PRADA S.p.A.

Via A. Fogazzaro n. 28, Milan, Italy
Registry of Companies of Milan, Italy: No. 10115350158
(Incorporated under the laws of Italy as a joint-stock company)
(Stock Code: 1913)

2011 Interim Report

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Patrizio Bertelli

Miuccia Prada

Introduction

The structure of
Terranuova Bracciolini (AR)

The first store Prada,
Galleria Vittorio Emanuele II
Milan

PRESENTATION

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

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

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

The PRADA Group is one of the world's leaders in the design, production and distribution of luxury handbags, leather goods, footwear, ready-to-wear apparel, 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 70 countries through 345 directly operated stores, 30 franchise stores and a network of selected high-end multi-brand stores and luxury department stores.

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

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

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

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

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

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

Fall/Winter 2011
Advertising campaign
for Prada

Fall/Winter 2011
Advertising campaign
for Prada

History of PRADA Group

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

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

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario's grand-daughter, launched a partnership with Patrizio Bertelli, a Tuscan businessman already involved in the leather goods sector with Granello and Sir Robert. This partnership combined creativity and business ideas to commence a new era.

In 1977, Patrizio Bertelli set up I.P.I. spa to consolidate the production resources that he had built up over the previous ten years, 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 Prada products, the range was extended from leather goods (such as bags, luggage and accessories) to include footwear, as well as men's and women's ready-to-wear apparel.

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

In 1999 PRADA acquired full control of Church's Group, a prestigious brand of English shoes.

In 2001 PRADA acquired control of Car Shoe, an historical Italian brand famous for its 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 cosmetics manufacturer PUIG Beauty & Fashion Group was set up and it launched its new Prada women's fragrance at the end of 2004.

On April 27, 2011, the PRADA Group announced the signing of a joint-venture agreement with UAE based Al Tayer Insignia llc for the development of a retail network for Prada and Miu Miu throughtout countries in the Middle East.

On June 24, 2011, PRADA spa was listed on the Hong Kong Stock Exchange.

Fall/Winter 2011
Advertising campaign
for Miu Miu

Fall/Winter 2011
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 apparel, handbags 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 first 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

Fall/Winter 2011
Advertising campaign
for Prada Eyewear

Fall/Winter 2011
Advertising campaign
for Prada Eyewear

2009:	launch of exclusive new "Made to measure" (customized and made to measure men's shirts) and "Made to order" (possibility to customize clothes, accessories and shoes) services available as part of a new concept at the store in Corso Venezia, Milan
	launch of new Prada women's fragrances Eau Ambrée and Infusion de Fleur d'Oranger
2010:	Prada is an official partner of the Italian Pavilion at the Shanghai World Expo
	launch of the "Prada Made in..." collection
	launch of "Postcard" eyewear
2011:	launch of "Minimal Baroque" eyewear
	Prada "made to order" goes on-line
	Miu Miu e-store launched on April 6, 2011

The Group Brands

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

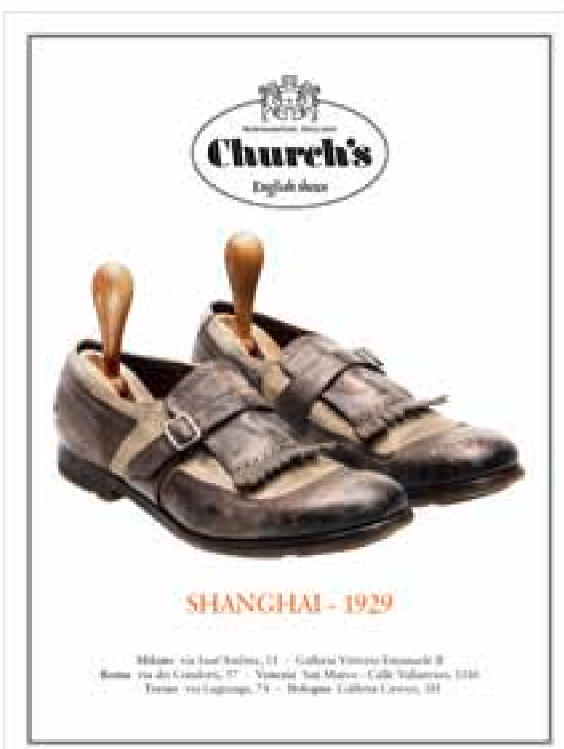
— PRADA: an historic brand that represents the best of Italian culture and tradition with unmistakable style, sophisticated elegance and uncompromising quality. At the same time, this is one of the most innovative fashion brands, able to re-define the norm and set new trends. Prada tends to go beyond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

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

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

Fall/Winter 2011
Advertising campaign
for Car Shoe



Spring/Summer 2011
Advertising campaign
for Church's

Strategic processes

Design

Creativity is the first step of the quality process.

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

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

Miuccia Prada and Patrizio Bertelli's flair, coupled with their extraordinary 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 the interior design of the stores. Prada products have even been presented and interpreted as works of art.

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 annual consumption of some 4 million meters of fabric and a similarly impressive amount of leathers, Prada enjoys the priority attention of the best fabric makers and tanners in the world.

Prada products are made at 11 state-of-the-art facilities in Italy and England and through a network of external sub-contractors, all of them selected for their craftsmanship skills. This system enables close control of the overall production process and maximizes the individual capacities of each facility. Furthermore, it guarantees the utmost quality and the highest level of flexibility.

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

Distribution

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

The clearest evidence lies in the Epicenter Concept Store Program. These very special stores, located in New York, Los Angeles and Tokyo, have been designed in collaboration with world-famous architects 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 which is accompanied by franchise stores and a significant presence in selected high-end multi-brand stores and luxury department stores.

2011
Advertising campaign
for Prada Parfums

2010
Advertising campaign
for Prada Parfums

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

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

75% of PRADA Group's consolidated sales are generated by the retail channel, while the remaining 25% comes from wholesale.

Image and communications

Effective communication is the 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.

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

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

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.

Luna Rossa
Valencia 2007

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 pro-activity, goal orientation and teamwork.

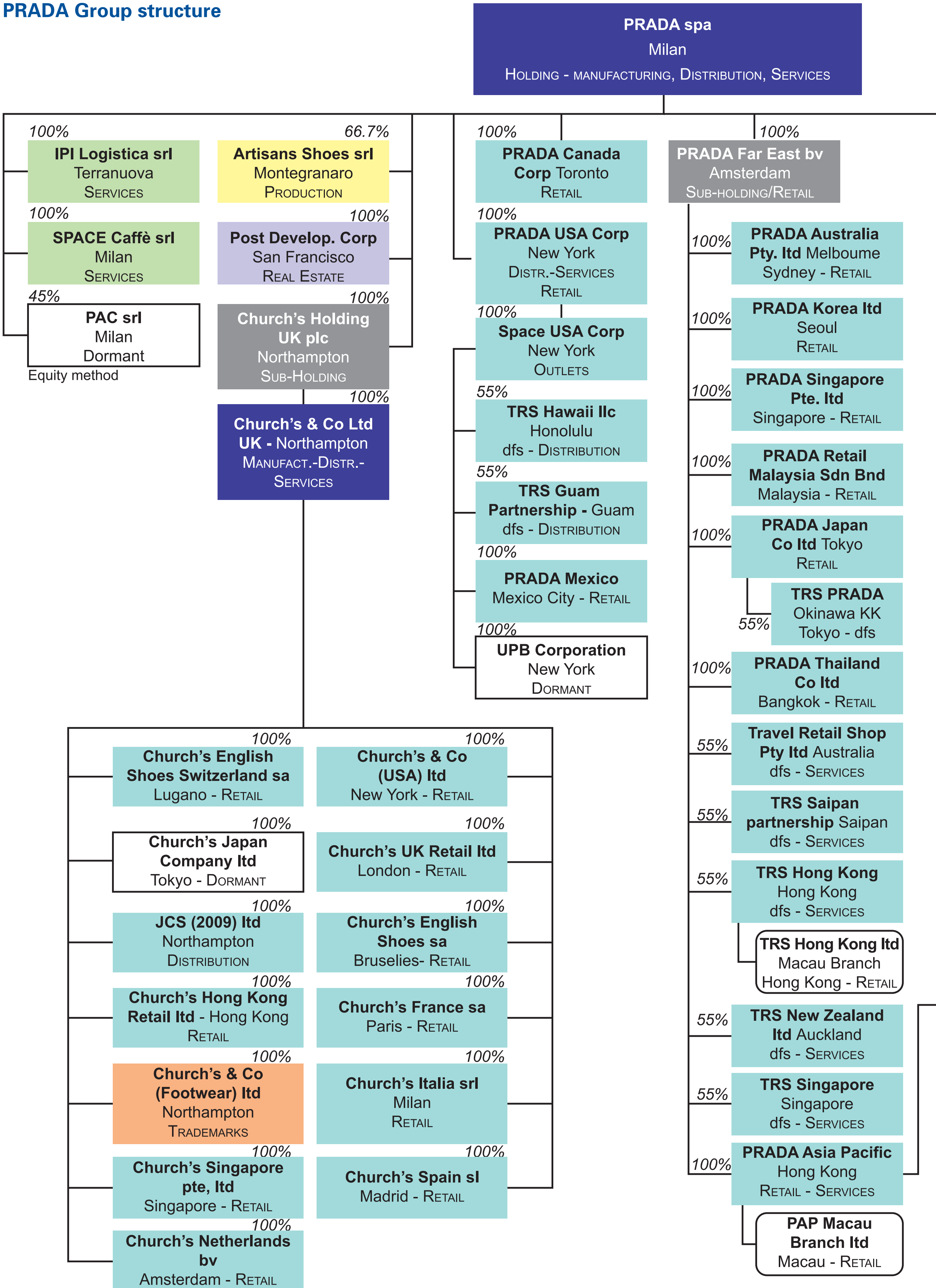
The Human Resources Department operates in an international environment, cooperating closely with the business areas in order to verticalize processes and develop local competencies and specificities.

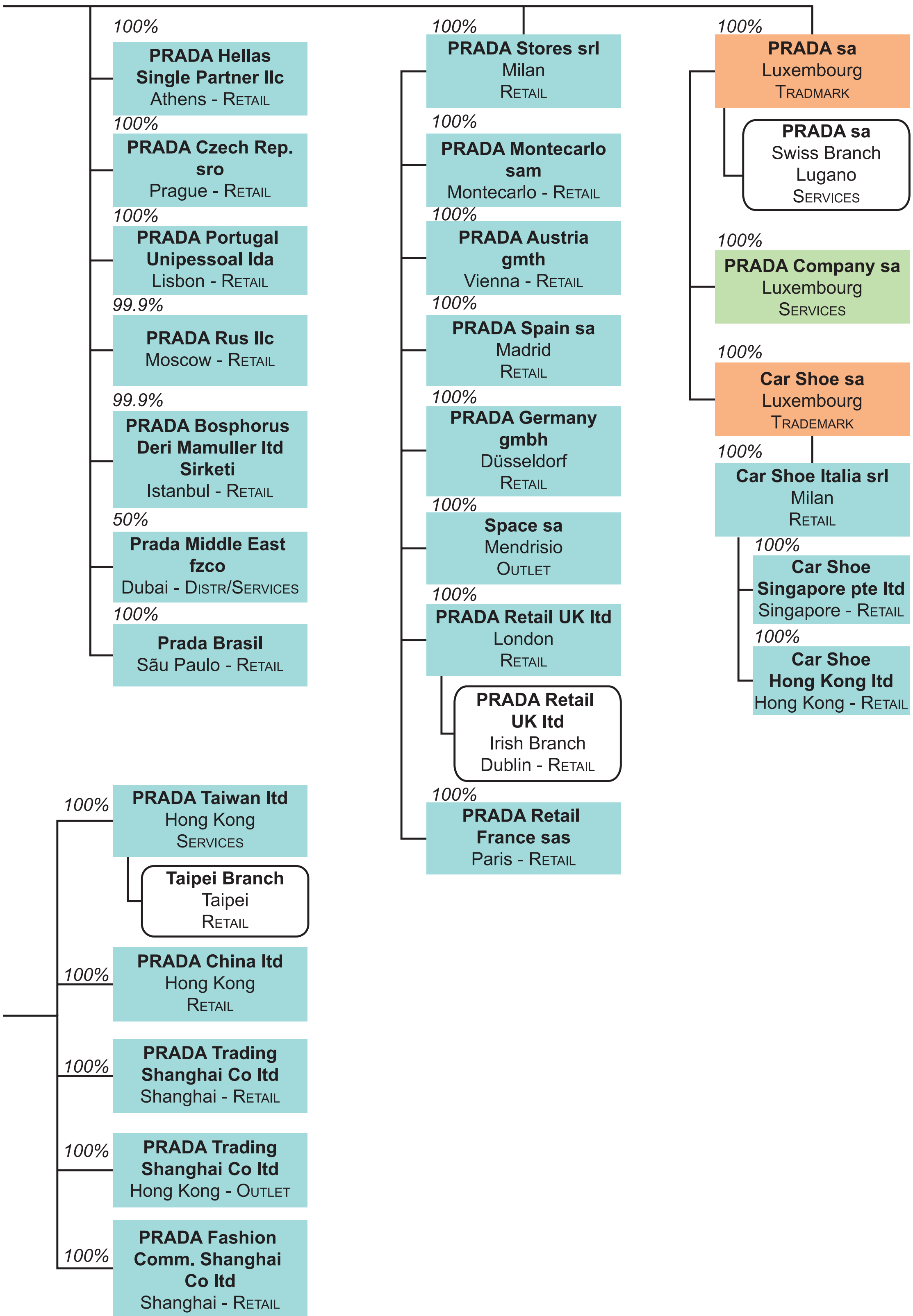
Through a structured and transparent selection process which is also based on cooperation with the most prestigious universities and fashion schools, the Group constantly seeks and attracts the best talents in the international employment market.

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

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

PRADA Group structure




100%
PRADA Hellas Single Partner llc
Athens - Retail
100%
PRADA Czech Rep. sro
Prague - Retail
100%
PRADA Portugal Unipessoal lda
Lisbon - Retail
99.9%
PRADA Rus llc
Moscow - Retail
99.9%
PRADA Bosphorus Deri Mamuller ltd Sirketi
Istanbul - Retail
50%
Prada Middle East fzco
Dubai - Distr/Services
100%
Prada Brasil
Sãu Paulo - Retail
100%
PRADA Taiwan ltd
Hong Kong
Services
Taipei Branch
Taipei
Retail
100%
PRADA China ltd
Hong Kong
Retail
100%
PRADA Trading Shanghai Co ltd
Shanghai - Retail
100%
PRADA Trading Shanghai Co ltd
Hong Kong - Outlet
100%
PRADA Fashion Comm. Shanghai Co ltd
Shanghai - Retail
100%
PRADA Stores srl
Milan
Retail
100%
PRADA Montecarlo sam
Montecarlo - Retail
100%
PRADA Austria gmth
Vienna - Retail
100%
PRADA Spain sa
Madrid
Retail
100%
PRADA Germany gmbh
Düsseldorf
Retail
100%
Space sa
Mendrisio
Outlet
100%
PRADA Retail UK ltd
London
Retail
PRADA Retail UK ltd
Irish Branch
Dublin - Retail
100%
PRADA Retail France sas
Paris - Retail
100%
PRADA sa
Luxembourg
Tradmark
PRADA sa
Swiss Branch
Lugano
Services
100%
PRADA Company sa
Luxembourg
Services
100%
Car Shoe sa
Luxembourg
Trademark
100%
Car Shoe Italia srl
Milan
Retail
100%
Car Shoe Singapore pte ltd
Singapore - Retail
100%
Car Shoe Hong Kong ltd
Hong Kong - Retail

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

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

CORPORATE INFORMATION

Registered office
Via A. Fogazzaro, 28, 20135 Milan, Italy

Headquarters office
Via A. Fogazzaro, 28, 20135 Milan, Italy

Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance
36/F, Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

Company website
www.pradagroup.com

Hong Kong Exchange Stock Code
1913

Board of Directors
Miuccia Prada Bianchi (Chairwoman and Executive Director)
Patrizio Bertelli (Chief Executive Officer and Executive Director)
Carlo Mazzi (Deputy Chairman and Executive Director)
Donatello Galli (Chief Financial Officer and Executive Director)
Marco Salomoni (Non-Executive Director)
Gian Franco Oliviero Mattei (Independent Non-Executive Director)
Giancarlo Forestieri (Independent Non-Executive Director)
Davide Mereghetti (Director, resigned on May 9, 2011)
Sing Cheong Liu (Independent Non-Executive Director, appointed on May 9, 2011)
Gaetano Micciché (Non-Executive Director, appointed on May 9, 2011)
Marco Cerrina Feroni (Director, resigned on May 9, 2011)

Audit Committee
Gian Franco Oliviero Mattei
Sing Cheong Liu
Giancarlo Forestieri

Remuneration Committee
Gian Franco Oliviero Mattei
Giancarlo Forestieri
Marco Salomoni

Board of Statutory Auditors
Antonino Parisi (Chairman)
Riccardo Perotta (Standing member)
Gianandrea Toffoloni (Standing member)

Supervisory Board (Law 231/2001)
David Terracina (Chairman)
Franco Bertoli
Marco Salomoni

Majority Shareholder
PRADA Holding B.V.
Dam 3-7
1012 JS Amsterdam - The Netherlands

Joint Company Secretaries
Patrizia Albano
Via A. Fogazzaro, 28
20135 Milan, Italy

Ying-Kwai Yuen (Fellow member, HKICS)
Flat A, 20th Floor
Block 4, Sceneway Garden
8 Sceneway Road
Kowloon, Hong Kong

Authorized Representatives
Donatello Galli
Via Elba, 10
20144 Milan, Italy

Ying-Kwai Yuen (Fellow member, HKICS)
Flat A, 20th Floor
Block 4, Sceneway Garden
8 Sceneway Road
Kowloon, Hong Kong

Alternate Authorized Representative to Donatello Galli
Sing Cheong Liu
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4 Severn Road
The Peak
Hong Kong

Hong Kong Share Registrar
Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Auditor
Deloitte & Touche SpA
Via Tortona 25
20144 Milan, Italy

Compliance Advisor
Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices. The corporate governance model adopted by the Company consists of a set of rules and standards with the aim of establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Board has established the following committees:

1. Audit Committee
2. Remuneration Committee
3. Supervisory Body

Audit Committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The members of the audit committee consist of three independent non-executive directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. On September 19, 2011, the audit committee discussed the auditing and internal controls activities of the Company and reviewed the audited consolidated interim financial statements of the Company for the six months ended July 31, 2011.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code"). According to its terms of reference, the primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, the establishment of a formal and transparent procedure for developing policy on such remuneration and the appointment of Directors and management of Board succession. The remuneration committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one non-executive director, Mr. Marco Salomoni. On September 19, 2011, the remuneration committee has reviewed the budget for the attribution of specific benefits to the management of the Company and its staff.

Supervisory Body

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

Board of Statutory Auditors

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders, with the authority to supervise the Company on its compliance with the law and the by-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and on its functioning. The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Riccardo Perotta and Mr. Gianandrea Toffoloni.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in an ordinary shareholders' meeting.

No dividends have been declared or paid by the Company in respect of the six months ended July 31, 2011.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code from the time of its listing on June 24, 2011 to July 31, 2011.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions in compliance with on terms no less than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the written procedures. Specific written confirmation has been obtained from each Director to confirm compliance with the Model Code from the time of listing on June 24, 2011 to July 31, 2011. There was no incident of non-compliance during the period from the Company's listing on June 24, 2011 to July 31, 2011.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from June 24, 2011 to July 31, 2011.

