The following discussion and analysis of our financial condition and results of operations is based on the financial information set forth in the Accountants' Report. Accordingly, you should read this section in conjunction with our consolidated financial statements and related notes for the financial years ended January 31, 2009, 2010 and 2011, all of which are included in the Accountants' Report. The Accountants' Report has been prepared in accordance with International Financial Reporting Standards which may differ in material respects from generally accepted accounting principles in other jurisdictions. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our future financial condition may differ materially from those discussed in these forward-looking statements as a result of various factors, including, but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the world's most prestigious fashion and luxury goods groups. We design, manufacture, promote and sell high-end leather goods, ready-to-wear and footwear through the Prada, Miu Miu, Church's and Car Shoe brands. Our Prada and Miu Miu brands provide our customers with a wide array of high-quality luxury goods, including leather goods, ready-to-wear and footwear and, through licensing agreements, eyewear and fragrances. Our Church's and Car Shoe brands target the niche luxury footwear market, offering footwear made of high-quality leather with handmade craftsmanship. We believe our dedication to offering innovative products of the highest quality, combining innovation in design and materials with our unique understanding of luxury and style, has enabled us to be a market leader in fashion and style.

Each of our brands is associated with creativity, quality and exclusivity, while at the same time enjoying its own identity created and maintained by separate design product development and communications teams. We manage each brand with a focus on protecting and enhancing its integrity and prestige, and we carefully manage our communications strategies for each brand to avoid brand dilution. We use brand-specific and in some cases unconventional communication tools, ranging from fashion shows to sponsorship of arts, cultural and sports events, landmark Prada Epicenters and various campaigns, to reinforce each brand's identity and to highlight its distinctive elements and values.

We maintain our production know-how and industrialization capabilities internally for each of our product categories through our 11 in-house production facilities, of which ten are located in Italy and one, specifically for the manufacture of Church's footwear, is located in the United Kingdom. Currently, we produce the vast majority of our prototypes, most of our samples and a portion of our finished products in our factories, and we outsource the remainder of our production to external manufacturers with most of whom we have stable and long-term relationships. We rigorously monitor our entire production cycle with our quality control team and inspectors to ensure our in-house and outsourced production maintains the same high quality standards that we and our customers require. We believe that our production model enables us to retain control over our production know-how, production costs and maintain a flexible capacity throughout the entire manufacturing process, while assuring high product quality.

We distribute our products through retail and wholesale channels. As at January 31, 2011, our retail channel consisted of 319 stores that we operate directly (Directly-Operated Stores ("**DOS**")), including our Prada Epicenters in New York, Los Angeles and Tokyo, and 18 outlets. We plan to open approximately 80 additional DOS net of store closings in the financial year ending January 31, 2012, of which approximately 25 DOS net of store closings will be opened in Asia Pacific. All of our DOS are strategically located in prime locations that are specifically selected to align with the image of our brands. Our wholesale channel consists of sales to prestigious luxury multi-brand and department stores as well as franchise stores. As at January 31, 2009, 2010 and 2011, we had approximately 1,800, 1,400 and 1,400 wholesale clients, respectively, and we had 32, 35 and 33 franchise stores, respectively, during the same period. We constantly monitor our wholesale relationships to protect our brand integrity. Our two-pronged distribution strategy allows us to maintain a global reach, with distribution points in over 70 countries as at January 31, 2011.

During the Track Record Period, our net revenues grew from € 1,643.6 million for the financial year ended January 31, 2009 to € 2,046.7 million for the financial year ended January 31, 2011 (representing a CAGR of 11.6%), while EBITDA in the same period grew from € 282.6 million to € 535.9 million (representing a CAGR of 37.7%), resulting in an improvement in our EBITDA margin from 17.2% for the financial year ended January 31, 2009 to 26.2% for the financial year ended January 31, 2011.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Expansion of DOS Network

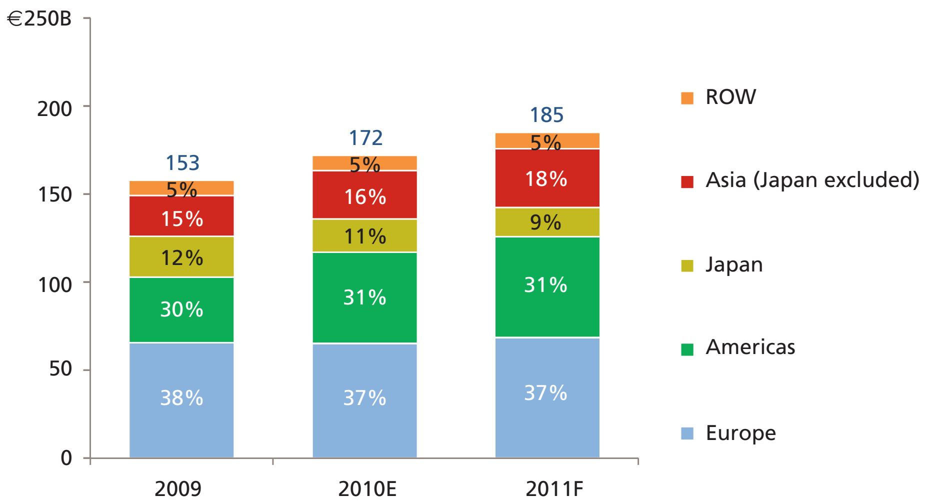
Our profitability is affected by the total number of our DOS, as sales from our DOS generate a higher gross margin, which captures the difference between the sell-in price and sell-out price as compared to our wholesale distribution channel. However, the expansion of our DOS network will also increase our fixed cost (mainly rent and personnel). Given the fixed cost structure for most of our DOS, if our sales from any one or more DOS decline, these expenses may not be offset by revenues in which case we would suffer losses that we would not have incurred for sales through the wholesale channel. Our ability to continue to secure prime retail locations at commercially acceptable cost and qualified DOS sales staff is important to our DOS expansion strategy and our ability to achieve our target profitability. We expanded from 211 DOS as at February 1, 2008 to 319 DOS as at January 31, 2011, and we expect to add approximately 80 DOS net of store closings in the financial year ending January 31, 2012. We expect to finance this expansion with the proceeds from the Global Offering and our cash flows from operations.

