty-free retail
PRADA Canada corp (*)	CAD	300	100.00	Toronto, Canada	Wholesale / Retail
Boutique Genny inc (*)	USD	500	100.00	New York, U.S.A.	Services
Church & Co. (USA) ltd	USD	85	100.00	New York, U.S.A.	Retail
Post Development corp	USD	42,221	100.00	New York, U.S.A.	Real estate

Legal entity	Local currency	Share capital (value in thousands loc.curr.)	Group ownership	Registered office	Main business
Asia-Pacific and Japan					
PRADA Asia Pacific ltd	HKD	3,000	100.00	Hong Kong	Retaill / Wholesale
PRADA Taiwan ltd	TWD	3,800	100.00	Hong Kong	Retail
Space HK Retail ltd	HKD	1,000	100.00	Hong Kong	Retail
PRADA Retail Malaysia sdn bnd	MYR	1,000	100.00	Hong Kong	Retail
PRADA China ltd	HKD	7,000	100.00	Hong Kong	Retail
TRS Hong Kong	HKD	500	55.00	Hong Kong	Duty-free retail
PRADA Singapore pte ltd	SGD	1,000	100.00	Singapore	Retail
TRS Singapore	SGD	500	55.00	Singapore	Duty-free retail
PRADA Korea ltd	KOW	8,125,000	100.00	Seoul, Korea	Retail
PRADA (Thailand) Co. ltd	BTH	172,000	100.00	Bangkok, Thailand	Retail
PRADA Japan Co. ltd	JPY	200,000	100.00	Tokyo, Japan	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam	Duty-free retail
TRS Saipan Partnership	USD	1,405	55.00	Saipan	Duty-free retail
TRS New Zealand ltd	NZD	100	55.00	Auckland, New Zealand	Duty-free retail
PRADA Australia pty ltd	AUD	3,500	100.00	Sydney, Australia	Retail
Travel Retail Shop Pty ltd	AUD	600	55.00	Sydney, Australia	Duty-free retail
PRADA Trading (Shanghai)	RMB	1,653	100.00	Shanghai, China	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, Japan	Duty-free retail
PRADA Fashion Commerce (Shanghai) Co. ltd	RMB	48,966	100.00	Shanghai, China	Retail
Church Japan Co. ltd	JPY	3,050	100.00	Tokyo, Japan	Retail
Church Hong Kong Retail ltd	HKD	1,000	100.00	Hong Kong	Retail
Church Singapore pte ltd. (**)	SGD	0	100.00	Singapore	Retail
(*) Directly controlled by PRADA spa					
(**) Share capital lower than thousands of local currency					

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

Company	Direct ownership as at January 31, 2010	Direct ownership as at January 31, 2009	Definition	Consolidation method
PAC srl	49.00	49.00	Associated undertaking	Equity method
Fragrance & Skincare sl	50.00	50.00	Joint-venture	Equity method

42. Post-balance sheet events

There were no significant events

Independent Auditors' Report

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AUDITORS' REPORT
PURSUANT TO ARTICLE 2409 - ter OF THE CIVIL CODE
(NOW ART. 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010)

To the Shareholders of
PRADA S.p.A.

1. We have audited the consolidated financial statements of PRADA S.p.A. and subsidiaries (the "PRADA Group"), which comprise the statement of financial position as of January 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related notes to the financial statements. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The audit of the consolidated financial statements as of January 31, 2010 has been performed in accordance with the legal requirements in force during that period.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on May 13, 2009.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PRADA Group as of January 31, 2010, 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). In our opinion the Report on Operations is consistent with the consolidated financial statements of the PRADA Group as of January, 31 2010.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy,
April, 13 2010

This report has been translated into the English language solely for the convenience of international readers.