Changes in Information of Directors Pursuant to Listing Rule 13.51B(1)

There was no changes in the information of Directors since the listing date on June 24, 2011 which are required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Directors' Interests and Short Positions in Securities

As at July 31, 2011, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long position in shares and underlying shares of the Company

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

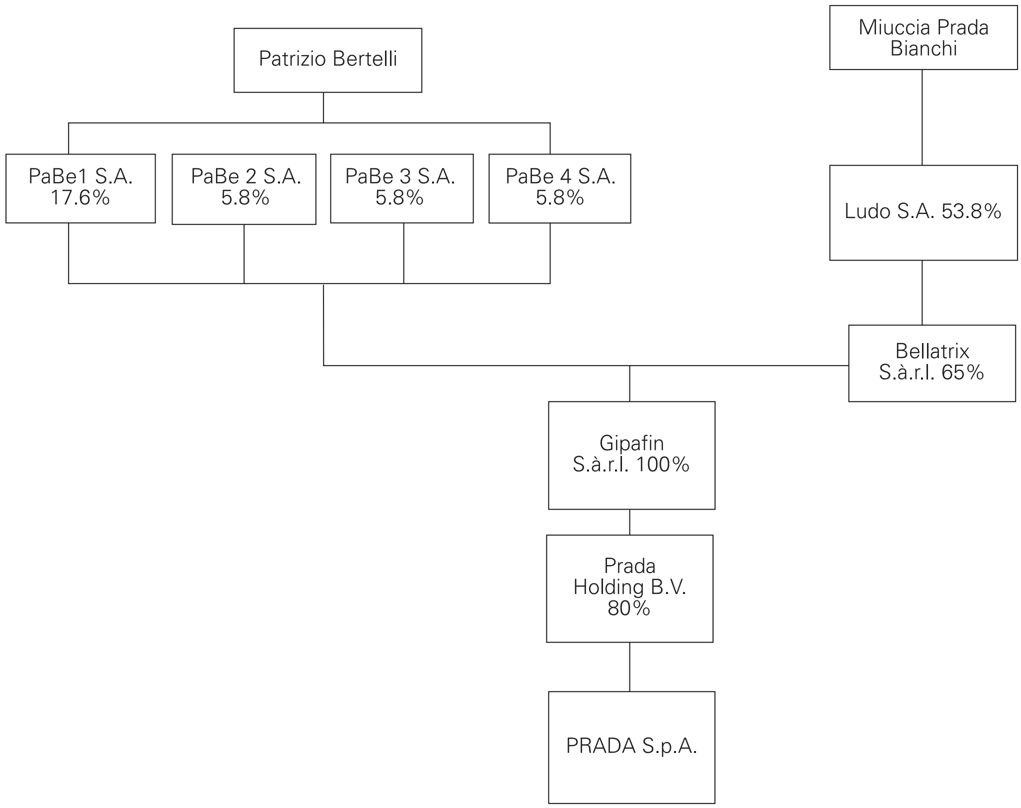
Notes

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

2. The entire issued share capital of Prada Holding B.V. is held by Gipafin S.à.r.l. ("Gipafin"). Ms. Miuccia Prada Bianchi, owns, indirectly through Ludo S.A., 53.8% of the capital of Bellatrix S.à.r.l. ("Bellatrix"), which in turn owns 65% of the capital of Gipafin. Ms. Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding B.V. Ms. Prada Bianchi is also a director of Ludo S.A.

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

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at July 31, 2011 are summarised in the following chart:



Long positions in shares and underlying shares of associated corporations:

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding B.V.	Common Shares	1,001	Interest of Controlled corporation	100%
	PRADA Arte B.V.	Registered Shares	180	As above	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Retail USA L.L.C.	Membership Interest	0	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	EXHL Japan Co. Ltd.	Ordinary Shares	200	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	EXHL Design L.L.C.	Membership Interest	0	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
Mr. Patrizio Bertelli	Prada Holding B.V.	Common Shares	1,001	Interest of Controlled corporation	100%
	PRADA Arte B.V.	Registered Shares	180	As above	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Retail USA L.L.C.	Membership Interest	0	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	EXHL Japan Co. Ltd.	Ordinary Shares	200	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	EXHL Design L.L.C.	Membership Interest	0	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%

Save as disclosed above, as at July 31, 2011, none of the directors and chief executives of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Securities

As at July 31, 2011, other than the interests of the directors or chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

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

Note:

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

DIRECTORS' REPORT

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 it is based on the Consolidated Financial Statements of the Group at July 31, 2011, prepared in accordance with IFRS as adopted by the European Union. 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 statement

(amounts in thousands of Euro)	July 31 2011	%	July 31 2010 unaudited	%
Retail	835,372	73.6%	626,178	66.9%
Wholesale	282,031	24.9%	294,223	31.4%
Royalties	16,878	1.5%	16,093	1.7%
Net revenues	1,134,281	100.0%	936,494	100.0%
Cost of goods sold	(329,098)	-29.0%	(322,674)	-34.5%
Gross margin	805,183	71.0%	613,820	65.5%
Operating expenses	(551,805)	-48.6%	(441,596)	-47.2%
EBIT	253.378	22,3%	172,224	18.4%
Interest and other financial expenses, net	(11,600)	-1.0%	(19,613)	-2.1%
Income before taxation	241,778	21.3%	152,611	16.3%
Taxation	(60,577)	-5.3%	(48,688)	-5.2%
Net income from continuing operations	181,201	16.0%	103,923	11.1%
Net income from continuing operations pertaining to minority interests	1,669	0.1%	880	0.1%
Group net income from continuing operations	179,532	15.8%	103,043	11.0%
Net loss from discontinued operations	—	—	—	—
Total Group net income	179,532	15.8%	103,043	11.0%
Amortization, Depreciation and Impairment	61,627	5.4%	52,996	5.7%
EBITDA	315,005	27.8%	225,220	24.0%
Basic earnings per share (in Euro per share)	0.071		0.041	
Diluted earnings per share (in Euro per share)	0.071		0.041	

Key financial information

Key income statement information (amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011	% change on July 2010
Net revenues	936,494	2,046,651	1,134,281	21.1%
Total EBITDA	225,220	535,930	315,005	39.9%
Total EBIT	172,224	418,387	253.378	47.1%
Income before tax	152,611	388,229	241,778	58.4%
Net income of the Group	103,043	250,819	179,532	74.2%
EBITDA %	24.0%	26.2%	27.8%	
EBIT %	18.4%	20.4%	22.3%	

Key statement of financial position info. (amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011	% change on January 2011
Non-current assets	1,544,090	1,595,990	1,683,787	5.5%
Net operating working capital	313,027	320,718	354,507	10.5%
Net invested capital	1,556,935	1,585,559	1,680,572	6.0%
Net financial position (third party)	460,123	408,604	135,202	-66.9%
Group shareholders' equity	1,094,115	1,204,350	1,541,134	28.0%
Investments	94,583	206,860	134,726	
Net operating cash flows	142,908	367,712	209,598	
Average headcount (persons)	7,033	7,199	7,740	

2011 first half highlights

In the first half of 2011, the Group's net revenues totaled Euro 1,134.3 million, recording an increase of 21.1% compared to the same period of 2010. The driver of this brilliant performance was again the direct retail network with an outstanding 22% organic growth and the contribution of the 53 openings since July 31, 2010, that led to a global 33.4% growth. This performance confirms the effectiveness of the Group strategic focus on the direct distribution channel.

EBITDA for the six-month period has benefited from the growth in sales and from the improvement in the production margins. At July 31, 2011, EBITDA totaled Euro 315 million (Euro 225.2 million in the same period of 2010) with an increase of 39.9% that took it from 24% of Group net revenues in the first half of 2010 to 27.8% in 2011.

Group net income amounted to Euro 179.5 million, an increase of 74.2% compared to the Euro 103 million posted in the first half of 2010.

On June 24, 2011, the Company's shares were successfully listed through an IPO on the Hong Kong Stock Exchange. The new shares issued as part of the IPO process enabled the Group to raise new funds amounting to Euro 206.6 million at the reporting date, net of the costs directly attributable to the transaction.

Thus, despite a slight reduction due to exchange fluctuations (Euro 11.7 million) and dividends (Euro 35 million) distributed to Shareholders, Group Shareholders' equity strengthened further to stand at Euro 1,541 million at July 31, 2011.

The above-mentioned capital injection and the free cash flows available to the Group enabled the Group to lower its own net financial position to Euro 135.2 million at July 31, 2011 and to finance the significant capital expenditure incurred during the six-months period (Euro 134.9 million).

Net revenues analysis

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	213,444	19.1%	184,301	20.0%	15.8%
Europe	250,664	22.4%	211,794	23.0%	18.4%
North America	171,853	15.4%	147,617	16.1%	16.4%
Asia Pacific	367,995	32.9%	271,703	29.5%	35.4%
Japan	107,193	9.6%	99,107	10.8%	8.2%
Other countries	6,254	0.6%	5,879	0.6%	6.4%
Total	1,117,403	100%	920,401	100%	21.4%
Net sales by brand					
Prada	878,383	78.6%	724,334	78.7%	21.3%
Miu Miu	198,872	17.8%	159,219	17.3%	24.9%
Church's	27,003	2.4%	23,440	2.5%	15.2%
Car shoe	9,711	0.9%	9,811	1.1%	-1.0%
Other	3,434	0.3%	3,597	0.4%	-4.5%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by product line					
Clothing	212,371	19.0%	214,006	23.2%	-0.8%
Leather goods	616,589	55.2%	455,641	49.5%	35.3%
Footwear	275,048	24.6%	242,655	26.4%	13.3%
Other	13,395	1.2%	8,099	0.9%	65.4%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by distribution channel					
DOS (including outlet stores)	835,372	74.8%	626,178	68.0%	33.4%
Independent customers, franchises and related parties	282,031	25.2%	294,223	32.0%	-4.1%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales	1,117,403	98.5%	920,401	98.3%	21.4%
Royalties	16,878	1.5%	16,093	1.7%	4.9%
Total net revenues	1,134,281	100.0%	936,494	100.0%	21.1%

Consolidated net revenues for the period ended July 31, 2011 amounted to Euro 1,134.3 million, posting a remarkable increase of 21.1% compared to the first half of 2010. At constant exchange rates, the increase would have been equal to 24.1%.

Distribution channels

Retail net sales totaled Euro 835.4 million, up by 33.4% (36.9% at constant exchange rates), compared to Euro 626.2 million posted in the first half of 2010. The growth was attributable to the full contribution of the 27 net new store openings in the second half of 2010, to the contribution of the 26 net new store openings in the first half of 2011 and to the excellent 22% of organic growth. The Group's commitment to improving its DOS network was also confirmed by the significant refurbishment and expansion works that were carried out on 9 more stores.

At the reporting date the Group owned 345 stores and they contributed 74.8% of Group net sales (68% in the first half of 2010).

The wholesale business, in keeping with the Group's distribution strategy, is in line with the first half of last year and reached Euro 282 million, accounting for 25.2% of the Group's net sales.

Markets

In the first half of 2011, net sales in Asia Pacific increased by 35.4% (41.1% at constant exchange rates) to Euro 368 million from Euro 271.7 million in the same period of 2010. This outstanding performance was achieved primarily thanks to 31% organic growth and the 9 net new store openings since July 31, 2010. Greater China made the greatest contribution to this performance.

In Europe, the Group's second largest market, net sales increased by 18.4% (18.7% at constant exchange rates) to Euro 250.7 million in the first six-months of the 2011 from Euro 211.8 million in the same period of 2010. This growth, driven by the 18 net new store openings since July 31, 2010, and by the 18% organic growth of the retail channel, was partially offset by a drop in sales for the wholesale business (down by 9.4% compared to the first half of 2010). It is worth mentioninig that, on July 12, 2011, as part of a major DOS expansion in Russia, the Group opened its first independent store in Moscow.

Net sales on the Italian market increased by 15.8% to Euro 213.4 million in the first half of 2011 from Euro 184.3 million in the same period of 2010. Sales trends in Italy were fairly similar to those in Europe as a whole and led to an outstanding performance for retail (increase of 48.2% compared to the first half of 2010) and a decline in the wholesale business (decrease of 8.2% compared to the first half of 2010).

The North American market recorded a 16.4% increase compared to the first half of 2010. The growth was achieved thanks to the performances of both the retail and the wholesale channels. DOS sales, driven by an organic growth of 12% and 17 net store openings since July 31, 2010, increased by 21% compared to the first half of 2010. Thanks to deliveries to the US department stores and the general recovery of the consumer market, the wholesale channel performed well with a 9.7% increase compared to the first half of 2010.

After being hit by the dramatic events of March 2011, the Japanese market remained solid for the Group's brands as net sales increased by 8.2% (6% at constant exchange rates). There have been 3 net store openings since July 31, 2010 and organic growth was almost flat.

After distribution network rationalization in the Middle East in 2010, the "Other countries" area started to grow again: net sales increased by 6.4% to stand at Euro 6.3 million in the first six months of 2011 compared to Euro 5.9 million in the same period of 2010.

Products

The 21.4% increase in Group net sales was mainly achieved as a result of the out-performance of leather goods which grew by 35.3% in the first six months of 2011 compared to the first half of 2010, increasing their contribution to the Group's net sales to 55.2%. The leather goods performance was mainly driven by the strong expansion of the retail channel in Asia Pacific where such products form the core of the product sales mix.

Brands

The Prada brand accounts for 78.6% of Group net sales (78.7% in the same period of 2010) and its sales performance was broadly in line with the comments made above which apply to the entire Group. It is worth highlighting the worldwide success of the colourful fruity stripes PRADA Woman 2011 S/S collection, the most used by global magazine to grace their spring covers.

The Miu Miu brand, with a higher incidence in the retail and leather goods sales, recorded the highest rate of growth in terms of net sales among the Group's brands with an increase of 24.9% (27.7% at constant exchange rates). Apart from Asia Pacific, where Miu Miu achieved outstanding 36% growth (42.2% at constant exchange rates), the North American market also confirmed its appreciation of this brand with a 29.8% increase in net sales compared to the first half of 2010 (40.8% at constant exchange rates).

The Church's brand confirmed its double-figure rate of growth with 15.2% increase compared to the first half of 2010 (16.4% at constant exchange rates). In Europe, where 58% of the brand sales are concentrated, growth was solid with a 9.7% increase (10.2% at constant exchange rates).

Despite the positive performance of the retail channel (+30.8%), Car Shoe net sales remained almost unchanged on a total basis with an overall 1% decrease.

Royalties

The licensed products business contributed net revenues of Euro 16.9 million (Euro 16.1 million in the first half of 2010), including royalties of Euro 13.7 million on sales of eyewear (Euro 13.4 million in 2010), Euro 1.8 million on sales of perfume (Euro 1.8 million in 2010) and Euro 0.6 million from a new license with Hyundai, the Korean automaker, for the launch of a special limited edition luxury version of their Genesis car. Overall, royalties income increased by 4.9% compared to the first half of 2010.

Prada brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	164,797	18.8%	140,691	19.4%	17.1%
Europe	188,969	21.5%	160,218	22.1%	17.9%
North America	146,278	16.6%	127,709	17.7%	14.5%
Asia Pacific	298,307	34.0%	220,828	30.5%	35.1%
Japan	75,275	8.6%	70,502	9.7%	6.8%
Other countries	4,757	0.5%	4,386	0.6%	8.5%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by product line					
Clothing	180,417	20.5%	186,050	25.7%	-3.0%
Leather goods	487,546	55.5%	351,469	48.5%	38.7%
Footwear	198,363	22.6%	179,557	24.8%	10.5%
Other	12,057	1.4%	7,258	1.0%	66.1%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by distribution channel					
DOS (including outlet stores)	659,901	75.1%	490,302	67.7%	34.6%
Independent customers, franchises and related parties	218,482	24.9%	234,032	32.3%	-6.6%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales	878,383	98.1%	724,334	98.0%	21.3%
Royalties	16,582	1.9%	15,120	2.0%	9.7%
Total net revenues	894,965	100.0%	739,454	100.0%	21.0%

Miu Miu brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	33,993	17.1%	29,268	18.4%	16.1%
Europe	41,491	20.9%	33,010	20.7%	25.7%
North America	24,294	12.2%	18,720	11.8%	29.8%
Asia Pacific	66,370	33.4%	48,791	30.6%	36.0%
Japan	31,502	15.8%	28,343	17.8%	11.1%
Other countries	1,222	0.6%	1,087	0.7%	12.4%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by product line					
Clothing	31,601	15.9%	27,573	17.3%	14.6%
Leather goods	127,103	63.9%	102,303	64.3%	24.2%
Footwear	38,830	19.5%	28,504	17.9%	36.2%
Other	1,338	0.7%	839	0.5%	59.5%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by distribution channel					
DOS (including outlet stores)	153,181	77.0%	116,193	73.0%	31.8%
Independent customers, franchises and related parties	45,691	23.0%	43,026	27.0%	6.2%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales	198,872	99.9%	159,219	99.5%	24.9%
Royalties	241	0.1%	845	0.5%	-71.5%
Total net revenues	199,113	100.0%	160,064	100.0%	24.4%

Church's brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	7,369	27.3%	6,247	26.7%	18.0%
Europe	15,665	58.0%	14,286	60.9%	9.7%
North America	1,116	4.2%	886	3.8%	26.0%
Asia Pacific	2,322	8.6%	1,591	6.8%	45.9%
Japan	413	1.5%	250	1.1%	65.2%
Other countries	118	0.4%	180	0.7%	-34.4%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by product line					
Clothing	256	0.9%	202	0.9%	26.7%
Leather goods	662	2.5%	650	2.8%	1.8%
Footwear	26,085	96.6%	22,588	96.3%	15.5%
Other	—	—	—	—	—
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by distribution channel					
DOS (including outlet stores)	17,318	64.1%	15,294	65.2%	13.2%
Independent customers, franchises and related parties	9,685	35.9%	8,146	34.8%	18.9%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales	27,003	99.8%	23,440	99.7%	15.2%
Royalties	55	0.2%	72	0.3%	-23.6%
Total net revenues	27,058	100.0%	23,512	100.0%	15.1%

Car Shoe brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	6,545	67.4%	7,029	71.6%	-6.9%
Europe	1,890	19.5%	1,844	18.8%	2.5%
North America	145	1.5%	226	2.3%	-35.8%
Asia Pacific	973	10.0%	476	4.9%	104.4%
Japan	—	—	11	0.1%	-100.0%
Other countries	158	1.6%	225	2.3%	-29.8%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by product line					
Clothing	—	—	—	—	—
Leather goods	1,250	12.9%	1,176	12.0%	6.3%
Footwear	8,461	87.1%	8,635	88.0%	-2.0%
Other	—	—	—	—	—
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by distribution channel					
DOS (including outlet stores)	4,161	42.8%	3,182	32.4%	30.8%
Independent customers, franchises and related parties	5,550	57.2%	6,629	67.6%	-16.3%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales	9,711	100.0%	9,811	100.0%	-1.0%
Royalties	—	—	—	—	—
Total net revenues	9,711	100.0%	9,811	100.0%	-1.0%

Number of stores

	July 31, 2011		January 31, 2011		July 31, 2010	
	DOS	franchises	DOS	franchises	DOS	franchises
Prada	218	24	207	27	188	29
Miu Miu	82	6	71	6	64	6
Church's	40	—	36	—	36	—
Car Shoe	5	—	5	—	4	—
Total	345	30	319	33	292	35

	Jul 31, 2011		Jan 31, 2011		Jul 31, 2010	
	DOS	franchises	DOS	franchises	DOS	franchises
Italy	42	5	37	5	36	5
Europe	97	12	88	13	79	13
North America	40	—	34	—	23	—
Far East	108	13	104	13	99	15
Japan	58	—	56	—	55	—
Middle East	—	—	—	2	—	2
Total	345	30	319	33	292	35

A list of stores opened and closed during the period is provided below.