Macroeconomic Effects on Consumer Buying Patterns

Sales of our products depend upon various factors affecting consumer spending patterns. Tourist travel, the number of high-net-worth individuals and growing middle classes in fast-growing economies are all factors that generally relate to the prevailing macroeconomic conditions, and which significantly affect our business. For example, we generate a large part of our sales from consumers traveling outside of their home market. Tourism and spending by tourists are in turn related to various factors such as exchange rates, general economic conditions, unemployment and consumer confidence. Similarly, a large portion of our recent growth has come from, and we expect will continue to come from, sales in fast-growing markets such as China. We believe that these markets continue to enjoy robust economic growth, which correlates to increased consumer spending and demand for luxury goods, including our products. The growth of the number of high-net-worth individuals in fast-growing and other markets is also an important driver of our sales. Accordingly, economic growth and consumer confidence are important for our current strategy of expanding our global network.

Competition

The luxury goods market is intensely competitive and many of our competitors pursue similar strategies as we do. Moreover, to a certain extent, we judge the suitability of a particular DOS location in part by the existence of stores of our key competitors. As a result, we may seek to position our DOS in close proximity to our competitors and may directly compete for both prime locations as well as customers. Given the intense competition and interconnectedness, our sales and operating performance depend on, among other factors, the overall growth of the fashion and luxury goods industry. The fashion and luxury good industry increased on average by 3% annually since 2000 from € 129 billion to € 172 billion in 2010. The following graph sets forth the percentage change of sales of the luxury goods industry by region for the calendar years indicated[1].



Source: Altagamma Worldwide Markets Monitor

1. Please see the section headed "Industry Overview" for details.

Within this environment, our ability to enhance brand awareness and differentiate our products from those of our competitors are important factors in maximizing our results of operations.

Like-for-like Store Sales

Our profitability is affected in part by the success of our DOS operating on a like-for-like basis. We compare our DOS on a like-for-like basis by a comparison of the results at constant exchange rates of all of our DOS in operation for more than one year using the actual comparable days of operation for each DOS for the prior year (meaning only the days in which such DOS was open in both years). Although much of our revenue growth in recent years has come through the expansion of our DOS network, the strong performance of our DOS on a like-for-like basis has also been an important driver for our revenue growth. On a like-for-like basis, our net sales from our DOS increased by approximately 22% in the financial year ended January 31, 2011 compared to the financial year ended January 31, 2010. Numerous factors influence like-for-like sales, including fashion trends, competition, economic conditions, pricing, the timing of the release of new merchandise and promotional events, changes in our product mix, and weather conditions. Our ability to translate our innovative fashion concepts into viable commercial production throughout the year through flash collections and monthly packages for our DOS has allowed us to increase customer traffic and improve sales from repeat customers, thereby increasing our revenues on a like-for-like basis. The success of our retail strategy to offer new products that allow us to refresh store product displays in the future is likely to impact our like-for-like sales results, and will continue to affect our results of operations in the future.

Mark-down Policy

During the financial year ended January 31, 2011, we adjusted our mark-down policy by reducing the number of products subject to mark-down and the percentage of mark-down of our products during sales. We implemented this policy as part of a strategy to protect our brand image and integrity, which also allowed us to increase our EBITDA margin by achieving higher average gross margins on the products we sold. Further adjustments to our mark-down policy may affect our sales and profitability.

Cost Control Measures

Our results of operations are impacted in part by our ability to control our costs. During the second half of the 2008 financial year, in response to the global financial crisis we began implementing certain cost-control measures. Our cost control measures were designed to reduce certain fixed costs and our costs of goods sold. The measures related to fixed costs included a reassessment of operation expenses, which allowed us to achieve savings through rent reductions and deposit refunds as well as a reduction of our general administrative expenses. Cost control measures related to our costs of goods sold included the rationalization of our production platform and decreasing the costs of raw materials and transformation costs. For example, we consolidated the operations of two production facilities, and were able to reduce costs by sourcing our production and raw materials globally in areas where the high-quality raw materials are locally produced and where local producers have specialized talents. These measures have effectively reduced our fixed costs and costs of goods sold on a cost-to-revenue basis. Therefore, our ability to maintain our current cost structure will affect our results of operations and profitability.