Prada	DOS	Opened	
			Leccio (Italy)
			Marcianise (Italy)
			Forte dei Marmi Men (Italy)
			Corte Ingles, Madrid (Spain)
			Berlin (Germany)
			Umeda Diamaru, Osaka (Japan)
			Shinsagae Centum, Incheon (South Korea)
			Hyundai, Ulsan (South Korea)
			Galleria, Daejeon (South Korea)
			Wuqing (China)
			Fortune, Wenzhou (China)
			Charter, Harbin (China)
			Westfield, Sydney (Australia)
Miu Miu	DOS	Opened	
			Capri (Italy)
			Corte Ingles, Madrid (Spain)
			Heathrow Ready-to-Wear, London (United Kingdom)
			Heathrow Bags&Accessories, London (United Kingdom)
			Stoleshnikov, Moscow (Russia)
			Short Hills (United States)
			Umeda Diamaru, Osaka (Japan)
			Nagoya (Japan)
			Apku Hyundai Main, Seoul (South Korea)
			Gyeonggi Shinsagae, Youngin (South Korea)
			Sogo (Hong Kong)
			Westfield, Sydney (Australia)
Church's	DOS	Opened	
			Marcianise (Italy)
			Printemps, Paris (France)
			Printemps Parly, Paris (France)
			New Bond St. Women, London (United Kingdom)
Prada	DOS	Closed	
			Renhe, Chengdu (China)
			Martin Place, Sydney (Australia)
Miu Miu	DOS	Closed	
			Mitsukoshi, Nagoya (Japan)

Operating results

EBITDA for the period ended July 31, 2011 amounted to Euro 315 million, 39.9% more than in the first half of 2010, while rising from 24% to 27.8% of net revenues. The significant improvement in operating profitability has been achieved mainly as a result of the actions taken to improve gross margin as a percentage of net revenues and it rose from 65.5% in the first half of 2010 to 71% in the first half of 2011. The higher incidence of retail channel sales, the increase in unit margins and the more favorable ratio of full price sales to sales at promotional prices were the key factors behind this improvement.

Operating expenses increased mainly because of the DOS network expansion and the higher spending on advertising and promotion. The expenses incurred in the first six months of 2011 were approximately 25% higher than in the first half of 2010. They rose from 47.2% of net revenues to 48.6%.

Despite the major capital expenditure program undertaken since the year 2009, the EBIT still increased in absolute terms to reach Euro 253.4 million for the first half of 2011; it also increased from 18.4% of net revenues in the first half of 2010 to 22.3% in the first half of 2011. No significant impairment of assets incurred in either the first half of 2010 or the first half of 2011.

The tax charge decreased from 31.9% in the first half of 2010 to 25.1%, essentially because of changes in the geographical mix of taxable income, as a result of the different geographical mix of sales in favour of areas with slightly more favorable tax rates and because of provisions made in the first half of 2010 for ongoing tax disputes.

The Group's net income was Euro 179.5 million, or 15.8% of net revenues, a 74.2% increase compared to net income of Euro 103 million reported in the first half of 2010.

Analysis of the statement of financial position

Net invested capital

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

(amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011
Non current assets	1,544,090	1,595,990	1,683,787
Current assets excluding financial assets	622,295	634,462	776,122
Current liabilities excluding financial liabilities	461,183	459,047	576,682
Net working capital	161,112	175,415	199,440
Assets held for sale	1,412	4,948	—
Long-term liabilities, including deferred taxation	96,911	103,236	113,115
Post employment benefits	37,586	34,833	35,108
Provisions for risks	15,182	52,725	54,432
Net invested capital	1,556,935	1,585,559	1,680,572
Shareholders' equity - Group	1,094,115	1,204,350	1,541,134
Shareholders' equity - Non Controlling Interests	4,325	5,788	5,073
Total consolidated shareholders' equity	1,098,440	1,210,138	1,546,207
Long term financial payables	322,025	305,917	223,012
Short term financial payables, net of cash and cash equivalents	136,470	69,504	(88,647)
Net financial payables	458,495	375,421	134,365
Shareholders' equity and net financial payables	1,556,935	1,585,559	1,680,572

The increase in the Net invested capital at July 31, 2011 was substantially due to the capital expenditure incurred during the first half of 2011.

The Group Shareholders equity increased mainly because of the capital injection resulting from the IPO (Euro 206.4 million) and the Net income for the six month period (Euro 179.5 million), as partially offset by dividends distributed (Euro 35 million) and the negative impact of exchange rate fluctuation on net assets not denominated in Euro (Euro 11.7 million).

Analysis of non current assets

(amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011
Property, plant and equipment	486,590	536,717	606,971
Intangible assets	881,685	869,119	867,196
Investments in associated undertakings	10,061	1,753	1,753
Deferred tax assets	129,142	141,378	158,079
Other non current assets	35,773	44,883	49,241
Derivative financial instruments-non-current	839	2,140	547
Total non current assets	1,544,090	1,595,990	1,683,787
Percentage of tangible assets already depreciated	0.51	0.50	0.49

Taken together, "Property, plant and equipment" and "Intangible assets" showed a net increase of Euro 68.3 million. Investments incurred during the period amounted to Euro 134.7 million and were distributed as follows: Euro 72.9 million in the retail area, Euro 45.4 million in the industrial and logistics area and Euro 16.4 million in the corporate area. Depreciation charges for the period totaled Euro 59.8 million and writedowns amounted to Euro 1.8 million.

Deferred tax assets of Euro 158.1 million largely relate to deductible temporary differences regarding the realizable value of inventories and the residual useful life of tangible and intangible assets.

Analysis of net operating working capital

(amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011
Trade receivables	275,718	274,175	291,657
Inventories	262,017	280,409	366,813
Trade payables	(224,708)	(233,866)	(303,963)
Net operating working capital	313,027	320,718	354,507

The increase in "Net operating working capital" compared to January 31, 2011 was due to the higher volumes of production and distribution, in line with the expansion in sales activities.

Analysis of Net Financial Position

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

(amounts in thousands of Euro)	July 31 2010 unaudited	January 31 2011	July 31 2011
Long term debt	316,696	303,408	221,457
Obligations under finance leases	5,329	2,509	1,555
Long term financial payables	322,025	305,917	223,012
Short term financial payables and bank overdrafts	273,736	194,240	161,952
Payables to parent company and related parties	2,844	281	—
Receivables from parent company and related parties	(5,064)	(34,044)	(1,410)
Obligations under finance leases	5,157	5,019	3,847
Payables to other shareholders	592	581	574
Cash and cash equivalents	(140,795)	(96,572)	(253,610)
Short term financial payables	136,470	69,504	(88,647)
Net Financial Position, net of cash and cash equivalents	458,495	375,421	134,365
Net Financial Position, excluding receivables/payables with parent company, related parties and other shareholders (NFP used to calculate covenants - note 27 Consolidated financial statements)	460,123	408,604	135,202
NFP/EBITDA ratio	1.13	0.76	0.22
EBITDA/ net financial charges ratio	10.93	17.77	27.16

At July 31, 2011, the Group's Net Financial Position amounted to Euro 135.2 million, with a Euro 273.4 million reduction compared to January 31, 2011.

As shown in the Statement of Cash Flows included in the Consolidated Financial Statements, the capital injection resulting from the IPO (Euro 206.6 million) and the cash flows generated by operating activities (Euro 209.6 million) enabled the Group to fund its capital expenditure for the period (Euro 134.9 million), to pay dividends (Euro 6.4 million), to reduce its bank borrowings by Euro 100.7 million and to increase its cash and cash equivalent by Euro 174.2 million at July 31, 2011.

Dividends distributed to Shareholders totaling Euro 35 million were settled as follows: Euro 32.5 million offset against receivables from parent Company PRADA Holding bv and Euro 2.5 million paid in cash.

Risk factors

Risk factors regarding the international luxury industry

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

The international environment exposes Prada operations to several macroeconomic factors whose impact on consumer spending and confidence and on the volume of tourist traffic may affect the results of the Group operations in terms of income statements, equity and cash flows.

Prada strategy, focusing on international growth in the retail channel, has already proven its worth as a means of combating the effects of a worldwide downturn as it has led the Group to highly satisfactory results as soon as the market started to recover. This was the case in 2010 after the 2008-2009 global financial downturn.

Risks connected to the protection of intellectual property rights

Trademarks and other intellectual property rights are extremely important in the luxury industry.

The success of Prada depends on its ability to protect and promote its own trademarks and other intellectual property rights. For this purpose, the Group invests huge resources in the establishment and protection of its own trademarks and other intellectual property rights, such as registered designs and patents on a worldwide basis, in order to take tough measures against counterfeiters of trademarks and designs.

Risks connected to brand image and recognition

The success of the Group in the international luxury market depends on the integrity, image and recognition of its brands. These features depend on many factors such as the style and design of products, the quality of materials and production techniques used, the image and location of the Group's directly operated stores, the careful selection of licensees for certain product categories and communications activities including advertising, public relations, marketing and the general corporate profile.

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

Risks connected to ability to anticipate trends and respond to changing consumer preferences

The success of the Group depends in part on the ability to originate and define product and fashion trends, as well as to anticipate and respond to changing consumer preferences and fashion trends in a timely manner.

The Group attempts to lead the fashion market by stimulating the consumer markets and inspiring trends through the creative efforts of its design and product development teams.

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. Exchange rate risk management is described in more detail in the "Notes to the Consolidated Financial Statements, note 12".

Risks connected to interest rate fluctuations

The interest rate risk is the risk that cash outflows might vary as a result of interest rate fluctuation.

In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa, the Group uses interest rate swaps and collars. These instruments convert variable rate loans into fixed rate loans or loans at rates within a negotiated range of rates. Interest rate risk management is described in more detail in "Notes to the Consolidated Financial Statements, note 12".

Risks connected to the importance of key personnel

The Group's results depend both on the contribution of certain key figures who played an essential role in the development of the Group and who have great experience and expertise in the fashion and luxury goods business and on Prada's ability to attract and retain the industry's most talented designers and business leaders.

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

Risks connected to the implementation of strategy

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

The Group is pursuing its objectives through gradual expansion in new geographical areas, where its presence is not yet strong enough. When choosing where to open a new DOS, the Group carefully evaluates market conditions and consumer trends in the area to try to ensure the success of the DOS. Moreover, especially when entering a new market, the Group spends significant amounts of time and effort to ensure managers and sales staff properly portray an image consistent with the Group's brands and provide customer service in-line with the quality of the products. The utmost attention is also paid to design and fitting out of the stores themselves.

Risks connected to the out sourcing of manufacturing activities

The Group develops, controls and produces in-house the majority of its prototypes and samples and out sources to external manufacturers with appropriate expertise and capacity the production of most of the accessories and products.

The Group has established a rigorous inspection and quality control process for all out sourced production and contractually requires all third-party manufacturers to comply with intellectual property protections and confidentiality restrictions in addition to all applicable labor, social security and health and safety laws and regulations.

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction causes a financial loss for another entity through failure to fulfill its obligations. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements. The Directors essentially believe that the Group's credit risk mainly regards trade receivables generated in the wholesale channel.

The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's Commercial Department. At the same time, the fact that the total receivables balance is not highly concentrated on individual customers, the fact that net sales are evenly spread around the world and the constant strategy of selectively reducing accounts for several reasons, including the prevention of sub-standard distribution and parallel export, lead to a reduced risk of financial losses.

Liquidity risk

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

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

Legal and regulatory risks

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

— the risks associated with health and safety at work in compliance with Italian Legislative Decree 81/08 and equivalent regulations in other countries;

— the possible legal sanctions for wrongful acts pursuant to Law 231/2001, as subsequently amended;

— the risks associated with antitrust rules in the areas where the Group operates;

— the possibility of events that adversely affect the reliability of annual financial reporting and the safeguarding of Group assets;

— changes in international tax laws and practices applicable in various countries;

— possible industrial compliance risks regarding the conformity of the finished goods distributed and the raw materials and consumables used with Italian and international laws and regulations.

The Group involves the various divisions of the business to monitor legislative and regulatory change, deploying the services of external specialist advisors as necessary, in order to ensure that its processes and procedures are updated and risks kept down to an acceptable level. These monitoring activities are guaranteed by Divisional Managers and by normal audit activities as well as by specific bodies and committees such as the Supervisory Board, the Internal Control Committee and the Industrial Compliance Committee.

Risks connected with data processing

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

— data is adequately protected against the risk of unauthorized access, loss (including accidental loss) and utilization inconsistent with assigned duties;

— data is processed in accordance with applicable laws and regulations.

Information on relationships and transactions with related parties

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

Outlook for the second half of 2011

In the second half of 2011, the Group will continue to pursue growth, leveraging on its creative and innovation capabilities and investing in the expansion of the DOS network and on the promotion of its brands.

In the current climate of increasing global economic uncertainty, these actions will be carried out maintaining rigorous control on costs and preserving flexibility.

Chief Executive Officer
Patrizio Bertelli

Milan, September 19, 2011

Consolidated Financial Statements

Consolidated Statement of Financial Position

(amounts in thousands of Euro)	Note	July 31 2011	January 31 2011
Assets			
Current assets			
Cash and cash equivalents	9	253,610	96,572
Trade receivables, net	10	291,657	274,175
Inventories	11	366,813	280,409
Derivative financial instruments - current	12	7,321	7,379
Receivables from parent company and related parties	13	13,092	36,317
Other current assets	14	98,648	70,225
Assets held for sale	15	–	4,948
Total current assets		1,031,141	770,025
Non current assets			
Property, plant and equipment	16	606,971	536,717
Intangible assets	17	867,196	869,119
Associated undertakings	18	1,753	1,753
Deferred tax assets	37	158,079	141,378
Other non current assets	19	49,241	44,883
Derivative financial instruments - non current		547	2,140
Total non current assets		1,683,787	1,595,990
Total Assets		2,714,928	2,366,015
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	20	161,952	194,240
Payables to parent company and related parties	21	618	1,107
Other shareholders' loans	22	574	581
Trade payables	23	303,963	233,866
Current tax liabilities	24	150,555	107,592
Derivative financial instruments - current	12	3,564	5,279
Obligations under finance leases - current	25	3,847	5,019
Other current liabilities	26	117,981	111,482
Total current liabilities		743,054	659,166
Non-current liabilities			
Long-term debt	27	221,457	303,408
Obligations under finance leases - non current	25	1,555	2,509
Long term employee benefits	28	35,108	34,833
Provisions for risks and charges	29	54,432	52,725
Deferred tax liabilities	37	48,451	52,711
Other non-current liabilities	30	64,110	50,207
Derivative financial instruments - non current	12	554	318
Total non current liabilities		425,667	496,711
Total Liabilities		1,168,721	1,155,877
Shareholders' equity			
Share capital		255,882	250,000
Other reserves		1,157,447	743,543
Translation reserve		(51,727)	(40,012)
Net profit for the period		179,532	250,819
Total Shareholders' Equity - Group	31	1,541,134	1,204,350
Shareholders' Equity - Non Controlling Interests	32	5,073	5,788
Total Liabilities and Shareholders' Equity		2,714,928	2,366,015
Net current assets		288,087	110,859
Total assets less current liabilities		1,971,874	1,706,849

Consolidated income statement

(amounts in thousands of Euro)	Note	July 31 2011	%	July 31 2010 unaudited	%
Net revenues	33	1,134,281	100.0%	936,494	100.0%
Cost of goods sold	34	(329,098)	-29.0%	(322,674)	-34.5%
Gross margin		805,183	71.0%	613,820	65.5%
Operating expenses	35	(551,805)	-48.6%	(441,596)	-47.2%
EBIT		253,378	22.3%	172.224	18,4%
Interest and other financial income/(expenses), net	36	(11,600)	-1.0%	(19,613)	-2.1%
Income before taxes		241,778	21.3%	152,611	16.3%
Taxation	37	(60,577)	-5.3%	(48,688)	-5.2%
Net income for the year from continuing operations		181,201	16.0%	103,923	11.1%
Non Controlling Interests net income from continuing operations	32	1,669	0.1%	880	0.1%
Group net income from continuing operations		179,532	15.8%	103,043	11.0%
Net income for the year from discontinued operations		–	–	–	–
Group net income of the period (continuing + discontinued)		179,532	15.8%	103,043	11.0%
Basic earnings per share (in Euro per share)		0.071		0.041	
Diluted earnings per share (in Euro per share)		0.071		0.041	

Consolidated Statement of Cash Flows

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Income before taxation from continuing operations	241,778	152,611
Total income before taxation	241,778	152,611
Income Statement adjustments		
Depreciation and amortization from continuing operations	59,835	52,320
Impairment of property, plant and equipment and intangible assets	1,795	676
Financial (income) expenses	8,323	15,127
Other non monetary charges	12,996	10,699
Changes in the statements of financial position		
Other non current assets and liabilities	(6,122)	(6,101)
Trade receivables, net	(18,475)	(48,117)
Inventories, net	(87,506)	(25,468)
Trade payables	66,116	27,149
Other current assets and liabilities	(22,450)	(5,701)
Cash flows from operating activities	256,290	173,195
Interest paid, net	(9,132)	(13,499)
Taxes paid	(37,560)	(16,788)
Net cash flows from operating activities	209,598	142,908
Purchases of assets	(138,480)	(82,934)
Proceeds from the sale of assets	1,800	–
Proceeds from the disposal of investments	1,800	–
Acquisition of consolidated investments from third parties	–	(4,000)
Cash flows generated/(utilized) by investing activities	(134,880)	(86,934)
Dividends paid to shareholders of PRADA spa	(2,482)	(27,852)
Dividends paid to minority shareholders	(3,886)	(290)
Repayment of long term borrowings - third parties	(14,294)	–
Repayment of current term portion of long term borrowings - third parties	(58,737)	(160,372)
Repayment of loans to other shareholders	(50)	–
Proceeds from long term borrowings – third parties	3,354	260,000
Change in short term borrowings – third parties	(32,171)	(113,678)
Capital injection from Non Controlling Interests	1,383	–
Issue of new shares	206,560	–
Net change in short term borrowings – related parties	(159)	(850)
Cash flows generated/(utilized) by financing activities	99,518	(43,042)
Change in cash and cash equivalents, net of bank overdrafts	174,236	12,932
Foreign exchange differences	(1,163)	7,112
Opening cash and cash equivalents, net of bank overdraft	79,498	69,195
Closing cash and cash equivalents, net of bank overdraft	252,571	89,239
Cash and cash equivalents	253,610	140,795
Bank overdraft	(1,039)	(51,556)
Closing cash and cash equivalents, net of bank overdraft	252,571	89,239

Statement of changes in Consolidated Shareholders' Equity (amounts in thousands of Euro, except for number of shares)

(amounts in thousands of Euro)	Number of shares	Share Capital	Share premium reserve	Translation reserve	Other reserves	Cash Flow Hedge	Actuarial Reserve	Net profit	Group Equity
Balance at January 31, 2010	250,000,000	250,000	209,298	(45,671)	541,436	(2,893)	(4,430)	100,163	1,047,903
Allocation of 2009 Net profit	–	–	–	–	100,163	–	–	(100,163)	–
Other movements	–	–	–	–	(4)	–	–	–	(4)
Dividends	–	–	–	–	(111,000)	–	–	–	(111,000)
Transactions with Non–Controlling Interests	–	–	–	–	1,134	–	–	–	1,134
Comprehensive Net income for the period	–	–	–	5,659	–	6,357	3,482	250,819	266,317
Balance at January 31, 2011	250,000,000	250,000	209,298	(40,012)	531,729	3,464	(948)	250,819	1,204,350
Allocation of 2010 Net profit	–	–	–	–	250,819	–	–	(250,819)	–
Conversion of the shares par value from Eur 1.0 to Eur 0.1	2,500,000,000	–	–	–	–	–	–	–	–
Issue of new shares	58,824,000	5,882	200,506	–	–	–	–	–	206,389
Dividends	–	–	–	–	(35,000)	–	–	–	(35,000)
Comprehensive Net income for the period	–	–	–	(11,716)	–	(1,955)	(466)	179,532	165,395
Balance at July 31, 2011	2,558,824,000	255,882	409,804	(51,727)	747,548	1,509	(1,414)	179,532	1,541,134

Under Italian law, the Company has to allocate a portion of its annual net profits to a non-distributable reserve and provide further information on the distribution of profits. Details are set out in the "Notes to the Consolidated Financial Statements", Note 31.

Certain subsidiaries were also required to allocate a portion of their annual net profits to the legal reserve. Moreover, a certain portion of their profits is required to cover the deficit in certain reserves in accordance with applicable laws and this amount is not available for distribution.

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Consolidated Net income for the period	181,201	103,923
Cumulative Translation adjustment	(11,587)	25,060
Tax impact	–	–
Cumulative Translation adjustment, net of tax impact	(11,587)	25,060
Change in Cash Flow Hedge Reserve	(2,597)	(2,619)
Tax impact	642	716
Change in Cash Flow Hedge Reserve, net of tax impact	(1,955)	(1,903)
Change in Actuarial Reserve	(606)	(1,297)
Tax impact	130	287
Change in Actuarial Reserve, net of tax impact	(476)	(1,010)
Comprehensive Consolidated Net income for the period	167,183	126,070
Comprehensive Non-Controlling Interests Net income for the period	129	992
Comprehensive Group Net income for the period	167,054	125,078

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"), together with its subsidiaries (jointly the "Group"), is a world leader in the design, production and distribution of luxury handbags, leather goods, footwear, apparel, accessories, eyewear and fragrances. Through its directly-operated-stores network (DOS) and a select number of wholesalers, the Group operates on all major international markets.

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

At the reporting date, 79.98% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, 1% was owned by IntesaSanPaolo spa, a major banking group domiciled in Italy and the remaining 19.02% was floating on the Main Board of the Stock Exchange of Hong Kong Limited.

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

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

These Consolidated Financial Statements have been approved by the Board of Directors for issue on September 19, 2011.

2. Basis of preparation

The Consolidated Financial Statements of the PRADA Group as of July 31, 2011, including the "Consolidated Statement of Financial Position", the "Consolidated Income Statement", the "Consolidated Comprehensive Income Statement", the "Consolidated Statement of cash flows", the "Statement of changes in consolidated shareholders' equity" and the "Notes to the Consolidated Financial Statements" have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

The IFRS adopted by the European Union and applicable to the PRADA Group are similar to those issued by the IASB.

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

The Group has prepared the Consolidated Statement of Financial Position classifying separately current and non current assets and liabilities. All the details needed for more complete information are provided in the Notes to the Consolidated Financial Statements.

The Consolidated Income Statement is presented by destination.

Cash flow information is reported in the Consolidated Statement of Cash Flows which forms an integral part of the Consolidated Financial Statements and has been prepared under the indirect method.

2. Basis of preparation *(continued)*

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 Consolidated Financial Statements have been prepared on a going concern basis and are presented in Euro, the functional currency of PRADA spa.

3. Amendments to Accounting Standards

Amendments to IFRS/IAS applicable from February 1, 2011

The following amendments to IFRS and their interpretation documents (SIC and IFRIC) have been adopted by the European Union effective from February 1, 2011. They are not applicable to the PRADA Group as of the reporting date but they could have future accounting effects.

— Improvements to IAS/IFRS (2010)

— Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

— IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

— New version of the IAS 24 Related Party Disclosures

New standards issued and amendments and interpretations published by the IASB not yet applicable and not early adopted

— IFRS 9 Financial Instruments. This standard, effective from January 1, 2013, constitutes the first part of the gradual process leading to the full replacement of IAS 39. It introduces new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets.

— IFRS 7 Financial Instruments: Disclosures. The amendments to this standard, effective from July 1, 2011, will improve the information to be provided in terms of derecognition of financial assets.

— IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendments to this standard are effective from July 1, 2011.

— IFRS 10 Consolidated Financial Statements. This standard will be based on existing guidelines providing further guidance about the definition and the determination of control. It will be effective from January 1, 2013.

— IFRS 11 Joint Arrangements. This standard, providing guidelines on the rights for identifying joint arrangements, will replace IAS 31 Interests in Joint Ventures and SIC 13 Jointly controlled Entities. It will be effective from January 1, 2013.

— IFRS 12 Disclosure of Interests in Other Entities. This standard, focusing on disclosures to be provided for all forms of interests in entities, will be effective from January 1, 2013.

3. Amendments to Accounting Standards *(continued)*

New standards issued and amendments and interpretations published by the IASB not yet applicable and not early adopted *(continued)*

- IFRS 13 Fair Value Measurement. This standard, providing clarification and guidelines on the determination of the fair value, will be effective from January 1, 2013.
- IAS 1 Presentation of Financial Statements. The amendments to this standard, focusing on the presentation of the Other Comprehensive Income and Loss, will be effective from July 1, 2012.
- IAS 19 Employee Benefits. The amendments to this standard will exclude the "corridor method" and will request additional disclosures. They will be effective from January 1, 2013.
- IAS 12 Income taxes. The amendments to this standard will regulate the deferred tax asset measurement in relation to the recovery of the underlying asset. They will be effective from January 1, 2012.

At July 31, 2011 the European Union had not yet completed its endorsement process in relation to the above mentioned new standards, amendments and interpretations.

4. Consolidation area

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

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

Joint ventures and associated 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 holds less than 20% of the share capital. They are valued at cost.

A list of the companies included in the consolidated financial statements is provided in Note 41 "Consolidated companies".

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2011 and January 31, 2010 in accordance with IFRS, are as follows:

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

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

— for companies consolidated on a line by line basis that are not 100% owned by the Group, the share of net equity and results for the year of minority interests are 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 the date of first-time application of IFRS (January 1, 2004) and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to assets, liabilities and contingent liabilities based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the income statement immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity;

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

— profits and losses, assets and liabilities of joint ventures and associated undertakings are accounted for using the equity method. According to this method, investments in joint ventures and associated undertakings are recorded in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post acquisition, less any impairment of the investment value. Losses exceeding the 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 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;

5. Basis of consolidation *(continued)*

- 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 balance sheet date are also eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is 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 subsidiary companies are prepared in their respective local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the income statement is translated using the average exchange rate for the year. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period and translation differences arising on conversion of the income statement using the average rate for the period and the rate at the end of the period are recorded as a translation reserve in the consolidated shareholder's equity. The translation reserve in consolidated shareholder's equity represents translation differences recorded as from first time application on January 1, 2004. When preparing the consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period;

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

6. Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal 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".

6. Main accounting policies *(continued)*

Trade receivables and payables

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

Trade account payables are recorded at nominal value.

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

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

Inventories

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

Assets held for sale

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

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

Property, plant and equipment

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

Ordinary maintenance expenses are charged in full to the Income Statement for the year they are incurred.

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

6. Main accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

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

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

The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Equipment	Depreciation rate
Buildings	3% - 10%
Production plant and equipment	7.5% - 25%
Leasehold improvements	Shorter of lease term and 10%
Furniture and fittings	10% - 20%
Other equipment	6% - 33%

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

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

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

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

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

Impairment losses are recorded immediately in the Income Statement.

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

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

6. Main accounting policies *(continued)*

Intangible assets

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

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

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

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

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

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

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

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

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

Category of intangible assets	Amortization rate
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term and 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 whereby identifiable assets, liabilities and potential liabilities of the acquired business are measured at their acquisition-date fair value.

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

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

6. Main accounting policies *(continued)*

Intangible assets *(continued)*

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

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

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

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

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

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

Investments

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

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

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

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

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

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

6. Main accounting policies *(continued)*

Investments *(continued)*

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

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

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

Other investments and marketable securities

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

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

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

Deferred tax assets

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

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

Deferred tax assets are recognized for all deductible 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.

6. Main accounting policies *(continued)*

Deferred tax assets *(continued)*

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

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

Derivative financial instruments

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

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

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

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

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

Obligations under finance leases

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

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

6. Main accounting policies *(continued)*

Non-current financial liabilities

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

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

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

Post-employment benefits

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

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

The actuarial valuation is carried out by an independent actuary using the Projected Unit Credit Method.

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

The cost of defined-benefit plans, accruing during the year and recorded in the income statement under labor costs, is equal to the average present value of rights accruing in favor of employees service during the current period, plus the annual interest accruing 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 the tax effect.

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

6. Main accounting policies *(continued)*

Provisions for risks and charges

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

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

Deferred tax liabilities

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

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

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by:

— the initial recognition of goodwill, or

— the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

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

Deferred tax liabilities are not discounted.

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

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

6. Main accounting policies *(continued)*

Revenue recognition

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

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

— the value of the revenues can be reliably measured;

— the company's control over the goods sold has ceased;

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

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

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

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

— an expense does not generate any future economic benefit;

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

— a liability is incurred and no asset has been 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 consolidated income statement when incurred, except for those capitalized as leasehold improvements. Upon closure of a store, the net book value of the leasehold improvements, less the expected recoverable amount, is charged to the income statement.

Financial charges

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

6. Main accounting policies *(continued)*

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 the reporting date.

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

Earnings per share

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

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

In 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 too are affected by the change.

6. Main accounting policies *(continued)*

Financial risk management

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

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

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

Exchange rate risk

The Group's has a multinational structure and sells its products in 70 different countries. It is exposed to an exchange rate risk due to fluctuations in the exchange rate of the Euro against the US Dollar, Hong Kong Dollar, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign currency 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 designated as cash flow hedges is recorded under shareholders' equity net of the tax effect.

Interest rate risk

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

Use of estimates

The process of preparing the financial statements underlying the Financial Information in compliance with 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 end of each reporting period. 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 profit or loss.

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.

6. Main accounting policies *(continued)*

Fair value of derivatives and other financial instruments

The Directors of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market.

Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

7. Incorporation and disinvestment of subsidiaries

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

On April 12, 2011 the Group set up the commercial subsidiary Prada Brasil Importaçào e Comércio de Artigos de Luxo Ltda with the aim of carrying out retail activities in Brazil.

On May 25, 2011 PRADA spa and Al Tayer Insignia llc incorporated Prada Middle East fzco in the Jebel Ali Free Zone of Dubai, United Arab Emirates, with stakes of 60% and 40% respectively. The Al Tayer Insignia Group is the largest luxury retailer in the Middle East hosting a remarkable portfolio of some the world's best luxury brands in the fashion, jewellery and home categories.

Prada Middle East fzco will operate with the purpose of selling, distributing and promoting Prada and Miu Miu products across the Middle East area.

On July 7, 2011 the Group set up commercial subsidiary Church Netherlands bv with the aim of carrying out retail activities in the Netherlands.

On July 17, 2011 the Group set up commercial subsidiary Prada Retail Mexico, S. de R.L. de C.V. with the aim of carrying out retail activities in Mexico.

8. Operating segment

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

The Group's matrix-based organizational structure - whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas, together with the complementary nature of the production processes of the various brands and the many relationships between the different business segments - means that operating segments compliant with IFRS8 cannot be identified also in light of the fact that only income statement results at Group level are provided to the highest decision maker. For this reason, the business has been considered as a single operating segment as this better represents the specific characteristics of the PRADA Group business model.

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

8. Operating segment *(continued)*

Net sales analysis

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	213,444	19.1%	184,301	20.0%	15.8%
Europe	250,664	22.4%	211,794	23.0%	18.4%
North America	171,853	15.4%	147,617	16.1%	16.4%
Asia Pacific	367,995	32.9%	271,703	29.5%	35.4%
Japan	107,193	9.6%	99,107	10.8%	8.2%
Other countries	6,254	0.6%	5,879	0.6%	6.4%
Total	1,117,403	100%	920,401	100%	21.4%
Net sales by brand					
Prada	878,383	78.6%	724,334	78.7%	21.3%
Miu Miu	198,872	17.8%	159,219	17.3%	24.9%
Church's	27,003	2.4%	23,440	2.5%	15.2%
Car shoe	9,711	0.9%	9,811	1.1%	-1.0%
Other	3,434	0.3%	3,597	0.4%	-4.5%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by product line					
Clothing	212,371	19.0%	214,006	23.2%	-0.8%
Leather goods	616,589	55.2%	455,641	49.5%	35.3%
Footwear	275,048	24.6%	242,655	26.4%	13.3%
Other	13,395	1.2%	8,099	0.9%	65.4%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by distribution channel					
DOS (including outlet stores)	835,372	74.8%	626,178	68.0%	33.4%
Independent customers, franchises and related parties	282,031	25.2%	294,223	32.0%	-4.1%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales	1,117,403	98.5%	920,401	98.3%	21.4%
Royalties	16,878	1.5%	16,093	1.7%	4.9%
Total net revenues	1,134,281	100.0%	936,494	100.0%	21.1%

8. Operating segment *(continued)*

Prada brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	164,797	18.8%	140,691	19.4%	17.1%
Europe	188,969	21.5%	160,218	22.1%	17.9%
North America	146,278	16.6%	127,709	17.7%	14.5%
Asia Pacific	298,307	34.0%	220,828	30.5%	35.1%
Japan	75,275	8.6%	70,502	9.7%	6.8%
Other countries	4,757	0.5%	4,386	0.6%	8.5%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by product line					
Clothing	180,417	20.5%	186,050	25.7%	-3.0%
Leather goods	487,546	55.5%	351,469	48.5%	38.7%
Footwear	198,363	22.6%	179,557	24.8%	10.5%
Other	12,057	1.4%	7,258	1.0%	66.1%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by distribution channel					
DOS (including outlet stores)	659,901	75.1%	490,302	67.7%	34.6%
Independent customers, franchises and related parties	218,482	24.9%	234,032	32.3%	-6.6%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales	878,383	98.1%	724,334	98.0%	21.3%
Royalties	16,582	1.9%	15,120	2.0%	9.7%
Total net revenues	894,965	100.0%	739,454	100.0%	21.0%

8. Operating segment *(continued)*

Miu Miu brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	33,993	17.1%	29,268	18.4%	16.1%
Europe	41,491	20.9%	33,010	20.7%	25.7%
North America	24,294	12.2%	18,720	11.8%	29.8%
Asia Pacific	66,370	33.4%	48,791	30.6%	36.0%
Japan	31,502	15.8%	28,343	17.8%	11.1%
Other countries	1,222	0.6%	1,087	0.7%	12.4%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by product line					
Clothing	31,601	15.9%	27,573	17.3%	14.6%
Leather goods	127,103	63.9%	102,303	64.3%	24.2%
Footwear	38,830	19.5%	28,504	17.9%	36.2%
Other	1,338	0.7%	839	0.5%	59.5%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by distribution channel					
DOS (including outlet stores)	153,181	77.0%	116,193	73.0%	31.8%
Independent customers, franchises and related parties	45,691	23.0%	43,026	27.0%	6.2%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales	198,872	99.9%	159,219	99.5%	24.9%
Royalties	241	0.1%	845	0.5%	-71.5%
Total net revenues	199,113	100.0%	160,064	100.0%	24.4%

8. Operating segment *(continued)*

Church's brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	7,369	27.3%	6,247	26.7%	18.0%
Europe	15,665	58.0%	14,286	60.9%	9.7%
North America	1,116	4.2%	886	3.8%	26.0%
Asia Pacific	2,322	8.6%	1,591	6.8%	45.9%
Japan	413	1.5%	250	1.1%	65.2%
Other countries	118	0.4%	180	0.7%	-34.4%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by product line					
Clothing	256	0.9%	202	0.9%	26.7%
Leather goods	662	2.5%	650	2.8%	1.8%
Footwear	26,085	96.6%	22,588	96.3%	15.5%
Other	–	–	–	–	–
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by distribution channel					
DOS (including outlet stores)	17,318	64.1%	15,294	65.2%	13.2%
Independent customers, franchises and related parties	9,685	35.9%	8,146	34.8%	18.9%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales	27,003	99.8%	23,440	99.7%	15.2%
Royalties	55	0.2%	72	0.3%	-23.6%
Total net revenues	27,058	100.0%	23,512	100.0%	15.1%

8. Operating segment *(continued)*

Car Shoe brand revenues

(amounts in thousands of Euro)	July 31 2011		July 31 2010 unaudited		% change
Net sales by geographical area					
Italy	6,545	67.4%	7,029	71.6%	-6.9%
Europe	1,890	19.5%	1,844	18.8%	2.5%
North America	145	1.5%	226	2.3%	-35.8%
Asia Pacific	973	10.0%	476	4.9%	104.4%
Japan	–	–	11	0.1%	-100.0%
Other countries	158	1.6%	225	2.3%	-29.8%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by product line					
Clothing	–	–	–	–	–
Leather goods	1,250	12.9%	1,176	12.0%	6.3%
Footwear	8,461	87.1%	8,635	88.0%	-2.0%
Other	–	–	–	–	–
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by distribution channel					
DOS (including outlet stores)	4,161	42.8%	3,182	32.4%	30.8%
Independent customers, franchises and related parties	5,550	57.2%	6,629	67.6%	-16.3%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales	9,711	100.0%	9,811	100.0%	-1.0%
Royalties	–	–	–	–	–
Total net revenues	9,711	100.0%	9,811	100.0%	-1.0%

8. Operating segment *(continued)*

Analysis of EBITDA by brand

July 31, 2011	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,117,403	878,383	198,872	27,003	9,711	3,434
Royalties	16,878	16,582	241	55	–	–
Net revenues	1,134,281	894,965	199,113	27,058	9,711	3,434
EBITDA	315,005	270,261	42,789	3,309	(1,302)	(52)
EBITDA %	27.8%	30.2%	21.5%	12.2%	–	–

July 31, 2010 unaudited	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	920,401	724,334	159,219	23,440	9,811	3,597
Royalties	16,093	15,120	845	72	–	56
Net revenues	936,494	739,454	160,064	23,512	9,811	3,653
EBITDA	225,220	190,928	34,008	1,701	(1,486)	69
EBITDA %	24.0%	25.8%	21.2%	7.2%	–	-1.9%

Geographical information

The Group's operations are located in Italy (country of domicile of the Company), Europe, America, Asia Pacific, Japan and Middle East.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Italy	392,047	350,685
Europe	771,730	764,184
America	144,754	152,402
Japan	99,309	86,430
Asia Pacific	109,629	98,771
Middle East	4,154	–
Total	1,521,623	1,452,472

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

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Cash on hand	26,567	17,794
Bank deposit accounts	156,573	6,222
Bank current accounts	70,470	72,556
Total	253,610	96,572

At July 31, 2011, bank deposit accounts included funds raised by the IPO. Bank deposits and current accounts bear interest at market rates ranging from 0% to 3.43% at July 31, 2011 and from 0% to 0.897% at January 31, 2011.