Currency Fluctuations

Since we operate globally, our financial results are subject to both translation and transaction effects resulting from fluctuations in currency exchange rates.

Currency Fluctuation Effects on Transactions

We are exposed to transaction risks with respect to our subsidiaries that generate revenue in currencies other than Euro. We generate revenue in foreign currencies including, but not limited to, in US dollars, Japanese Yen and Hong Kong dollars. Most of our cost of goods sold are denominated in Euro. Therefore, to mitigate currency fluctuation effects, we hedge net cash flows from operations by entering into hedging contracts (forward sales and option purchases) with third parties. Hedging decisions are coordinated centrally by our corporate finance department considering the historical cash flows and the annual cash flow budget. Hedging contracts are entered into for the entire year to which the budget relates. During the financial year ended January 31, 2011, approximately 35% of our total net sales were denominated in Euro, approximately 40% in US dollars or in currencies pegged to the US dollars, and approximately 10% in Japanese Yen. As our operations and production are primarily in Italy, a major portion of the costs of our production and purchases are denominated in Euro, our reporting currency. Approximately 62% of our total costs (cost of goods sold and operating expenses) incurred in the financial year ended January 31, 2011 were denominated in Euro, about 20% were denominated in US dollars or in currencies pegged to the US dollars, and about 9% in Japanese Yen. Please see "— Result of Operations" in this section of the prospectus for further details.

In addition, as at January 31, 2011, approximately 13% of our cash and cash equivalents were denominated in Euro, approximately 57% in US dollars or in currencies pegged to US dollars and about 13% in Japanese Yen and approximately 78% our financial debt was denominated in Euro, approximately 6% in US dollars or in currencies pegged to US dollars and about 15% in Japanese Yen.

Currency Fluctuation Effects on Translation

Fluctuations in the exchange rates between the Euro and other currencies, primarily the US dollar, Japanese Yen and Hong Kong dollar, affect the translation into Euro of the financial results of our consolidated entities whose functional currency is not the Euro and therefore affect our consolidated financial results. These fluctuations also affect the value of any distributions that our foreign subsidiaries located outside the Euro-zone make to us. Exchange rate fluctuations also affect our consolidated balance sheet. Changes in the value of our non-Euro-denominated consolidated assets and liabilities, resulting from exchange rate fluctuations will result in changes in the "foreign currency translation reserve" component of equity in the consolidated statements of financial position.

The following table sets forth Euro exchange rates for the major non-Euro currencies which we used to prepare our consolidated balance sheet, together with the average daily rates we used to prepare our income statement for the periods indicated.

	As at and for the year ended January 31,					
	2009		2010		2011	
Units of foreign currency	Exchange Rate	Average	Exchange Rate	Average	Exchange Rate	Average
	(EUR)					
US dollar	1.282	1.458	1.397	1.402	1.369	1.319
Japanese Yen	114.98	149.067	126.15	131.140	112.490	114.872
Hong Kong dollar	9.940	11.349	10.847	10.870	10.676	10.252

CRITICAL ACCOUNTING POLICIES

The management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with EU IFRS. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We base our estimates on historical experience and on various financial conditions and results of operations and, if required, on the exercise of significant judgment and the use of estimates on the part of management in its application. Although we believe that our judgments and estimates are appropriate, actual results may differ from those estimates.

We believe the following to be our critical accounting policies, because they are both important to the presentation of our financial condition and results of operations, and they require critical management judgment and estimates about matters that are uncertain. If actual results or events differ materially from those we contemplated in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Revenue Recognition

We recognize revenue in accordance with International Accounting Standard, or IAS, No. 18, Revenue. Revenues from sales of products are recognized in the profit or loss when all of the following conditions are satisfied:

- risks and rewards of ownership are transferred to the buyer;
- the value of revenues can be reliably determined;
- the Group's control over the goods sold has ceased;
- economic benefits associated with the transaction will probably be enjoyed by the Group; and
- the costs pertaining to the transaction can be reliably determined.

We recognize revenues from the sale of goods when the significant risks and rewards connected with the goods are transferred to wholesale clients, which generally occurs on the date we ship products and title has passed to them. Sales of goods to retail customers in our DOS are recognized upon transfer of merchandise in exchange for payment. In certain exceptional circumstances we have accepted returns from wholesale clients related to goods delivered in prior periods, and we accept returns from some franchisees. Allowance for sales returns is provided in the same period the related sales are recorded on the basis of historical rates of return.

We recognize royalties income based on sales made by the licensees and the terms of the contract.

Inventories

Our inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and selling costs. Cost comprises direct production costs and overheads that we incurred in bringing the inventories to their current location and condition. We employ an integrated information system to control our inventory levels that begins with the daily monitoring of sales for each DOS location and continues with the real-time tracking of store and warehouse stock, the transit of products and store reorders. Slow moving stock (if any) is identified through this system and disposed of during the mark-down season or via our outlet stores following the mark-down period. Our management carries out an inventory review and an aging analysis on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or trading. The evaluation considers a number of factors including historical and forecasted consumption of our raw materials, marketability of our inventories, anticipated change in market selling price, risk of obsolescence of our inventories due to changes in developments to our product offerings, and other factors. During the Track Record Period, the majority of our inventories of finished goods are less than one year of age.