The bank deposit accounts detailed by currencies are as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Euro	127,701	2
Hong Kong Dollar	10,818	6,152
US Dollar	10,304	–
Korean Won	7,648	–
Others	102	68
Total	156,573	6,222

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Trade receivables - third parties	274,841	255,839
Trade receivables - associated companies	–	1,924
Trade receivables - related parties	16,816	16,412
Total	291,657	274,175

Net trade receivables increased at July 31, 2011 mainly because of higher sales.

Trade receivables from related parties referred to the sale of finished products (Euro 16.2 million) and royalties under franchise agreements (Euro 0.6 million) with retail companies owned by the main shareholders of PRADA Holding bv. A detailed breakdown of these receivables by debtor is provided in Note 39.

At January 31, 2011, trade receivables from associated companies included royalties accruing from Fragrance & Skincare sl in relation to the sale of fragrances bearing the Prada brand. As the Group sold its stake in Fragrance & Skincare sl during the period (see Note 15), at period end this type of receivable (Euro 1 million at July 31, 2011) was included under the Trade receivables - third parties.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Third party trade receivables, gross	285,223	266,376
Allowance for bad and doubtful debts	(10,382)	(10,537)
Total third party trade receivables, net	274,841	255,839

The allowance for doubtful debts was determined on a specific basis considering all information available at the date these Consolidated Financial Statements were prepared. It is revised periodically to bring receivables as close as possible to their fair value. The Group did not hold any collateral or other credit enhancements over these balances nor does it have legal rights.

Movements during the period were as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Opening balance	10,537	11,308
Exchange differences	(80)	204
Increase	382	1,345
Utilized	(457)	(2,069)
Reversals	–	(251)
Closing balance	10,382	10,537

11. Inventories

Inventories are analyzed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Raw materials	74,986	63,672
Work in progress	19,813	17,186
Finished products	337,427	263,341
Allowance for obsolete and slow moving inventories	(65,413)	(63,790)
Total	366,813	280,409

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

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

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

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

(amounts in thousands of Euro)	Raw materials	Finished Products	Total
Opening balance	31,622	32,168	63,790
Exchange differences	(1)	3	2
Increase	–	1,621	1,621
Decrease	–	–	–
Closing balance	31,621	33,792	65,413

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current portion

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Financial assets regarding derivative instruments	7,321	7,379
Financial liabilities regarding derivative instruments	(3,564)	(5,279)
Net carrying amount - current	3,757	2,100

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

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Financial assets regarding derivative instruments	547	2,140
Financial liabilities regarding derivative instruments	(554)	(318)
Net carrying amount - non current	(7)	1,822

The net assets/(liabilities) under derivative financial instruments (current and non-current) are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011	IFRS7 category
Forward contracts	454	607	Level II
Options	6,169	6,561	Level II
Interest rate swaps	1,245	2,351	Level II
Positive fair value	7,868	9,519	
Forward contracts	(1,680)	(469)	Level II
Options	(2,375)	(4,217)	Level II
Interest rate swaps	(63)	(911)	Level II
Negative fair value	(4,118)	(5,597)	
Net carrying amount	3,750	3,922	

All of the derivative instruments reported in the financial statements at July 31, 2011, are classified as Level II of the fair value hierarchy proposed by IFRS 7. So, the Group did not enter into any derivative financial contract classified as Level I or III on the basis of the said hierarchy.

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

12. Derivative financial instruments: assets and liabilities *(continued)*

Foreign exchange rate transactions

The Group's cash flows are exposed to exchange rate volatility as a result of the operations carried out at international level. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements so as to guarantee the value in Euro (or in other currencies, for Group companies outside the Euro zone) of identified cash flows.

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

The most important currencies in terms of hedged amounts are the US Dollar, the Hong Kong Dollar and the Japanese Yen.

The notional amounts of the derivative contracts, designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at July 29, 2011), are stated below.

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

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	July 31 2011
Currency				
US Dollar	49,386	–	(1,795)	47,591
GB Pound	21,880	–	–	21,880
Japanese Yen	81,622	2,034	–	83,656
Hong Kong Dollar	56,283	–	(2,331)	53,952
Swiss Franc	10,107	–	–	10,107
Singapore Dollar	8,496	–	–	8,496
Korean Won	–	10,741	–	10,741
Other	11,947	7,264	–	19,211
Total	**239,721**	**20,039**	**(4,126)**	**255,634**

With the exception of few contracts expiring by the end of the second half of 2012 for Euro 12.1 million, all of the contracts above will expire by July 31, 2012.

12. Derivative financial instruments: assets and liabilities *(continued)*

Foreign exchange rate transactions *(continued)*

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

(amounts in thousands of Euro)	Forward sale contracts	Forward purchase contracts	July 31 2011
Currency			
Australian Dollar	9,962	–	6,130
Singapore Dollar	582	–	291
Euro	–	(41)	–
Yen	25,319	–	4,646
Total	35,863	(41)	35,822

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

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

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

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

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

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

12. Derivative financial instruments: assets and liabilities *(continued)*

Interest rate transactions

The Group enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several bank loans.

The key features of the IRS agreements in place as at July 31, 2011, and January 31, 2011, are as follows

Contract	Currency	Notional amount	Interest rate	Maturity date	July 31 2011	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	220,000	1.511%	26/07/2013	1,115	Pool loan	220,000	07/2013
IRS	Euro/000	22,500	1.545%	02/06/2014	136	Intesa-Sanpaolo	22,500	06/2014
IRS	Euro/000	4,800	2.21%	01/07/2015	(22)	MPS	4,800	07/2015
IRS	Euro/000	18,000	1.745%	29/05/2012	10	Unicredit	18,000	05/2012
IRS	Euro/000	6,250	3.5%	01/08/2012	(57)	Carilucca, Pisa e Livorno	6,250	08/2012

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2011	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	260,000	1.511%	26/07/2013	2.027	Pool loan	260,000	07/2013
IRS	Euro/000	26,250	1.545%	02/06/2014	249	Intesa-Sanpaolo	26,250	06/2014
IRS	Euro/000	24,000	1.745%	29/05/2012	(33)	Unicredit	24.000	05/2012
IRS	Euro/000	5,400	2.21%	01/07/2015	6	MPS	5,400	07/2015
IRS	Euro/000	8,750	3.5%	01/08/2012	(136)	Carilucca, Pisa e Livorno	8,750	08/2012
IRS	USD/000	20,988	5.7%	01/05/2014	(673)	Sovereign Bank	20,988	05/2014

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

Under applicable regulations, all of the derivatives in place at the reporting date meet the requirements for designation as cash flow hedges.

Movements in the cash flow hedge reserve included in Group shareholders' equity, before tax effects, since February 1, 2009, are as follows.

(amounts in thousands of Euro)	
Opening balance at February 1, 2010	(4,046)
Change in the translation reserve	12
Change in fair value, recognized in Equity	(17,836)
Change in fair value, charged to Income Statement	26,650
Closing balance at January 31, 2011	4,780
Change in the translation reserve	16
Change in fair value, recognized in Equity	5,517
Change in fair value, charged to Income Statement	(8,114)
Closing balance at July 31, 2011	2,199

Changes in the reserve that are charged to the Income Statement are recognized as financial or operating items depending on the nature of the underlying transaction.

12. Derivative financial instruments: assets and liabilities *(continued)*

Information on financial risks

Capital Management

The Group's capital management strategy is intended to ensure it is able to guarantee a return to shareholders, while protecting the interests of other stakeholders, to ensure that loan covenants are respected and to maintain an adequate capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

(amounts in thousands of Euro)	receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	253,610	–	253,610	9
Trade receivables	291,657	–	291,657	10
Derivative financial instruments	–	7,868	7,868	12
Financial receivables	1,410	–	1,410	13
Total at July 31, 2011	546,677	7,868	554,545	

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

12. Derivative financial instruments: assets and liabilities *(continued)*

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	383,983	–	383,983	20, 21, 22, 27
Trade payables	303,963	–	303,963	23
Obligations under finance leases	5,402	–	5,402	
Derivative financial instruments	–	4,118	4,118	12
Total at July 31, 2011	693,348	4,118	697,466	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	498,510	–	498,510	20, 21, 22, 27
Trade payables	233,866	–	233,866	23
Obligations under finance leases	7,528	–	7,528	
Derivative financial instruments	–	5,597	5,597	12
Total at January 31, 2011	739,904	5,597	745,501	

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction may cause a financial loss for another entity by failing to fulfil its obligations. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements.

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

The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's 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 around the world lead to a reduced risk of financial losses.

12. Derivative financial instruments: assets and liabilities *(continued)*

Credit risk *(continued)*

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

			Days overdue				
(amounts in thousands of Euro)	Total	Current	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables	302,039	250,293	18,749	9,018	8,042	42	15,895
Total as at July 31 2011	302,039	250,293	18,749	9,018	8,042	42	15,895

			Days overdue				
(amounts in thousands of Euro)	Total	Current	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables	284,713	238,248	18,543	7,438	4,176	342	15,966
Total as at January 31 2011	284,713	238,248	18,543	7,438	4,176	342	15,966

Trade receivables disclosed below include amounts overdue at the end of each reporting period, net of their relevant provision for doubtful debt.

		Days overdue				
(amounts in thousands of Euro)	Total	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables past due, net of provision for doubtful debts	41,892	18,742	8,983	8,006	26	6,135
Total as at July 31 2011	41,892	18,742	8,983	8,006	26	6,135

		Days overdue				
(amounts in thouands of Euro)	Total	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables past due, net of provision for doubtful debts	36,356	18,463	7,390	4,083	239	6,181
Total as at January 31 2011	36,356	18,463	7,390	4,083	239	6,181

At the reporting date, the expected loss on doubtful receivables was fully covered by the allowance for doubtful receivables.

Movements on the allowance for doubtful receivables are shown in Note 10 "Trade receivables, net".

12. Derivative financial instruments: assets and liabilities *(continued)*

Liquidity risk

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

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

As at July 31, 2011, the Group had unused and available bank borrowing facilities totaling Euro 480.8 million (Euro 440.6 million as at January 31, 2011).

Financial liabilities associated with trade payables (Euro 304 million as at July 31, 2011, and Euro 233.9 million as at January 31, 2011) are due within 12 months.

The following table contains an ageing analysis of trade payables presented based on the due date at the end of the reporting period and as at January 31, 2011.

			Days overdue				
(amounts in thousands of Euro)	Total	Current	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables	303,963	278,073	12,374	4,951	1,889	1,476	5,199
Total as at July 31 2011	303,963	278,073	12,374	4,951	1,889	1,476	5,199

			Days overdue				
(amounts in thousands of Euro)	Total	Current	0 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables	233,866	210,741	9,450	4,086	2,557	1,731	5,301
Total as at January 31 2011	233,866	210,741	9,450	4,086	2,557	1,731	5,301

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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).

12. Derivative financial instruments: assets and liabilities *(continued)*

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at July 31, 2011	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Forward contracts designated as cash flow hedges							
Cash outflows	(1,573)	(1,573)	–	–	–	–	–
Cash inflows	340	340	–	–	–	–	–
Other contracts designated as cash flow hedges							
Cash outflows	(12,656)	(9,841)	(924)	(1,891)	–	–	–
Cash inflows	11,308	8,675	814	1,819	–	–	–
Interest rate swaps - cash flow hedges	(122)	(45)	(61)	(16)	–	–	–
Net value	(2,703)	(2,444)	(171)	(88)			

(amounts in thousands of Euro)	Future contractual cash flows at January 31, 2011	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Forward contracts designated as cash flow hedges							
Cash outflows	(11,986)	(11,477)	(509)	–	–	–	–
Cash inflows	11,432	11,092	340	–	–	–	–
Other contracts designated as cash flow hedges							
Cash outflows	(21,771)	(20,196)	(1,575)	–	–	–	–
Cash inflows	18,768	17,345	1,423	–	–	–	–
Interest rate swaps - cash flow hedges	(1,106)	(305)	(249)	(404)	(145)	(3)	–
Net value	(4,663)	(3,541)	(570)	(404)	(145)	(3)	–

12. Derivative financial instruments: assets and liabilities *(continued)*

Non derivative financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jul 31, 2011	Future contractual cash flows at Jul 31, 2011	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	5,402	5,602	–	3,384	594	985	207	423	9
Financial liabilities - third parties	385,976	403,510	881	96,428	77,602	207,023	18,310	3,266	–
Financial liabilities to other shareholders	574	574	574	–	–	–	–	–	–
Total	391,952	409,686	1,455	99,812	78,196	208,008	18,517	3,689	9

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

Some financial liabilities are subject to financial parameters that have to be met by certain Group companies. These covenants are described in Note 27 "Long-term debt" and Note 20 "Bank overdrafts and short-term loans".

12. Derivative financial instruments: assets and liabilities *(continued)*

Exchange rate risk

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

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

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

The following table shows the sensitivity of the Group's net income and Shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on the Group statement of financial position at July 31, 2011.

	Euro - strengthening of 5%		Euro - weakening of 5%	
(amounts in thousands of Euro)	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
Great Britain Pound	(595)	(595)	806	806
Hong Kong Dollar	843	2,525	(1,219)	(2,221)
Japanese Yen	1,438	2,424	(1,504)	(2,721)
US Dollar	282	282	(56)	(56)
Other currencies	(2,565)	(1,769)	3,136	2,049
Total	(597)	2,867	1,163	(2,143)

The total impact on shareholders' equity (Euro 2.9 million positive and Euro 2.1 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies.

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

12. Derivative financial instruments: assets and liabilities *(continued)*

Interest rate risk

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

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

The following table shows the sensitivity of the Group's net result and Shareholders' equity to a shift in the interest rate curve in relation to the Group companies' financial position as at July 31, 2011.

(amounts in thousands of Euro)	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity
Euro	+ 0.50%	(763)	206	- 0.50%	765	(465)
Japanese yen	+ 0.50%	(353)	(353)	- 0.50%	353	353
US Dollar	+ 0.50%	147	147	- 0.50%	(147)	(147)
Other currencies	+ 0.50%	168	168	- 0.50%	(168)	(168)
Total		(801)	168		803	(427)

The total impact on Shareholders' equity (positive impact of Euro 168 thousand and negative impact of Euro 427 thousand, respectively) should be considered as the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve.

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

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

13. Receivables from parent companies and related parties

Receivables from parent companies and related companies are detailed below:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Financial receivables - PRADA Holding bv	–	32,558
Financial receivables - other companies controlled by PRADA Holding bv	–	77
Financial receivables - other related parties	1,410	1,409
Other receivables - PRADA Holding bv	8,911	767
Other receivables - other related parties	2,756	1,329
Other receivables - other companies controlled by PRADA Holding bv	15	172
Other receivables - associated companies	–	5
Total	13,092	36,317

The financial receivable the Group had from PRADA Holding bv at January 31, 2011, was entirely settled during the first half of 2011 using financial resources resulting from the dividend distribution approved by PRADA spa.

The caption "Other receivables from Prada Holding bv" includes a recharge of Euro 8.8 million relating to the costs associated with the listing of the existing shares. The receivable has been collected after the reporting date. Details of financial and non-financial other receivables are provided in Note 39.

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
VAT	27,546	19,249
Income tax and other tax receivables	7,895	9,794
Other	24,008	7,783
Prepayments and accrued income	37,445	31,842
Deposits	1,754	1,557
Total	98,648	70,225

Other

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Advertising contributions under license agreements	7,976	1,952
Advances to suppliers	1,596	566
Incentives for retail investments	7,793	2,222
Advances to employees	832	647
Other receivables	5,811	2,396
Total	24,008	7,783

"Advertising contributions under license agreements" relates to Prada sa receivables from licensees that manufacture and distribute Prada and Miu Miu eyewear. They relate to contributions towards costs incurred for advertising campaigns during the period ended July 31, 2011.

"Other Receivables" includes Euro 2.8 million for the recharge to Intesa SanPaolo spa of the costs associated to the listing of the existing shares.

14. Other current assets *(continued)*

Prepayments and accrued income

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Rental charges	15,381	11,357
Insurance	2,048	873
Design costs	8,836	10,620
Fashion shows and advertising campaigns	3,239	2,133
Sponsorship	101	236
Consulting	3,413	2,762
Amortized costs on loans	788	985
Other	3,639	2,876
Total	37,445	31,842

"Design costs" mainly include costs incurred for the conception and realization of collections that will revenue after July 31, 2011.

Deposits

"Deposits" mainly includes guarantee deposits paid under commercial lease agreements.

15. Assets held for sale

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

16. Property, plant and equipment

Changes in the historical cost of "Property, plant and equipment" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total historical cost
Balance at January 31, 2010	128,794	90,119	382,524	144,063	72,848	61,616	879,964
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Disposals	–	1,057	110	416	434	309	2,326
Exchange differences	1,257	46	12,788	4,086	579	2,195	20,951
Other movements	31,995	346	23,766	3,857	(54)	(60,710)	(800)
Impairment and write off	–	15	14,925	1,515	376	2,081	18,912
Balance at January 31, 2011	172,525	97,048	487,208	176,512	84,493	59,157	1,076,943
Additions	35,481	3,562	32,185	4,397	13,326	32,294	121,245
Disposals	–	83	20	484	1,172	47	1,806
Exchange differences	(1,423)	(117)	(6,233)	(912)	(88)	738	(8,035)
Other movements	324	(8)	12,829	4,291	1,031	(18,041)	426
Impairment and write off	–	(1)	(1,411)	(1,152)	(118)	(1,159)	(3,841)
Balance at July 31, 2011	206,907	100,401	524,558	182,652	97,472	72,942	1,184,932

16. Property, plant and equipment *(continued)*

Changes in accumulated depreciation of "Property, plant and equipment" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Total accum. depreciation
Balance at January 31, 2010	22,337	76,599	221,776	87,859	53,428	461,999
Depreciation	4,295	6,319	49,923	15,861	6,646	83,044
Disposals	–	929	25	247	378	1,579
Exchange differences	134	39	6,975	2,206	435	9,789
Other movements	157	(7)	(349)	(32)	38	(193)
Impairment and write off	–	15	11,204	1,244	371	12,834
Balance at January 31, 2011	26,923	82,006	267,096	104,403	59,798	540,226
Depreciation	2,190	3,252	29,393	8,889	2,748	46,472
Disposals	–	79	5	320	1,121	1,525
Exchange differences	(266)	(103)	(4,053)	(608)	(63)	(5,093)
Other movements	–	–	(50)	947	(955)	(58)
Impairment and write off	–	(1)	(957)	(986)	(117)	(2,061)
Balance at July 31, 2011	28,847	85,075	291,424	112,325	60,290	577,961

Changes in the net book value of "Property, plant and equipment" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improv-ements	Furniture & fittings	Other equipment	Assets under construction	Total historical cost
Balance at January 31, 2010	106,459	13,520	160,747	56,204	19,420	61,616	417,965
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Depreciation	4,295	6,319	49,923	15,861	6,646	–	83,044
Disposals	0	128	85	169	56	309	747
Exchange differences	1,123	7	5,813	1,880	144	2,195	11,162
Other movements	31,838	353	24,115	3,889	(92)	(60,710)	(607)
Impairment and write off	–	–	3,721	271	5	2,081	6,078
Balance at January 31, 2011	145,602	15,042	220,112	72,109	24,695	59,157	536,717
Additions	35,481	3,562	32,185	4,397	13,326	32,294	121,245
Depreciation	(2,190)	(3,252)	(29,393)	(8,889)	(2,748)	–	(46,472)
Disposals	–	4	15	164	51	47	281
Exchange differences	(1,157)	(14)	(2,180)	(304)	(25)	738	(2,942)
Other movements	324	(8)	12,879	3,344	1,986	(18,041)	484
Impairment and write off	–	–	(454)	(166)	(1)	(1,159)	(1,780)
Balance at July 31, 2011	178,060	15,326	233,134	70,327	37,182	72,942	606,971

16. Property, plant and equipment *(continued)*

Additions to "Land and buildings", amounting to Euro 35.5 million, mainly regard the purchase and refurbishment cost of a property in Tuscany already used by the Group under a rental agreement for the ready-to-wear production. This investment was part of a purchase agreement signed in November 2010 by PRADA spa concerning a plan of acquisitions of buildings mainly located in Tuscany.