We made provisions to adjust directly the value of the inventory for slow-moving and obsolete inventories. The following table sets forth the allowance for inventories of raw materials as at the dates indicated.

	As at January 31,		
Type of Inventory	**2009**	**2010**	**2011**
		(€ in millions)	
Raw materials	**38.6**	**38.5**	**31.6**
Finished goods	**23.2**	**27.3**	**32.2**
Total	**61.8**	**65.8**	**63.8**

As at March 31, 2011, approximately € 53.4 million worth of inventories of finished goods out of the approximately € 263.3 million worth of inventories of finished goods as at January 31, 2011 has been utilized.

We write off 100% of the value of raw materials on our financial statements which, as identified by color and material, had no incoming nor outgoing movement in the last two financial years, and we write off 90% of the value of raw materials which were slow-moving (requiring more than five years to be fully utilized) in the last two financial years. For our finished goods, we write off value of our finished products aged more than 1 year by applying a progressive percentage of devaluation ranging from 10% to 70% according to the age of the finished products, while value of defective finished products which cannot be sold would be 100% written off.

Allowance for Doubtful Debts

We make ongoing estimates relating to the collectability of accounts receivables and maintain an allowance for estimated losses due to the inability of our customers to make required payments. In determining whether there is objective evidence of impairment loss, we take into consideration the estimated future cash inflows from our outstanding trade as determined by our experience with our customers. Outstanding trade and other receivables balances are assessed individually, and objective evidence could include significant financial difficulty of the customers, age of the balance, number of days of sales outstanding, a measure of the average number of days that we take to collect revenues after a sale has been made, the customer's past payment history and current credit-worthiness, and current economic trends. The allowance for doubtful accounts was € 9.4 million, € 11.3 million and € 10.5 million, as at January 31, 2009, 2010, and 2011, respectively.

Intangible Assets and Property, Plant and Equipment

We initially record intangible assets with finite useful lives and property, plant and equipment at their acquisition cost, and we depreciate/amortize them on a straight-line basis over their estimated useful lives. Assets lives are reviewed at the end of each reporting period and the effects of changes in estimated life, if any, are recognized prospectively. Intangible assets with finite useful lives and property, plant and equipment are reviewed for impairment at each balance sheet date each year, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36, Impairment of Assets. Impairment is based on a broad measure of factors, including discontinuance of services, significant negative industry or economic trends, significant underperformance relative to expected historical or projected future operating results and other changes in circumstances that may indicate impairment. All of these assessments require the application of our judgment to the facts and circumstances existing at the time. Recoverable value can be calculated by a number of different approaches, including discounted cash flow, comparables, and market valuations or quoted market prices. The process and steps required to assess the possible impairments of assets, including the identification of possible impairment indicators, assessing discounted cash flows, selecting the appropriate discount rate, the calculation of the weighted average cost of capital and the discounts or premiums inherent in market prices requires a substantial amount of management discretion and judgment.

Income Taxes and Deferred Taxes

We are required to estimate income tax expense for each jurisdiction in which we operate. This process involves an estimation of actual current tax exposure and the assessment of the temporary differences between accounting and tax base. These differences result in deferred tax assets and liabilities, which are reported in our consolidated balance sheet.

We recognize deferred tax for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences can be utilized. In cases where actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which they arise. Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. Significant management judgment based upon the possible sources of taxable income, and the evidence available for each possible source of taxable income on a jurisdiction-by-jurisdiction basis, is required in determining income tax expense and deferred tax assets and liabilities.

Provision for Liabilities

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, and where it is probable that an outflow of resources that have economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount provided is our best estimate of the expenditure required to settle the obligation or to transfer it to a third party at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Judgment is necessary in assessing the likelihood that a pending claim or a potential liability will in fact occur and to quantify the possible range of the final settlement. If the occurrence of a contingency or potential liability is probable, an amount for contingent liabilities that represents our estimate at that date is accrued.

Financial Instruments

Certain of our Group's financial instruments such as derivative financial instruments and other investments are measured at fair value. Market prices are used to determine the fair value of financial instruments listed on active markets. In the absence of an active market, fair value is determined using estimation methods and valuation models that take into account all of the risk factors associated with the instruments and which are based on data available on the market (e.g. prices of listed instruments with similar characteristics, discounted cash flows, option pricing models and values observed in recent comparable transactions). If the fair value of equity securities obtained by these valuation techniques cannot be reliably measured, the financial instruments are measured at cost.

Goodwill Impairment

We do not amortize goodwill but test goodwill for impairment on an annual basis, or more frequently if circumstances, such as material deterioration in performance or a significant number of store closures, indicate the possibility that goodwill has been impaired. The method used to identify the recoverable value ("value in use") is based on the discounted expected free cash-flow generated by the assets directly attributable to the business to which the goodwill has been allocated. The value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections covering a five-year period prepared for each cash generating unit and the present value of the operating activities of the sector at the end of the business plan period (terminal value) based on growth rate ranging from 0% to 1.5%. Business plans for impairment test purposes do not include all the potentialities that are expected to be generated from the implementation of the Group strategies since the IAS 36 principle does not allow us to consider the benefits deriving from future investments until these investments are carried out. In particular, retail network expansion is not included in the business plan if the store opening is not yet concluded or deliberated. The discount rate applied is calculated using the weighted average cost of capital approach. For the test performed, the weighted average cost of capital used for discounting purposes is in the range between 6.2% to 9.9%, 5.7% to 8.8% and 5.6% to 9.6% as at January 31, 2009, 2010 and 2011, respectively, net of tax. The weighted average cost of capital range depends on the followings key drivers: financial parameters relating to interest rates and risk measures relevant for each region and the different comparables in each marketplace. According to prevalent financial practice, the determination of the weighted average cost of capital requires the estimation of some parameters, including a series of interest rates, risk measures and other financial data, that have been principally made on the basis of information extracted from reputed data sources such as Bloomberg.

Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate the fair value of our reporting units, including estimating future cash flows, and if necessary, the fair value of a reporting unit's assets and liabilities. Further, our ability to realize the future cash flows used in our fair value calculations is affected by factors such as changes in economic conditions, changes in our operating performance, and changes in our business strategies. As we periodically reassess our fair value calculations, including estimated future cash flows, changes in our estimates and assumptions may cause us to realize material impairment charges in the future.

EXPLANATION OF EBIT AND EBITDA

We use EBIT and EBITDA as financial measures to measure operating performance. EBIT and EBITDA are not uniformly or legally defined and are not recognized under IFRS or any other generally accepted accounting principles. Other companies in the fashion industry may calculate EBIT or EBITDA differently, and consequently our presentation of these figures is not readily comparable to other companies' figures and must be read in conjunction with the related additional explanations.

We calculate EBITDA by taking our consolidated net income from continuing operations, then adding back tax expense, interest and other financial income (expense), as well as any depreciation or amortization expenses and impairment.

We calculate EBIT by taking our consolidated net income, then adding back the tax expense, interest expense and other financial income (expense).

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Net Revenues

Net revenues represent the gross revenues we generate for the products we sell, less discounts and returns net of value added taxes. We derive our revenue from three principal sources: sales at DOS, sales through our wholesale channel, and royalties. Royalties are paid by licensees on sales of eyewear, fragrances and other goods and under franchise agreements for the use of our trademarks logo.

Cost of Goods Sold

Cost of goods sold consists principally of (i) costs for raw materials purchased and manufacturing expenses, (ii) logistics, duties, freight and insurance, and (iii) change in inventory.

Operating Expenses

Operating expenses consist of (i) product and development expenses, (ii) advertising and promotion expenses, (iii) selling expenses, and (iv) general and administrative expenses.

Product and Development Expenses

Product and development expenses include both the design and the product development phases, such as product industrialization, production and purchase of prototypes and samples, as well as labor and consultant costs attributable to this functional areas.

Advertising and Promotion Expenses

Advertising and promotion expenses include the expenditure incurred to develop advertising campaigns, media buying, fashion shows and other events, sponsorship fees, labor and consultant costs and rental and depreciation expenses attributable to this functional area.

Selling Expenses

Selling expenses include labor costs for sales staff, rental expenses, depreciation expenses and all other expenses incurred in the management of DOS, as well as the overhead costs of commercial and retail functions within the headquarters of the Group.

General and Administrative Expenses

General and administrative expenses include all staff and related expenses associated with the support to the operations of the Group, including finance, engineering, information, technology, legal and human resources.

SEGMENT INFORMATION

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 Chief Executive Officer, the chief operating decision makers, so that they can make decisions about the resources to be allocated to the segment and assess its performance.

Under our organizational structure, responsibilities are assigned cross-functionally among brands, products, channels and geographic areas. Likewise, complementary production processes are shared among the various brands and many relationships exist across different business segments. Due to this interrelated structure, we are not able to identify and report our results along separate operating segments in accordance with IFRS 8. For this reason we only identify and report results for a single operating segment.

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

RESULTS OF OPERATIONS

Comparison of the Financial Years Ended January 31, 2011, 2010 and 2009

The following table summarizes our income statement data for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
	(€ in millions, except percentages)		
Net revenues[1]	1,643.6	1,561.2	2,046.7
Net sales	1,604.2	1,530.6	2,017.1
Royalties	39.5	30.7	29.6
Cost of good sold	(690.5)	(586.6)	(658.8)
Raw materials purchases and manufacturing expenses	555.9	483.6	589.2
Logistics costs, duties, freight and insurance	89.3	90.3	115.3
Change in inventory	45.3	12.7	(45.8)
Gross profit	953.1	974.7	1,387.9
Gross margin	58.0%	62.4%	67.8%
Operating expenses	(762.1)	(787.6)	(969.5)
Product and development	88.2	96.8	97.2
Advertising and promotion	99.5	75.8	85.1
Selling	428.1	484.6	642.5
General and administration	146.3	130.4	144.7
EBIT	191.0	187.0	418.4
Interest and other financial income/expenses, Net	(37.1)	(31.9)	(30.2)
Net interest income (expenses), to related parties	1.7	0.3	0.5
Net interest income (expenses), to third parties	(27.2)	(17.0)	(17.8)
Realized exchange gains (losses), net	(0.2)	(3.3)	(5.4)
Unrealized exchange gains (losses), net	(1.9)	(4.7)	0.7
Other financial income (expenses), net	(9.6)	(7.3)	(8.2)
Income before taxes	153.8	155.2	388.2
Income Taxes	52.6	52.5	134.7
Current taxation	61.1	70.6	166.8
Deferred taxation	(8.5)	(18.1)	(32.1)
Net income (from operations to be continued)	101.2	102.7	253.6

1 The Cheaney business unit (previously owned by Church Holding UK plc group) was disposed of in 2009. Therefore, pursuant to IFRS 5, it was classified as a "discontinued operation" in the income statement for the financial year ended January 31, 2010 and the previous year financial figures have been adjusted accordingly.