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

In line with the Group's growth strategy, most of the investments made during the period were concentrated, as in prior years, in building up the retail network. In 2011, the increase in "Property, plant and equipment" and "Intangible assets" relating to this sales channel amounted to Euro 72.9 million and was mainly split between "Leasehold improvements", "Furniture and fittings" and "Assets under construction". Euro 63.8 million out of this total amount was invested in opening new stores (Euro 31.7 million for stores that opened in the first half of 2011 and Euro 32.1 million for stores opening shortly) with Euro 9.1 million invested in the expansion and refurbishment of existing stores.

The additions leading to the increase in "Other equipment" mainly regarded purchases of hardware.

"Assets under construction" amounted to Euro 72.9 million at July 31, 2011, including Euro 4.5 million regarding a property held under a finance lease in Milan, Euro 55 million relating to stores opening shortly (mainly in Europe and Japan) and Euro 13.4 regarding the Industrial and Corporate area.

"Land and buildings" included capitalized interest charges as follows:

(Amounts in thousands of Euro)	Opening net book value	Increases	Exchange differences	Amortization	Closing net book value
Land and buildings	**7,821**	**30**	**(2)**	**(108)**	**7,741**

17. Intangible assets

Changes in the historical cost of "Intangible assets" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total historical cost
Balance at January 31, 2010	395,114	532,992	105,510	57,014	44,033	816	1,135,479
Change in consolidation area	–	–	–	–	–	–	–
Additions	184	–	1,529	3,339	1,599	2,143	8,794
Disposals	0	–	–	2	–	3	5
Exchange differences	(5,208)	176	340	185	1	19	(4,487)
Other movements	1	–	381	216	21	(603)	16
Impairment and write off	–	–	–	24	189	–	213
Balance at January 31, 2011	390,091	533,168	107,760	60,728	45,465	2,372	1,139,584
Change in consolidation area	–	–	–	–	–	–	–
Additions	64	–	1,252	831	823	10,511	13,481
Disposals	–	–	–	1	1	–	2
Exchange differences	(1,205)	(431)	(155)	(73)	1	2	(1,861)
Other movements	–	–	–	808	–	(1,670)	(862)
Impairment and write off	–	–	–	(37)	–	(14)	(51)
Balance at July 31, 2011	388,950	532,737	108,857	62,256	46,288	11,201	1,150,289

Changes in the accumulated amortization of "Intangible assets" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Development costs	Accumulated amortization
Balance at January 31, 2010	66,960	29,103	63,058	51,250	31,789	242,160
Change in consolidation area	–	–	–	–	–	–
Amortization	11,110	–	8,358	2,955	5,987	28,410
Disposals	–	–	–	–	–	–
Exchange differences	(439)	119	157	162	1	–
Other movements	–	–	100	–	(2)	98
Impairment and write off	–	–	–	24	179	203
Balance at January 31, 2011	77,631	29,222	71,673	54,343	37,596	270,465
Change in consolidation area	–	–	–	–	–	–
Amortization	5,485	–	3,784	1,448	2,646	13,363
Disposals	–	–	–	–	–	–
Exchange differences	(288)	(290)	(106)	(71)	2	(753)
Other movements	–	–	55	–	–	55
Impairment and write off	–	–	–	(37)	–	(37)
Balance at July 31, 2011	82,828	28,932	75,406	55,683	40,244	283,093

17. Intangible assets *(continued)*

Changes in the net book value of "Intangible assets" in the period ended July 31, 2011 and January 31, 2011, are as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total net book value
Balance at January 31, 2010	328,154	503,889	42,452	5,764	12,244	816	893,319
Change in consolidation area	–	–	–	–	–	–	–
Additions	184	–	1,529	3,339	1,599	2,143	8,794
Amortization	11,110	–	8,358	2,955	5,987	–	28,410
Disposals	–	–	–	2	–	3	5
Exchange differences	(4,769)	57	183	23	–	19	(4,487)
Other movements	1	–	281	216	23	(603)	(82)
Impairment and write off	–	–	–	–	10	–	10
Balance at January 31, 2011	312,460	503,946	36,087	6,385	7,869	2,372	869,119
Change in consolidation area	–	–	–	–	–	–	–
Additions	64	–	1,252	831	823	10,511	13,481
Amortization	(5,485)	–	(3,784)	(1,448)	(2,646)	–	(13,363)
Disposals	–	–	–	1	1	–	2
Exchange differences	(917)	(141)	(49)	(2)	(1)	2	(1,108)
Other movements	–	–	(55)	808	–	(1,670)	(917)
Impairment and write off	–	–	–	–	–	(14)	(14)
Balance at July 31, 2011	306,121	503,805	33,451	6,573	6,044	11,201	867,196

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

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Miu Miu	179,347	182,112
Church's	107,718	110,546
Luna Rossa	7,601	8,093
Car Shoe	6,089	6,177
Prada	4,557	4,637
Other	809	895
Total	306,121	312,460

No impairment losses were recognized in relation to the Group's trademarks in the period ended July 31, 2011. The caption "Other" includes trademark registration expenses.

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

The increase recognized during the period regards lease agreements in Italy.

17. Intangible assets *(continued)*

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

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Retail	72,939	153,684
Industrial and logistics	45,377	28,385
Corporate	16,410	24,792
Total	134,726	206,861

Goodwill

As at July 31, 2011, "Goodwill" amounted to Euro 503.8 million. A breakdown of goodwill by Cash Generating Unit is provided below:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Monte Carlo Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Industrial division	3,492	3,492
Church's	8,709	8,849
Total	503,806	503,946

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

The method used to identify the recoverable value (value in use) is based on the discounted expected free cash-flow (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 used to discount cash flows is calculated using the weighted average cost of capital approach (W.A.C.C.). For the year ended January 31, 2011, the W.A.C.C. used for discounting purposes was in a range between 5.55% and 9.6% (5.66% and 8.84% for the year ended January 31, 2010).

The impairment test performed as at January 31, 2011, did not identify any loss and no evidence emerged during the period under review to suggest any indication of impairment.

However, as the recoverable amount is determined on the basis of estimates, the Group cannot guarantee that the value of goodwill will not be impaired in future years.

18. Associated undertakings

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Investments in associated undertakings and joint-ventures	1,739	1,739
Other investments	14	14
Total	1,753	1,753

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

19. Other non current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Guarantee deposits	41,958	37,945
Deferred rental income	2,058	1,981
Other receivables	5,225	4,957
Total	49,241	44,883

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

"Other receivables" include Euro 3.5 million representing the actuarial valuation of the Group's pension plans in the United Kingdom, as described in Note 28 "Long term employee benefits".

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Nature:		
Stores	39,961	34,639
Offices	1,320	1,268
Warehouses	133	152
Other	544	1,886
Total	41,958	37,945

(amounts in thousands of Euro)	July 31 2011
Maturity:	
By July 31 2013	6,060
By July 31 2014	4,331
By July 31 2015	6,321
By July 31 2016	2,843
After July 31 2016	22,403
Total	41,958

20. Bank overdrafts and short-term loans

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Bank overdrafts	1,040	17,074
Short-term loans and current portion of long-term loans	162,456	179,389
Deferred costs on loans	(1,544)	(2,223)
Total	161,952	194,240

"Short-term loans and current portion of long-term loans" are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Short-term bank loans	29,915	62,304
Current portion of long term loans	132,541	117,085
Total	162,456	179,389

"Bank overdrafts and short-term loans", which went from Euro 194.2 million to Euro 162 million at July 31, 2011, generally benefited from the free cash flow generated and the capital injection resulting from the IPO project.

"Short-term bank loans and current portion of long-term loans" are detailed by currency as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Euro	114,914	136,451
Japanese Yen	40,431	36,163
Other currencies	7,111	6,775
Total	162,456	179,389

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements that convert the variable rates applied on medium/long term debt into fixed rates or rates within a specific range.

Considering hedges in place at the reporting date, some 90% of the current portion of medium/long term loans consisted of fixed rate loans (96% at January 31, 2011) with variable rate loans making up the remaining 10% (4% at January 31, 2011).

Financial payables are stated net of amortized costs totaling Euro 2.6 million incurred to arrange the loans (Euro 1 million deducted from short-term loans and Euro 1.6 million deducted from long-term loans).

21. Payables to parent companies and related parties

Payables to parent companies and related parties are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Financial payables - PRADA Holding bv	–	40
Financial payables - other companies controlled by Prada Holding bv	–	241
Other payables - PRADA Holding bv	15	30
Other payables - other related parties	603	786
Other payables - other companies controlled by Prada Holding bv	–	10
Total	618	1,107

A detailed breakdown of the balance is provided in Note 39.

22. Other shareholders' loans

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Payables to other shareholders	574	581
Total	574	581

At the reporting date, payables to other shareholders included loans received from the minority shareholders of companies called "TRS" (*Travel Retail Shop*).

23. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Trade payables - third party	301,782	232,143
Trade payables - related parties	2,181	1,701
Trade payables - associated companies	–	22
Total	303,963	233,866

The increase in Trade payables is consistent with the higher volume of production necessary to supply the expanded DOS as well as to the growth of the business in general.

A detailed breakdown of trade payables to related parties is provided in Note 39 "Transactions with related parties". They mainly regard purchases of finished products by retail companies owned by the main shareholders of PRADA Holding bv.

24. Current Tax liabilities

Current tax payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Current income tax	130,929	89,197
VAT and other taxes	19,626	18,455
Total	150,555	107,592

25. Obligations under finance leases

The change compared to January 31, 2011 should be considered together with the decrease in non-current obligations under finance leases. It regards capital repaid in accordance with the said lease agreements.

Maturities of the lease payments are detailed as follows:

(amounts in thousands of Euro)	
Payable by the end of the period ending:	
July 31, 2012	3,847
July 31, 2013	948
July 31, 2014	186
July 31, 2015	421
July 31, 2016	–
Periods after July 31, 2016	–
Total	5,402

26. Other current liabilities

"Other current liabilities" are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Payables for capital expenditure	31,580	41,134
Accrued expenses and deferred income	23,043	23,423
Other payables	63,358	46,926
Total	117,981	111,483

26. Other current liabilities *(continued)*

"Accrued expenses and deferred income" are as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Deferred income	978	1,208
Advertising	1,740	76
Commercial lease charges	11,586	9,845
Consulting	1,534	1,774
Maintenance, security, utilities and insurance	908	1,258
Commission	542	888
Logistics costs and customs charges	3,016	2,364
Other	2,739	6,010
Total	23,043	23,423

"Other payables" are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Short term benefits for employees and other personnel	48,484	32,768
Customer advances	3,901	2,473
Customs duties	–	2,099
Returns from customers	4,800	4,491
Other	6,173	5,095
Total	63,358	46,926

27. Long term debt

Long term debt is detailed below.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Bank borrowing	222,481	305,489
Deferred costs on loans	(1,024)	(2,081)
Total	221,457	303,408

The decrease in "Bank borrowing" is mainly due to the reimbursement in advance of a US Dollar mortgage (Euro 13.9 million as at January 31, 2011) thanks to the funds raised by the IPO and the reclassification to "Bank overdrafts and short-term loans" of the current portions of the long-term loans. Some 74% of "Bank borrowing" consists of fixed rate loans (80% at January 31, 2011) with variable rate loans accounting for the remaining 26% (20% at January 31, 2011).

27. Long term debt *(continued)*

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

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate [1]
PRADA spa	140,000	Euro	Pool loan	07/2013	3.011%
PRADA spa	3,600	Euro	Monte dei Paschi di Siena	07/2015	3.310%
PRADA spa	15,000	Euro	IntesaSanPaolo	06/2014	2.145%
PRADA spa	1,250	Euro	C.R. Lucca. Pisa. Livorno	08/2012	4.400%
PRADA spa	13,393	Euro	Cariparma	06/2015	2.720%
PRADA Japan Co. ltd	6,004	Japanese Yen	Mizuho Bank	07/2013	2.093%
PRADA Japan Co. ltd	28,936	Japanese Yen	Mizuho Bank	07/2013	1.550%
Church & Co plc	1,225	GB Pound	HSBC	07/2013	1.200%
PRADA Fashion Commerce Shanghai) co limited	9,805	Chinese Renminbi	Mizuho Bank	09/2013	5.914%
PRADA Fashion Commerce Shanghai) co limited	3,268	Chinese Renminbi	Bank of China	09/2012	5.400%
Total	222,481				

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

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

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate [1]
Post Development Corp	14,844	US Dollar	Sovereign Bank	05/2014	5.70%
PRADA Fashion Commerce Shanghai) co limited	3,322	Chinese Renminbi	Bank of China	09/2012	5.40%
PRADA spa	180,000	Euro	Pool loan	07/2013	3.01%
PRADA spa	4,200	Euro	Monte dei Paschi di Siena	07/2015	3.31%
PRADA spa	18,750	Euro	IntesaSanPaolo	06/2014	2.145%
PRADA spa	12,000	Euro	Unicredit	05/2012	2.345%
PRADA spa	3,750	Euro	C.R. Lucca. Pisa. Livorno	08/2012	4.40%
PRADA spa	16,243	Euro	Cariparma	06/2015	2.19%
PRADA Japan Co. ltd	8,872	Japanese Yen	Mizuho Bank	07/2013	2.09%
Church & Co plc	1,660	GB Pound	HSBC	07/2013	1.20%
PRADA Japan Co. ltd	32,003	Japanese Yen	Mizuho Bank	07/2013	1.55%
PRADA Fashion Commerce Shanghai) co limited	9,845	Chinese Renminbi	Mizuho Bank	09/2013	5.57%
Total	305,489				

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

The financial instruments used to hedge the interest rate risk - interest rate swaps and collars - convert the variable rates of interest due on loans into fixed rates or rates within a certain range.

27. Long term debt *(continued)*

The pool loan is subject to compliance with certain covenants based on the Consolidated Financial Statements of the Group. Specifically the ratio of total net borrowings and EBITDA cannot exceed 2.5 at year end (3 at six-monthly reporting date), the ratio of EBITDA to total net interest charges must be greater than 4 and, finally, shareholders' equity must not be lower than Euro 650 million. At July 31, 2011, the Group fully respected all these covenants.

The Mizuho Bank loan granted to Prada Japan co ltd is subject to certain covenants based on the Statutory Financial Statements of Prada Japan co ltd. At the reporting date all these covenants were fully respected.

During the period, with the exception of an additional long-term funding of Renminbi 31 million from Mizuho, no new long-term loans were taken on.

Long-term borrowing is analyzed by currency and maturity date as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Currency:		
Euro	173,243	234,943
Japanese Yen	34,940	40,875
GB Pound	1,225	1,660
US Dollar	–	14,844
Chinese Renminbi	13,073	13,167
Total	222,481	305,489

(amounts in thousands of Euro)	July 31 2011
Maturity:	
July 31, 2013	201,500
July 31, 2014	17,788
July 31, 2015	3,193
After July 31, 2015	–
Total	222,481

(amounts in thousands of Euro)	January 31 2011
Maturity:	
January 31, 2013	127,176
January 31, 2014	151,970
January 31, 2015	23,422
After January 31, 2015	2,920
Total	305,489

The long-term loan made by Banca Monte dei Paschi di Siena to PRADA spa in 2008 is secured by a mortgage on a building in Tuscany that houses offices and research and development workshops.

The long-term loan made by Cassa di Risparmio Parma e Piacenza to PRADA spa in 2008 is secured by a mortgage on a building in Tuscany where the Group has concentrated the logistics activities of the footwear and leather goods divisions.

The interest rates applicable to the Group's bank debts (short and long term) ranged from 1.165% to 11.06% at July 2011 and from 1.17% to 10.30% at January 2011.

28. Long term employee benefits

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Post employment benefits	34,015	33,451
Other long term employee benefits	1,093	1,382
Total liabilities for long term benefits	35,108	34,833
Post employment benefit (pension plan surplus)	(3,538)	(3,595)
Net amount of long term benefits	31,570	31,238

Post employment benefits

Liabilities for post employment benefits reported at July 31, 2011, amounted to a net of Euro 30.5 million (Euro 29.9 million as at January 31, 2011) and are considered defined benefit plans. The pension plan surplus was included in "Other non current assets" (Note 19).

The balance includes Euro 21.6 million of liabilities recorded in the financial statements of Italian companies and Euro 8.9 million reported by foreign companies. The Italian liabilities for post employment benefits regard the "*Trattamento di Fine Rapporto*" (hereinafter "TFR" i.e. staff leaving indemnity) and the balance - which reflects fair value - was determined projecting the benefit, accruing under Italian law at the reporting date, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method".

The following table shows movements on Liabilities for post-employment benefits in the period ended July 31, 2011:

	Post employment benefits Italian companies (TFR)	Post employment benefits non-Italian companies	Group Total
Opening balance	22,322	7,534	29,856
Current service cost	49	1,219	1,268
Interest cost	219	38	257
Actuarial (gains)/losses	349	215	564
Benefits paid	(1,357)	(404)	(1,761)
Exchange differences	–	291	291
Closing balance	21,582	8,893	30,475

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

At July 31, 2011, the discount rates used for the purposes of the actuarial valuation of the Italian TFR was in a range between 1.935% to 4.5% and the expected rate of salary increase was in a range between 1.5% to 2.0%.

28. Long term employee benefits *(continued)*

Post employment benefits *(continued)*

Post-employment benefits of non-Italian companies are stated net of the surplus on pension plans relating to Group companies operating in the United Kingdom which provide pension services for their employees. The positive fair value of these pension funds, amounting to Euro 3.5 million as at July 31, 2011, has not been updated since January 2011. The Directors believe that there has been no significant changes in their fair value during the period.

The amount related to the current service cost, equal to Euro 1.3 million (Euro 1.1 million as at July 2010) and interest cost amounting to Euro 0.3 million (Euro 0.2 million as at July 2010) was recognized through the income statement.

Other long-term employee benefits

These long-term employee benefits fall into the IAS 19 category "Other long-term employee benefits". As at July 31, 2011, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 1.1 million.

29. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Opening balance	846	40,091	11,788	52,725
Exchange differences	–	217	(261)	(44)
Reversals	(47)	(1,087)	(55)	(1,189)
Utilized	–	(182)	(940)	(1,122)
Increases	358	1,302	2,402	4,062
Closing balance	1,157	40,341	12,934	54,432

Provisions for risks and charges represent the Directors' best estimate of maximum contingent liabilities. In the Directors' opinion and based on the information available to them, as supported by the opinions of independent experts, at the reporting date, the total amount provided for risks and charges was reasonable considering the contingent liabilities that might arise.

Provision for litigation

The provision for litigation amounted to Euro 1.2 million and mainly regarded disputes with landlords and other suppliers of the Group.

29. Provisions for risks and charges *(continued)*

Provision for tax disputes

On December 30, 2005, Genny spa (a company incorporated into PRADA spa) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the failure to apply VAT to the value of the "Genny" and "Byblos" brands which were sold along with their respective business units. The total amount assessed was about Euro 20 million. On April 21, 2006 PRADA spa - in favour of Genny spa - appealed to the Provincial Tax Commission of Ancona and hearings took place on January 16, 2007. On May 15, 2007, the Provincial Tax Commission issued its decisions which were favorable to the Company. On June 7, 2008 the Revenue Agency filed its appeals against these decisions and on September 18, 2008 PRADA spa filed its own counter arguments. The above appeal hearings were held on December 21, 2010. Following to the official communication of outcomes favorable to the Company, on June 21 2011 the Revenue Agency filed further appeals to the Supreme Court of Cassation and the Company is preparing the related counterclaims.