	Year Ended January 31,		
	2009	2010	2011
	(€ in millions, except percentages)		
Net income % of revenues (from operations to be continued)	6.2%	6.6%	12.4%
Income attributable to minority interests	1.8	0.2	2.7
Net income attributable to the Group (from operations to be continued)	99.4	102.5	250.8
Net income attributable to the Group % of revenues (from operations to be continued)	6.0%	6.6%	12.3%
Net income attributable to the Group, total	98.8	100.2	250.8
Depreciation, amortization and impairment	91.7	103.2	117.5
EBITDA (from operations to be continued)	282.6	290.2	535.9
EBITDA % of revenues	17.2%	18.6%	26.2%

Net Revenues

Comparison of net revenues for the financial years ended January 31, 2011 and January 31, 2010

Net revenues increased by 31.1% (24.2% at constant exchange rates) to € 2,046.7 million in the financial year ended January 31, 2011 from € 1,561.2 million in the financial year ended January 31, 2010. The increase was mainly due to the overall growth of the luxury goods industry, especially in Asia Pacific, greater tourist flows and stronger consumer desire for prestigious and exclusive goods, which led to a 21.9% increase in DOS sales on a like-for-like basis. Our overall strategy to expand our DOS network also contributed to the increase in net revenues. Our retail channel net sales increased 44% (34.6% at constant exchange rates). The revenue growth reflects the full year contribution of the 35 DOS added in the financial year ended January 31, 2010, as well as the partial contribution from the opening of 59 new DOS in the financial year ended January 31, 2011. Our wholesale channel sales also rebounded with a 9.4% growth (6.5% at constant exchange rates) as wholesale clients restocked their inventories to meet growing demand.

Comparison of net revenues for the financial years ended January 31, 2010 and January 31, 2009

Net revenues decreased by 5.0% (6.8% at constant exchange rates) to € 1,561.2 million in the financial year ended January 31, 2010 from € 1,643.6 million in the financial year ended January 31, 2009. The decrease was mainly due to the decrease in revenue from wholesale channel, partially offset by an increase in revenue from the retail channel. Our wholesale channel recorded a decrease of revenue of 26.4% compared to the previous year (26.6% at constant exchange rates) mainly due to the reduced orders of independent customers in the markets most affected by economic crisis, and in particular the US market. In contrast, our retail channel recorded a sales increase of 13.8% (10.6% at constant exchange rates), due in part to the full year contribution of the 34 DOS added in the financial year ended January 31, 2009 and the partial contribution of 35 new DOS added in the financial year ended January 31, 2010. After adjusting for the revenue growth due to the opening of new stores, sales on a like-for-like basis from our DOS network grew by 1.6% despite the challenging economic environment.

Net Sales by Distribution Network

We have two distribution channels: retail and wholesale. As at January 31, 2011, retail consisted of 319 DOS (including our 18 outlets), while wholesale includes approximately 1,400 independent clients (including luxury multi-brand stores, department stores and franchise stores). The following table sets forth our net sales by distribution channel and as a percentage of our net sales, for the periods indicated.

	Year Ended January 31,						
	2009		2010		2011		CAGR
	(€ in millions, except percentages)						
Retail	871.3	54.3%	991.5	64.8%	1,427.4	70.8%	28.0%
Wholesale	732.9	45.7%	539.1	35.2%	589.7	29.2%	(10.3)%
Total	1,604.2	100.0%	1,530.6	100.0%	2,017.1	100.0%	12.1%

Comparison of net sales by distribution network for the financial years ended January 31, 2011 and January 31, 2010

Net sales from the retail channel increased by 44% (34.6% at constant exchange rates) to € 1,427.4 million in the financial year ended January 31, 2011 from € 991.5 million in the financial year ended January 31, 2010 due to the recovery of consumer confidence, the related improvement in major economies, and the significant expansion of our DOS network. Net sales for the wholesale channel increased by 9.4% (6.5% at constant exchange rates) mainly as a result of the economic recovery in the US and the strong performance of the franchise business in Korea. The percentage of sales we generated from our retail channel increased to 70.8% in the financial year ended January 31, 2011 from 64.8% in the financial year ended January 31, 2010, in line with our strategy to increase our retail sales as a percentage of sales.

Comparison of net sales by distribution network for the financial years ended January 31, 2010 and January 31, 2009

Net sales from our retail channel increased by 13.8% (10.6% at constant exchange rates) to € 991.5 million in the financial year ended January 31, 2010 from € 871.3 million in the financial year ended January 31, 2009, due to the opening of new DOS in fast growing economies, such as China. Net sales for the wholesale channel decreased by 26.4% (26.6% at constant exchange rates) resulting from the contraction of orders in markets most affected by the economic crisis, in particular the US and to a lesser extent Europe. The percentage of sales from the retail channel increased to 64.8% in the financial year ended January 31, 2010 from 54.3% in the financial year ended January 31, 2009, in line with our strategy to increase retails sales as a percentage of net sales.

Like-for-like basis comparison of net sales from DOS

The following table sets forth the percentage change in our net sales from DOS on a like-for-like basis with constant exchange rates for the periods indicated.

	Year Ended January 31,	
	2010	2011
Prada	1.9%	24.5%
Miu Miu	2.7%	11.6%
Church's	(9.1)%	16.8%
Car Shoe	(25.7)%	(15.0)%
Total	1.6%	21.9%

Like-for-like comparisons allow us to compare the results of our DOS in operation from one year to the previous year. We compare the results for all of our DOS in operation for more than one year. The result of each DOS is calculated by using the actual comparable days of operation for the same DOS for the prior year (meaning only days in which the DOS was open in both years contribute to these results). We compare results using constant exchange rates to eliminate exchange rate fluctuations by applying the current year foreign exchange rates to the results for both the current year and the previous year.

On a like-for-like basis, our net sales from DOS increased by 21.9% for the financial year ended January 31, 2011 compared to the financial year ended January 31, 2010. This result was due to the strong performance for the full year for the financial year ended January 31, 2011, compared to the prior year, which had moderate results during the first half of the financial year ended January 31, 2010 as a result of the prevailing global financial crisis.

On a like-for-like basis, our net sales from DOS increased by 1.6% for the financial year ended January 31, 2010 compared to the financial year ended January 31, 2009. This result was due to strong performance during the second half of the financial year ended January 31, 2010, compared to the prior year, in which we experienced a strong first half followed by weak results for the second half of the year as the global financial crisis spread.

Net Sales by Brand

We sell our products under the Prada, Miu Miu, Church's and Car Shoe brands. Each brand operates independently, and we promote and sell through brand-specific sale channels. The following table sets forth the net sales by brand and the percentage contribution of each brand to our total net sales for the periods indicated.

	Year Ended January 31,						
	2009		2010		2011		CAGR
	(€ in millions, except percentages)						
Prada	1,265.6	78.9%	1,209.5	79.0%	1,586.8	78.7%	12.0%
Miu Miu	239.5	14.9%	252.3	16.5%	353.0	17.5%	21.4%
Church's	49.9	3.1%	43.6	2.8%	53.0	2.6%	3.1%
Car Shoe	34.3	2.1%	18.5	1.2%	17.9	0.9%	(27.7)%
Other[1]	14.8	0.9%	6.7	0.5%	6.2	0.3%	(35.2)%
Total	1,604.1	100.0%	1,530.6	100.0%	2,017.1	100.0%	12.1%

1 Other consists of outlet sales of dead stock from discontinued or sold brands, and revenue from production for third parties.

Comparison of net sales by brand for the financial years ended January 31, 2011 and January 31, 2010

Net sales of Prada increased by 31.2% (24.2% at constant exchange rates) to € 1,586.8 million in the financial year ended January 31, 2011 from € 1,209.5 million in the financial year ended January 31, 2010. This increase is mainly attributable to the 43.7% increase of the retail channel (34.4% at constant exchange rates) resulting from a 24.5% like-for-like growth, the full contribution of the 11 DOS net openings in the financial year ended January 31, 2010 and the 30 DOS net openings in the financial year ended January 31, 2011. Net sales of Miu Miu increased by 39.9% (31.5% at constant exchange rates) to € 353.0 million in the financial year ended January 31, 2011 from € 252.3 million in the financial year ended January 31, 2010. This increase is mainly attributable to the 49.1% increase of the retail channel (38.6% at constant exchange rates) coming from a 11.6% like-for-like growth, the full contribution of the 15 DOS net openings in financial year ended January 31, 2010 and the 20 DOS net openings in the financial year ended January 31, 2011. During the same period, Church's grew by 21.6% (18.3% at constant exchange rates) to € 53.0 million. This performance was due to the overall increase in consumer demand for luxury goods in line with the economic recovery as well as the contribution from new DOS sales. During the same period Car Shoe declined by 2.8% (a 3.7% decline at constant exchange rates) as a result of declines in our sales through the wholesale channel and because of Car Shoe's limited presence in fast-growing markets.

Comparison of net sales by brand for the financial years ended January 31, 2010 and January 31, 2009

Net sales of Prada decreased by 4.4% (6.3% at constant exchange rates) to € 1,209.5 million in the financial year ended January 31, 2010 from € 1,265.6 million in the financial year ended January 31, 2009. This result is attributable to the 24.1% decrease of the wholesale channel offset by the 11.5% increase of the retail channel (8.4% at constant exchange rates). The positive trend for retail came from a 1.9% like-for-like growth, the full contribution of the 12 DOS net openings in the financial year ended January 31, 2009 and the 11 net DOS openings in the financial year ended January 31, 2010.