On August 4, 2006, IPI Italia spa (a company incorporated into PRADA spa), as purchaser of the Genny business, received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand acquired as part of the business. On November 14, 2006, PRADA spa - in favour of the merged company - submitted defensive arguments against this claim. On October 9, 2007 PRADA spa received a request for penalties against which it filed an appeal with the Milan Provincial Tax Commission on December 14, 2007. On January 19, 2009 the appeal was rejected and the Company filed another appeal on May 8, 2009. This appeal was heard before Milan Regional Tax Commission on December 1, 2009 and officially rejected on January 20, 2010. On March 3, 2011 the Company filed a further appeal to the Supreme Court of Cassation, against which, on April 13, 2011 the Revenue Agency filed its counterclaim. Full provision was made for the amount involved in the dispute during prior year. The penalty, which was totally accrued in 2009, is not included within the provisions for risks at the reporting date as, according to applicable tax regulations, was already paid to the relevant tax authorities.

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

As no agreement was reached with the French Tax Authorities, on May 31, 2007, PRADA Retail France filed an application to open a mutual agreement procedure in terms of the Franco-Swiss Treaty. If the matter was against PRADA Retail France, it wouldn't generate any taxable income as affecting tax loss carryforwards on which no deferred tax assets were recognized at all. In July 2011 French and Swiss Tax authorities informally communicated that an agreement regarding the litigation was reached and consequently the mutual agreement procedure could be finalized. The Company is waiting for the formal proposal of the resolution.

29. Provisions for risks and charges *(continued)*

Provision for tax disputes *(continued)*

On December 9, 2009, PRADA Retail France SAS received a notice of assessment, following an inspection by the French Tax SAS Authorities essentially with regard to transfer pricing adjustments in 2005, 2006 and 2007. In the first few months of 2010, PRADA Retail France commenced a mutual agreement procedures with regard to both the Franco-Swiss and Franco-Italian bilateral tax conventions. In the meantime, on August 30, 2010, PRADA Retail France received a notice from the French Tax Authorities stating that they have partially cancelled part of the initial adjustment to the extent of Euro 1.5 million. In relation to the remaining part of the adjustment, the agreement reached in July 2011 between Franco-Swiss authorities (see the above detail concerning Prada Retail France 2003 and 2004 assessment) covers also this mutual agreement procedure. Also with reference to these years, the agreement will affect only the losses carried forward.

On the basis of the risk assessed on this litigation the directors, also supported by a recognized fiscal advisor, deemed reasonable not to accrue any provision.

In 2008, PRADA Germany received a notice of assessment in relation to inter-company transfer pricing in the tax years 2001, 2002, 2003 and 2004. In July 2008, the company started the mutual agreement procedure provided for by the Double Taxation Agreement between Germany and Switzerland and, on September 10, 2008, the German Tax Authorities announced the suspension of the ordinary contestation procedure and of the payment due.

In July 2011 German and Swiss Tax authorities informally communicated that an agreement regarding the litigation was reached and consequently the mutual agreement procedure could be finalized. The Company is waiting for the formal proposal of the resolution. In the meantime, the German Tax Authorities commenced an inspection in relation to transfer pricing in the 2005, 2006, 2007 and 2008 tax years; this inspection is still in progress.

In the last few months of 2009, the Japanese tax authorities began an inspection of PRADA Japan in relation to transfer pricing in the tax years 2004, 2005, 2006, 2007 and 2008; this inspection is still in progress.

In 2007, the Korean tax authorities commenced a tax inspection of PRADA Korea Ltd, mainly in relation to transfer pricing, for the 2002, 2003, 2004, 2005 and 2006 tax periods. In 2008, the inspection resulted in notices of tax assessment that were challenged by PRADA Korea although, in the meantime, as required by local regulations, it paid the full amount of the assessment in order to avoid the risk of higher penalties. After its initial challenge was thrown out, in September 2008, PRADA Korea filed an appeal that was heard in August 2010. During this appeal, the tax tribunal stated that it would make its final decision on the issue of transfer pricing only after it had been informed of the outcome of a new inspection being carried out by the tax authorities in order to gain a better understanding of the methods used to value the company' intercompany transactions; this inspection was completed and Tax authorities ruled in favour of the Company with a reimbursement of approximately Euro 0.7 million.

In some countries, the Tax Authorities have requested information to assess the reasonableness of the transfer prices of products for the determination of income taxes and the imposition of customs duties on imports.

29. Provisions for risks and charges *(continued)*

Provision for tax disputes *(continued)*

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 40.3 million carried at July 31, 2011 in respect of the tax disputes described above represents the best estimate of the obligations that the Group could be called upon to fulfill.

Other provisions for risks

"Other provisions" amounted to Euro 12.9 million as at July 31, 2011. They mainly included the provisions made in relation to lease agreements which may be defined as onerous contracts under IAS 37 "Provisions, contingent liabilities and contingent assets". The increase for the period mainly regards a new leased commercial property in the Far East.

30. Other non-current liabilities

"Other non-current liabilities" amounted to Euro 64.1 million (Euro 50.2 million as at January 31, 2011). They mainly regarded liabilities to be recognized on a straight-line basis in relation to commercial lease costs.

31. Group's Shareholders' equity

The Group's shareholders' equity is as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Share Capital	255,882	250,000
Share premium	409,804	209,298
Other reserves	747,643	534,245
Translation reserve	(51,727)	(40,012)
Net profit for the period	179,532	250,819
Total	1,541,134	1,204,350

Share capital

On May 26, 2011, the PRADA spa Shareholders - PRADA Holding bv and Intesa SanPaolo spa, representing a total number of 237,216,515 and 12,783,485 shares respectively - resolved to change the par value of the Company shares from Euro 1.00 to Euro 0.10 each. As a consequence of the resolution the subscribed capital amounting to Euro 250,000,000 was thus represented by some 2,500,000,000 shares.

On June 24, 2011, PRADA spa was listed on the Hong Kong Stock Exchange with the start of the trading of 423,276,000 of its shares on the main board. The total number of charges traded included 58,824,000 new shares, as resolved by the Shareholders' meeting held on May 26, and 364,452,000 shares sold by the existing Shareholders. The shares were placed with an offer price of HKD 39.5 per share so that the capital injection, net of the incremental directly attributable costs, amounted to Euro 206.4 million at July 31, 2011.

On July 6, 2011, the International Underwriters exercised their over-allotment option for a total number of 63,489,000 shares. These shares were placed by the existing Shareholders only, so no further funds were raised by the PRADA Group.

At the reporting date, the floating portion represented 19.02% of the share capital while the remainder was owned by PRADA Holding bv (79.98%) and Intesa SanPaolo spa (1%).

Share premium reserve

The increase in the Share premium reserve, amounting to Euro 200.5 million, relates to the 58,824,000 new shares issued in relation to the IPO project. The change in the reserve came as a result of the difference between the net capital injection resulting from the listing (Euro 206.4 million) and the par value of the new shares issued (Euro 5.9 million).

Other reserves

At the reporting date, "Other reserves" amounted to Euro 747.6 million and mainly consisted of prior year retained earnings. The balance included, net of the related tax impact, the Actuarial Reserve with a negative balance of Euro 1.4 million and the Cash Flow Hedge Reserve of Euro 1.5 million.

Net income for the period

The Group's net income for the period amounted to Euro 179.5 million (Euro 250.8 million as at January 31, 2011).

32. Shareholders' equity - non controlling interests

The following table shows movements on the Shareholders' equity of Non-Controlling Interests during the periods ended July 31, 2011 and January 31, 2011.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Opening balance	5,788	8,756
Translation differences	129	(51)
Dividends	(3,886)	(530)
Acquisition of 45% of Car Shoe sa	–	(5,134)
Other movements	–	1
Net income for the period	1,669	2,732
Actuarial Reserve	(10)	14
Capital injection in subsidiaries	1,383	–
Closing balance	5,073	5,788

On the basis of their stake in the company, the Non-Controlling Shareholders of PRADA Middle East fzco contributed to the capital injection for the development of the business in the Middle East area.

Dividends were paid to the Non-Controlling Shareholders of TRS Guam Partnership, TRS Hong Kong ltd and Artisans Shoes srl.

Consolidated income statement

33. Net revenues

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

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Net sales	1,117,403	920,401
Royalties	16,878	16,093
Total	1,134,281	936,494

Royalties are paid by licensees on sales of eyewear, fragrances, cars and under franchise agreements. Total royalties income may be detailed as follows:

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Eyewear	13,685	13,444
Fragrances	1,774	1,771
Franchise agreements	757	750
Concept Cars	607	–
Other	55	128
Total	16,878	16,093

This item included Euro 0.5 million (Euro 2.1 million at July 31, 2010) of royalties from related parties (Note 39).

A breakdown of net revenues by brand, geographical area and product is provided in the Directors' Report and in Note 8.

34. Cost of goods sold

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Purchases of raw materials and production costs	349,833	296,153
Logistics costs, duties and insurance	62,994	52,549
Change in inventories	(83,729)	(26,028)
Total	329,098	322,674

Cost of goods sold has decreased by 5.5 percentage points on net revenues compared to the same period of prior year (down from 34.5% to 29%). This is due to the greater contribution made by the retail channel, to an increase in unit margins and to a more favorable ratio of full price sales to sales at promotional prices.

35. Operating expenses

Operating costs can be analyzed as follows:

(amounts in thousands of Euro)	July 31 2011	% of net revenues	July 31 2010 unaudited	% of net revenues
Product design and development costs	51,453	4.5%	49,279	5.3%
Advertising and communications costs	53,915	4.8%	36,685	3.9%
Selling costs	357,156	31.5%	289,150	30.9%
General and administrative costs	89,281	7.9%	66,482	7.1%
Total	551,805	48.6%	441,596	47.2%

Operating expenses increased from Euro 441.6 million in the period ended July 31, 2010 to Euro 551.8 million in the period ended July 31, 2011 and their incidence on net revenues grew from 47.2% to 48.6%. At constant exchange rates, operating expenses would have increased by 27.1% rather than by 25%.

Product design and development costs included both the design phase - i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept -and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves. Their incidence on net revenues decreased compared to the same period in last year - from 5.3% to 4.5% - as they have been absorbed to greater extent by the net sales generated in the first half of 2011.

Advertising and communications costs increased from Euro 36.7 million to Euro 53.9 million. They included expenses incurred to develop advertising campaigns and organize fashion shows and other events plus sponsorship costs and overheads attributable to this area of the business. The increase in absolute terms on prior year is mainly due to incremental spending for media and press consistently with the Group's strategy of increasing communications expenses for the promotion of all brands. At constant exchange rates, advertising and communications costs would have increased by 49.2% rather than by 47%.

Selling costs increased from Euro 289.2 million to Euro 357.2 million and rose from 30.9% of net revenues to 31.5%. The increase is essentially due to the expansion of the retail network which recorded a net increase of 53 stores since July 31, 2010. At constant exchange rates general and administrative costs would have increased by 26.2% rather than by 23.5%.

35. Operating expenses *(continued)*

General and administrative costs increased slightly from 7.1% of net revenues in the first half of 2010 to 7.9% in the same period of 2011. In absolute terms these costs increased from Euro 66.5 million to Euro 89.3 million as a result of higher overhead expenses due to the expansion of the Group business. At constant exchange rates general and administrative costs would have increased by 35.5% rather than by 34.3%.

In order to provide further information on the income statement structure, we note that operating expenses include depreciation, amortization and impairment adjustments for both property, plant and equipment and intangible assets for a total amount of Euro 57.4 million (Euro 49.1 million at July 31, 2010), personnel costs of Euro 178.7 million (Euro 146.1 million at July 31, 2010), fixed rent of Euro 80 million (Euro 65.9 million at July 31, 2010) and variable rent of Euro 80.1 million (Euro 62.1 million at July 31, 2010).

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

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Interests expenses on borrowings	(8,966)	(7,569)
Interest income	583	993
Exchange gains / (losses) - realized	35	551
Exchange gains/ (losses) - unrealized	(924)	(12,190)
Other financial income / (expenses)	(2,328)	(1,949)
Revaluations and write-down of investments	–	551
Total	(11,600)	(19,613)

Interests expenses on borrowings increased slightly compared to the first half of 2010. The benefit of lower average bank borrowing was more than offset by an increase in the cost of funding as the debt profile became more long term. Furthermore, the first half of 2011 was also affected by the cost of settlement of a IRS contract relating to the US mortgage reimbursed in advance with funds raised by the IPO.

37. Taxation

Income taxes for the periods ended July 31, 2011 and July 31, 2010 are analyzed below:

(amounts in thousands of Euro)	July 31 2011	July 31 2010 (unaudited)
Current taxation	82,007	62,501
Deferred taxation	(21,430)	(13,813)
Total	60,577	48,688

Despite the higher level of income generated, the tax charge decreased from 31.9% in the first half of 2010 to 25.1%, essentially because of the change in the geographical mix of taxable income, as a result of the change in the geographical mix of sales with slightly more favorable tax rates, and provisions made in the first half of 2010 for ongoing tax disputes.

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

	July 31 2011
Italian theoretical tax rate	31.40%
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	-1.27%
Tax effect of utilization of tax losses carried forward	-0.29%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-4.79%
Group effective tax rate	25.05%

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

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Opening balance	88,667	51,969
Translation reserve (exchange differences)	(1,242)	8,345
Cash Flow Hedge reserve	643	(2,456)
Actuarial reserve	89	(1,068)
Other	41	(255)
Income statement	21,430	32,132
Closing balance	109,628	88,667

37. Taxation *(continued)*

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

(amounts in thousands of Euro)	July 31 2011 Deferred tax assets	July 31 2011 Deferred tax liabilities	January 31 2011 Deferred tax assets	January 31 2011 Deferred tax liabilities
Inventories	73,057	–	62,284	–
Receivables and other assets	768	1,500	415	1,515
Depreciation/Useful life of non current assets	50,977	12,417	53,869	6,273
Deferred taxes due to acquisitions	–	29,486	–	39,548
Provision for risks / accrued expenses	16,384	267	10,790	267
Non deductible / taxable charges / income	6,934	1,152	5,893	1,134
Tax losses carryforwards	5,334	–	3,129	–
Derivative financial instruments	–	605	303	1,455
Long term employee benefits	4,334	1,911	4,533	1,943
Other	291	1,113	162	576
Total	158,079	48,451	141,378	52,711

Tax losses carryforwards at July 31, 2011 are analyzed below:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Expiring within 5 years	14,228	11,490
Expiring after 5 years	25,545	17,587
Available for carry forward with no time limit	60,258	77,469
Total tax losses carryforwards	100,031	106,546

The Directors have updated their assessment of tax loss carryforwards and, considering the current uncertain macroeconomic environment, they have concluded that it was reasonable to recognize deferred tax assets in some cases only.

38. Additional information

Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity owners of PRADA spa by the weighted average number of ordinary shares in issue during the period.

	July 31 2011	July 31 2010 unaudited
Group net result in Euro	179,531,725	103,042,594
Weighted average number of ordinary outstanding shares	2,512,349,790	2,500,000,000
Basic earnings per share (in Euro per share)	0.071	0.041
Diluted earnings per share (in Euro per share)	0.071	0.041

On May 26, 2011, the Shareholders of PRADA spa resolved to change the par value of the Company shares from Euro 1 to Euro 0.1 each. In accordance with IAS 33, the new number of shares - some 2,500,000,000 - has been adjusted retrospectively for the purposes of the calculation of the earnings per share.

38. Additional information *(continued)*

Dividends per share

During the first half of 2011, the Company distributed dividends of Euro 35 million, or Euro 0.14 per share, as approved by the Shareholders' meeting held on March 28, 2011 in relation to Financial Statements at January 31, 2011. These dividends were offset against receivables due from controlling Shareholder PRADA Holding bv for an amount of Euro 32.5 million with the remaining amount being paid.

During the year ended January 31, 2011, the Shareholders' meeting held on April 28, 2010 approved a distribution of Euro 0.32 per share, representing a total dividend of Euro 80 million. This dividend was paid on July 27, 2010, for an amount of Euro 27.9 million and, on the same date, an amount of Euro 52.1 million was offset against the receivable due from our controlling shareholder. Furthermore, the shareholders' meeting on January 27, 2011 approved a distribution of Euro 0.124 per share, representing a total dividend of Euro 31 million which was paid in full on the same date.

Headcount

The average headcount by function was as follows:

(no of employees)	July 31 2011	July 31 2010 unaudited
Production	1,699	1,800
Product design and development	793	735
Advertising and communications	98	97
Selling	4,461	3,734
General and administrative	689	667
Total	7,740	7,033

38. Additional information *(continued)*

Employee remuneration

Employee remuneration for the periods ended July 31, 2011 and July 31, 2010, by function and by nature is analyzed below:

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Production	38,208	38,564
Product design and development	26,207	25,441
Advertising and communications	4,818	4,567
Selling	105,481	88,133
General and administrative	42,180	27,925
Total	216,894	184,630

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Wages and salaries	167,355	138,988
Post-employment benefits	7,576	6,572
Social security	34,835	31,824
Other	7,128	7,246
Total	216,894	184,630

The 2011 employee remuneration includes an extraordinary benefit recognized following to the Group's successful performances.

38. Additional information *(continued)*

Remuneration of the PRADA spa Board of Directors

(amounts in thousands of Euro)	Director's fee	Salaries and other benefits	Bonus and other incentives	Non-monetary benefits	Contributions to retirement benefits scheme	July 31 2011
Miuccia Prada Bianchi	500	4,350	–	–	–	4,850
Patrizio Bertelli	500	2,500	1,500	–	–	4,500
Marco Salomoni	–	200	–	–	8	208
Carlo Mazzi	125	–	–	40	–	165
Donatello Galli	–	141	34	17	62	254
Marco Cerrina Feroni	11	–	–	–	–	11
Davide Mereghetti	11	–	–	–	–	11
Giancarlo Forestieri	30	–	–	–	–	30
Gian Franco Oliviero Mattei	65	–	–	–	4	69
Gaetano Micciché	9	–	–	–	–	9
Sing Cheong Liu	11	–	–	–	–	11
Total	1,262	7,191	1,534	57	74	10,118

(amounts in thousands of Euro)	Director's fee	Salaries and other benefits	Bonus and other incentives	Non-monetary benefits	Contributions to retirement benefits scheme	July 31 2010 unaudited
Miuccia Prada Bianchi	500	4,350	–	–	–	4,850
Patrizio Bertelli	500	2,500	1,500	–	–	4,500
Marco Salomoni	–	400	–	–	16	416
Carlo Mazzi	–	483	–	22	1	506
Donatello Galli	–	141	36	13	61	251
Marco Cerrina Feroni	20	–	–	–	–	20
Davide Mereghetti	10	–	–	–	–	10
Giancarlo Forestieri	30	–	–	–	–	30
Gian Franco Oliviero Mattei	55	–	–	–	5	60
Gaetano Micciché	–	–	–	–	–	–
Sing Cheong Liu	–	–	–	–	–	–
Total	1,115	7,874	1,536	35	83	10,643

38. Additional information *(continued)*

Remuneration of the PRADA spa Board of Directors *(continued)*

The five highest paid individuals of the Group for the relevant periods included two directors for the period ended July 31, 2010, and two directors for the period ended July 31, 2011. The remunerations of the remaining three individuals for the period ended July 31, 2010 and of the remaining three individuals for the period ended July 31, 2011, are as follows:

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Wages and salaries	2,710	2,610
Bonus and other incentives	1,105	205
Non-monetary benefits	67	63
Contributions to retirement benefits scheme	78	80
Total	3,960	2,958

Distributable reserves of parent company PRADA spa

				Summary of last three years' utilizations	
(amounts in Euro thousands)	July 31 2011	Possible utilization	Distributable Amount	For losses coverage	For dividends distribution
Share Capital	255,882				
Share premium reserve	409,804	A,B,C	393,068		
Legal reserve	34,440	B			
Other reserves	182,899	A,B,C	182,899		
Non distributable reserves Art. 7 of Legislative Decree 38/2005	20,516				
Retained earnings	74,494	A,B,C	72,796	15,774	158,750
Actuarial gain and loss reserve	(1,698)				
Fair Value Reserve	1,594				
Distributable Amount			648,763		

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

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve is fully distributable only when the legal reserve reaches an amount equal to the 20% of share capital. The adjustment required to reach this level as at July 31, 2011 would amount to Euro 16,736 thousand.

38. Additional information *(continued)*

Profit for the period from continuing operations

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Depreciation and amortization	59,835	111,455
(Loss) gain from hedge ineffectiveness on cash flow hedges	(761)	5,164
Impairment/written off of property, plant and equipment and intangible assets	(1,794)	6,089
Write-down (reversal) of inventory	1,621	(2,127)
Auditors' remunerations	833	1,514

Exchange rates

The exchange rates against the Euro used to consolidate statements of financial position and income statements prepared in other currencies as at July 31, 2011, January 31, 2011 and July 31, 2010 are shown below.

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.418	1.319	1.426	1.369
Canadian Dollar	1.376	1.354	1.356	1.368
GB Pound	0.874	0.855	0.875	0.861
Swiss Franc	1.254	1.367	1.142	1.289
Australian Dollar	1.355	1.426	1.356	1.368
Korean Won	1,546.938	1,522.048	1,503.600	1,534.050
Japanese Yen	115.489	114.872	110.590	112.490
Hong Kong Dollar	11.034	10.253	11.113	10.676
Singapore Dollar	1.768	1.786	1.719	1.753
Thai Baht	43.016	41.571	42.523	42.295
Taiwan Dollar	41.146	41.243	41.093	39.752
Russian Ruble	40.078	40.093	39.520	40.795
Czech Koruna	24.328	25.157	24.188	24.223
Macau Pataca	11.365	10.559	11.447	10.996
Chinese Renminbi	9.239	8.906	9.179	9.030
New Zealand Dollar	1.795	1.822	1.649	1.776
Malaysian Ringgit	4.284	4.215	4.231	4.189
Turkish Lira	2.251	1.996	2.397	2.197

Fees to Deloitte & Touche spa

The fees for the independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the separated and of the consolidated financial statements and verifications that the accounting records are properly maintained and operations are correctly reflected in the accounting records) accrued at Jul. 31, 2011 amounted to Euro 0.3 million, while the fees for the statutory and voluntary audit of the subsidiaries of PRADA amounted to Euro 0.1 million. Deloitte & Touche spa did not provide any other services to the Prada Group during the period.

39. Transactions with related parties

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

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

The following tables show details of related party transactions for each item in the Statement of Financial Position and Income Statement.

Statement of financial position items at July 31, 2011

(amounts in thousands of Euro)	Trade receivables	Receivables from parent companies and related parties	Trade payables	Payables to parent companies and related parties	Maximum amount due from PRADA Holding bv
PRADA Holding bv	–	8,911	–	15	32,558
Other related parties	16,816	4,166	2,181	603	
Venezia 3 srl	1,658	–	187	297	
F.lli Prada srl	5,733	–	714	6	
Montenapoleone 6 srl	2,565	1	398	2	
IPR srl	4,107	4	723	–	
Spiga 1 srl	2,204	1	153	–	
PRADA Italia spa	384	–	2	–	
Stellarea	–	28	–	–	
Luna Rossa Challenge 2007	165	–	4	200	
Stichting Fondazione Prada/ Progetto Prada Arte srl	–	2,510	–	96	
Gipafin sarl	–	20	–	1	
CID USA Corp.	–	72	–	–	
HMP srl	–	83	–	–	
Prada America's Cup srl	–	1,397	–	–	
Others	–	50	–	1	
Other companies controlled by PRADA Holding bv	–	15	–	–	
EXHL Retail USA llc	–	1	–	–	
EXHL Italia Srl	–	13	–	–	
Others	–	1	–	–	
Other related parties	–	–	–	214	
Total at July 31, 2011	16,816	13,092	2,181	832	

39. Transactions with related parties *(continued)*

Statement of financial position items at January 31, 2011

(amounts in thousands of Euro)	Trade receivables	Receivables from parent companies and related parties	Trade payables	Payables to parent companies and related parties	Maximum amount due from PRADA Holding bv
PRADA Holding bv	–	33,325	–	70	52,873
Other related parties	16,412	2,738	1,701	786	
Venezia 3 srl	2,182	–	272	299	
F.lli Prada srl	5,474	–	452	6	
Montenapoleone 6 srl	2,263	–	257	2	
IPR srl	3,763	–	505	–	
Spiga 1 srl	2,148	–	127	–	
PRADA Italia spa	264	–	2	–	
Stellarea	–	28	–	–	
Luna Rossa Challenge 2007	318	–	86	5	
Stichting Fondazione Prada/ Progetto Prada Arte srl	–	1,128	–	472	
Gipafin sarl	–	20	–	1	
CID USA Corp.	–	75	–	–	
HMP srl	–	79	–	–	
Prada America's Cup srl	–	1,397			
Others		11		1	
Other companies controlled by PRADA Holding bv	–	249	–	251	
EXHL Design llc	–	127	–	2	
Prapar Corporation	–	1	–	249	
EXHL Retail USA llc	–	102	–	–	
EXHL Italia	–	6	–	–	
Others		13	–	–	
Other associated undertakings	1,924	5	22	–	
Fragrance and Skincare sl	1,924	5	22	–	
Other related parties	–	–	–	134	
Total at January 31, 2011	18,336	36,317	1,723	1,241	

39. Transactions with related parties *(continued)*

Income statement items at July 31, 2011

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Royalties expense	Interest income	Interest expense
PRADA Holding bv	–	–	(72)	–	–	149	–
Other related parties	19,431	1.259	4,004	522	–	1	–
Venezia 3 srl	2,042	140	(914)	54	–	–	–
F.lli Prada srl	6,648	344	203	179	–	–	–
Montenapoleone 6 srl	3,155	175	91	85	–	–	–
IPR srl	4,838	473	(119)	129	–	–	–
Spiga 1 srl	2,742	156	(27)	75	–	–	–
PRADA Italia spa	–	–	(114)	–	–	–	–
Luna Rossa Challenge 2007	–	(25)	1,999	–	–	–	–
HMP srl	–	–	235	–	–	1	–
Stichting Fondazione Prada/ Progetto Prada Arte srl	6	(4)	2,098	–	–	–	–
Others	–	–	553	–	–	–	–
Other companies controlled by PRADA Holding bv	–	–	(9)	–	–	–	1
Prapar Corporation	–	–	–	–	–	–	1
EXHL Italia srl	–	–	(3)	–	–	–	–
EXHL Japan Co. ltd	–	–	(3)	–	–	–	–
Prada Arte bv	–	–	(3)	–	–	–	–
Others	–	–	–	–	–	–	–
Total at July 31, 2011	19,431	1,259	3,924	522	–	150	1

Income Statement items at July 31, 2010 (unaudited)

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Royalties expense	Interest income	Interest expense
PRADA Holding bv	–	–	(57)	–	–	346	17
Other related parties	14,548	1,036	2,851	371	–	71	–
Venezia 3 srl (ex)	1,889	198	(915)	48	–	–	–
F.lli Prada srl	4,988	331	(9)	132	–	–	–
Montenapoleone 6 srl	2,410	123	19	60	–	–	–
IPR srl	3,266	290	(49)	78	–	–	–
Spiga 1 srl	1,997	96	(8)	53	–	–	–
PRADA Italia spa	–	–	(112)	–	–	–	–
Luna Rossa Challenge 2007	(2)	(2)	2,299	–	–	60	–
Stichting Fondazione Prada/ Progetto Prada Arte srl	–	–	913	–	–	–	–
HMP srl	–	–	229	–	–	11	–
Other	–	–	484	–	–	–	–
Other companies controlled by Prada	–	–	–	–	–	–	2
Prapar Corporation	–	–	–	–	–	–	2
Other	–	–	–	–	–	–	–
Other associated	–	–	(133)	1,772	–	–	–
Fragrance and Skincare	–	–	(133)	1,772	–	–	–
Total as at July 31, 2010	15,548	1,036	2,661	2,143	–	417	19

40. Commitments

Operating leases

At July 31, 2011 and July 31, 2010, operating lease commitments, by maturity date, were as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Within a year	208,309	198,481
After between one year and five years	667,505	660,454
After more than five years	552,527	535,779
Total	1,428,341	1,394,714

The following table shows the amounts paid in the first half of 2011 and 2010:

(amounts in thousands of Euro)	July 31 2011	July 31 2010 unaudited
Fixed minimum lease payments	82,208	69,078
Variable lease payments	80,234	62,149
Total	162,442	131,227

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)	July 31 2011	July 31 2010 unaudited
Land and buildings	31,408	31,408
Furnishings and fittings	13,879	13,628
Other equipment	3,620	3,539
Accumulated depreciation	(18,995)	(16,025)
Total	29,912	32,550

40. Commitments *(continued)*

Other commitments

On November 16, 2010, PRADA spa signed a preliminary contract with third parties whereby it undertook to purchase a number of real estate properties in Italy, already used by PRADA spa in its business activities under rental agreements, at a total cost of Euro 49.5 million. As at the reporting date, two of the properties had already been acquired for Euro 30.2 million while the remainder will be purchased by February 2012; the Company has already made advance payments of Euro 2.5 million.

The Shareholders' agreement signed between PRADA spa and Al Tayer Insignia llc for the development of a retail network for Prada and Miu Miu across the Middle East countries set out the option to the parties to invoke a buy-back by PRADA spa up to 20% of PRADA Middle East fzco shares if certain conditions are met. Directors do not believe that the fair value of the related liability can be reliably measured.

Guarantee

The letters of guarantee issued in favor of Fragrance & Skincare sl, in support of lines of credit and totaling Euro 6.25 million, were withdrawn on February 23, 2011 after PRADA spa sold its interest in the joint venture to the Puig Group of Spain.

41. Consolidated companies

The companies included in the consolidation area are as follows.

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Italy						
PRADA spa	EURO	255,882	–	Milan, Italy		Production/Distribution/ Group Holding company
Artisans Shoes srl(*)	EURO	1,000	66.73	Montegranaro, Italy	09/02/1977	Footwear production
Space Caffè srl (*) (ex PRADA Advertising srl)	EURO	20	100.00	Milan, Italy	06/12/1990	Service company
IPI Logistica srl(*)	EURO	600	100.00	Milan, Italy	26/01/1999	Service company
PRADA Stores srl(*)	EURO	520	100.00	Milan, Italy	11/04/2001	Retail/sub holding company
Car Shoe Italia srl	EURO	10	100.00	Milan, Italy	16/03/2001	Distribution/Retail
Church Italia srl	EURO	51	100.00	Milan, Italy	31/01/1992	Distribution/Retail
Europe						
PRADA Retail UK ltd (**)	GBP	5,000	100.00	London, UK	07/01/1997	Retail
PRADA Germany gmbh	EURO	215	100.00	Munich, Germany	20/03/1995	Retail
PRADA Austria gmbh	EURO	40	100.00	Vienna, Austria	14/03/1996	Retail
PRADA Spain sa	EURO	240	100.00	Madrid, Spain	14/05/1986	Retail
PRADA Retail France sas	EURO	4,000	100.00	Paris, France	10/10/1984	Retail
PRADA Hellas Single Partner Limited Liability Company (*)	EURO	6,000	100.00	Athens, Greece	19/12/2007	Retail
PRADA Monte-Carlo sam	EURO	150	100.00	Monte-Carlo, Monaco	25/05/1999	Retail
PRADA sa(*)	EURO	31	100.00	Luxembourg	29/07/1994	Service company/ Trademark owner
PRADA Company sa	EURO	3,204	100.00	Luxembourg	12/04/1999	Service company
Car Shoe sa	EURO	2,100	100.00	Luxembourg	13/03/2001	Service company/ Trademark owner
PRADA Far East bv(*)	EURO	20	100.00	Amsterdam, Netherlands	27/03/2000	Sub-holding company/ Service company
Space sa	CHF	200	100.00	Paradiso, Switzerland	17/07/2008	Retail
Church Holding UK plc (*)	GBP	78,126	100.00	Northampton, UK	22/07/1999	Sub-holding
Church France sa	EURO	241	100.00	Paris, France	01/06/1955	Retail
Church UK Retail ltd	GBP	1,021	100.00	Northampton, UK	16/07/1987	Retail
Church's English Shoes Swiss	CHF	100	100.00	St. Moritz / Switzerland	29/12/2000	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	16/01/1926	Sub-holding company/ Production/Distribution
Church & Co. (Footwear) ltd	GBP	44	100.00	Northampton, UK	06/03/1954	Trademark owner
Church English Shoes sa	EURO	75	100.00	Brussels, Belgium	25/02/1963	Retail
PRADA Czech Republic sro(*)	CZK	2,500	100.00	Prague, Czech Republic	25/06/2008	Retail
PRADA Portugal. Unipessoal lda(*)	EUR	5	100.00	Lisbon, Portugal	07/08/2008	Retail
PRADA Rus llc(*)	RUR	278	99.90	Moscow, Russia	07/11/2008	Retail
Church Spain, S.L.	EUR	3	100.00	Madrid	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi	TRY	7,630	100.00	Istanbul, Turkey	26/02/2009	Retail
Church Netherlands	EUR	18	100.00	Amsterdam, Netherlands	07/07/2011	Retail
JCS (2009) ltd	GBP	90	100.00	Northampton, UK	21/09/1920	Dormant

41. Consolidated companies *(continued)*

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
America						
PRADA USA Corp.(*)	USD	152,211	100.00	New York, U.S.A	25/10/1993	Services / Distribution/ Retail
Space USA Corp.	USD	301	100.00	New York, U.S.A.	15/02/1994	Retail
UPB Corp.	USD	70	100.00	New York, U.S.A.	18/05/1989	Service company
TRS Hawaii llc	USD	400	55.00	Honolulu, U.S.A.	17/11/1999	Duty free stores
PRADA Canada corp.(*)	CAD	300	100.00	Toronto, Canada	01/05/1998	Distribution/Retail
Church & Co. (USA) ltd	USD	85	100.00	New York, U.S.A.	08/09/1930	Retail
Post Development corp	USD	42,221	100.00	New York, U.S.A.	18/02/1997	Real estate
Prada Brasil Importação e Comércio de Artigos de Luxo Ltda. (*)	BRL	250	100.00	Sãu Paulo, Brazil	12/04/2011	Retail
Prada Retail Mexico, S. de R.L. de C.V.	MXN	3	100.00	Mexico City, Mexico	12/07/2011	Retail
Middle East						
Prada Middle East fzco(*)	AED	18,000	60.00	Jebel Ali Free Zone Dubai	25/05/2011	Services / Distribution
Asia-Pacific and Japan						
PRADA Asia Pacific ltd	HKD	3,000	100.00	Hong Kong	12/09/1997	Retail / Wholesale company
PRADA Taiwan ltd	TWD	3,800	100.00	Hong Kong	16/09/1993	Retail
Space HK Retail ltd	HKD	1,000	100.00	Hong Kong	25/02/1993	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Malaysia	23/01/2002	Retail
PRADA China ltd	HKD	7,000	100.00	Hong Kong	03/11/1997	Retail
TRS Hong Kong	HKD	500	55.00	Hong Kong	23/02/2001	Duty free stores
PRADA Singapore Pte. ltd	SGD	1,000	100.00	Singapore	31/10/1992	Retail
TRS Singapore	SGD	500	55.00	Singapore	08/08/2002	Duty free stores
PRADA Korea ltd	KOW	8,125,000	100.00	Seoul, Korea	27/11/1995	Retail
PRADA (Thailand) Co.. ltd	BTH	172,000	100.00	Bangkok, Thailand	19/06/1997	Retail
PRADA Japan Co.. ltd	JPY	200,000	100.00	Tokyo, Japan	01/03/1991	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam	01/07/1999	Duty free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan	01/07/1999	Duty free stores
TRS New Zealand ltd	NZD	100	55.00	Auckland, New Zealand	04/11/1999	Duty free stores
PRADA Australia Pty. ltd	AUD	3,500	100.00	Sydney, Australia	21/04/1997	Retail
TRS Australia ltd	AUD	600	55.00	Sydney, Australia	23/03/2000	Duty free stores
PRADA Trading (Shanghai)	RMB	1,653	100.00	Shanghai, China	09/02/2004	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, Japan	21/01/2005	Duty free stores
PRADA Fashion Commerce (Shanghai) Co. ltd	RMB	48,966	100.00	Shanghai, China	31/10/2005	Retail
Church Japan Co.. ltd	JPY	3,050	100.00	Tokyo, Japan	17/04/1992	Retail
Church Hong Kong Retail ltd	HKD	1,000	100.00	Hong Kong	04/06/2004	Retail
Church Singapore Pte., ltd.	SGD	500	100.00	Singapore	18/08/2009	Retail
Car Shoe Singapore ltd.	SGD	500	100.00	Singapore	01/02/2010	Retail
Car Shoe Hong Kong ltd.	HKD	3,000	100.00	Hong Kong	26/02/2010	Retail

(*) Companies owned directly by PRADA spa

(**) Share capital less than a thousand of local currency

41. Consolidated companies *(continued)*

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

Company	Percentage direct interest as at July 31 2011	Percentage direct interest as at January 31 2011	Note	Consolidation method
PAC srl	49.00	49.00	Associate	Equity method
Fragrance & Skincare sl	–	50.00	Joint-venture	Fair Value

42. Events after the reporting period

Nothing to report.

INDEPENDENT AUDITORS' REPORT

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AUDITORS' REPORT

To the Shareholders of
PRADA S.p.A.

1. We have audited the accompanying interim consolidated financial statements of Prada S.p.A. (the "Company") and its subsidiaries (the "Prada Group"), which comprise the Consolidated Statement of Financial Position as of July 31, 2011, the Consolidated Income Statement, the statement of consolidated comprehensive income, the Statement of changes in Consolidated Shareholders' equity and the Consolidated Statement of Cash Flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. These interim 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 interim 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 interim consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and d is closures in the interim consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements ended January 31, 2011, whose data are presented for comparative purposes in the Consolidated Statement of Financial Position as of July 31, 2011 and in the Statement of changes in Consolidated Shareholders' equity, reference should be made to our auditors' report issued on March 28, 2011. We draw attention to the fact that the corresponding figures set out in the Consolidated Income Statement, in the statement of consolidated comprehensive income, and in the Consolidated Statement of Cash Flow for the six-month period ended July 31, 2010 and the relevant explanatory notes disclosed in the consolidated financial statements have not been audited.

3. In our opinion, the interim consolidated financial statements give a true and fair view of the financial position of the Prada Group as of July 31, 2011, and of the results of its operations and its cash flows for the six-month period then ended in accordance with Intenational Financial Reporting Standards as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
September 19, 2011