Net sales of Miu Miu increased by 5.4% (2.0% at constant exchange rates) to € 252.3 million in the financial year ended January 31, 2010 from € 239.5 million in the financial year ended January 31, 2009. This result is attributable to the 33.4% increase of the retail channel (a 27.7% increase at constant exchange rates) which was partially offset by the 29.6% decrease of the wholesale channel. The positive trend for retail sales came from a 2.7% like-for-like growth, the full contribution of the 9 DOS net openings in the financial year ended January 31, 2009 and the 15 DOS net openings in the financial year ended January 31, 2010. Japan, in particular, showed significant growth of 6.2% at constant exchange rates.

During the year ended January 31, 2010, sales for Church's and Car Shoe decreased by 12.5% and 46.2%, respectively, as a result of the general negative trend of the wholesale channel and their inability to benefit from the geographical distribution of the other brands, as these brands had a smaller presence in the markets with higher growth rates such as Asia.

Net Sales by Geographic Areas

We are a multinational group that operates worldwide. The following table sets forth our net sales by geographic area for the periods indicated.

	Year Ended January 31,						
	2009		2010		2011		CAGR
	(€ in millions, except percentages)						
Italy	385.2	24.0%	330.0	21.6%	393.3	19.5%	1.0%
Rest of Europe	436.3	27.2%	373.0	24.4%	450.5	22.3%	1.6%
North America	290.0	18.1%	227.8	14.9%	294.9	14.6%	0.8%
Asia Pacific	282.7	17.6%	396.1	25.9%	645.7	32.0%	51.1%
Japan	186.8	11.6%	189.4	12.4%	220.9	11.0%	8.7%
Other countries	23.1	1.5%	14.2	0.8%	11.8	0.6%	(28.5)%
Total	1,604.1	100.0%	1,530.6	100.0%	2,017.1	100.0%	12.1%

Comparison of net sales by geographic area for the financial years ended January 31, 2011 and January 31, 2010

Italy

Net sales in Italy increased by 19.2% to € 393.3 million in the financial year ended January 31, 2011 from € 330.0 million in the year ended January 31, 2010. The increase in sales can be attributed in large part to the economic recovery and a rebound in consumer spending as well as increased sales from tourism resulting from a decline in the value of the Euro compared to the US dollar and Japanese Yen. Net sales from the retail channel increased by 39.6% due to 27.3% growth on a like-for-like basis and the 6 DOS net openings in the financial year ended January 31, 2011. Net sales from the wholesale channel also increased, growing by 6.0% during the financial year ended January 31, 2011 compared to the previous financial year.

Rest of Europe

In Europe, net sales increased by 20.8% (19.3% at constant exchange rates) to € 450.5 million in the financial year ended in January 31, 2011 from € 373.0 million in the financial year ended January 31, 2010. Sales from the retail channel grew by 41.9% (39.1% at constant exchange rates) reflecting a 19.9% like-for-like growth for the year ended January 31, 2011, the full contribution of the 10 DOS net openings in the financial year ended January 31, 2010 and the 15 DOS net openings in the financial year ended January 31, 2011. The wholesale channel experienced a slight decrease of 1% in net sales.

North America

This market benefited from the turnaround that began in late 2009 after the financial crisis of the previous two years that had severely eroded consumer spending power. Net sales increased by 29.5% (21.1% at constant exchange rates) in the financial year ended January 31, 2011 to € 294.9 million from € 227.8 million in the financial year ended January 31, 2010 as consumer confidence began to return. The wholesale channel showed a strong recovery during the financial year ended January 31, 2011. Orders from department stores picked up as the economy recovered resulting in an increase of 21.3% (13.0% at constant exchange rates) in net sales for the wholesale channel in the financial year ended January 31, 2011. Our retail channel in North America also recorded significantly better results with a 36.7% growth in net sales (28.3% at constant exchange rates) due to 15.3% growth on a like-for-like basis, and the contribution of the 13 DOS net openings in the financial year ended January 31, 2011.

Asia Pacific

The Asia Pacific region continued a trend of positive growth that we have experienced for several years, with growth of net sales of 63.0% (48.7% at constant exchange rates) to € 645.7 million in the financial year ended January 31, 2011 from € 396.1 million in the financial year ended January 31, 2010. The growth in sales was mainly driven by the performance of Greater China. The overall growth came from both existing DOS sales, which increased by 34.8% on a like-for-like basis (approximately 50% growth on a like-for-like basis for Greater China) and as a result of the full year contribution of the 15 DOS net openings in the region in the financial year ended January 31, 2010 and the 17 DOS net openings in the region during the financial year ended January 31, 2011. Our wholesale channel experienced strong performance with growth of 64.8% in the financial year ended January 31, 2011 due to the high growth in our sales in the franchise stores in Korea.

Japan

Net sales in Japan increased by 16.6% (2.5% at constant exchange rates) to € 220.9 million in the financial year ended January 31, 2011 from € 189.4 million the financial year ended January 31, 2010, and like-for-like sales decreased by 1.9% due in part to the strengthening of the Yen against the Euro and the stagnation of the Japanese economy.

Other Countries

In "other countries", such as Saudi Arabia, Lebanon and Israel, we operate only through independent clients. The decrease in net sales to € 11.8 million in the financial year ending January 31, 2011 from € 14.2 million in the financial year ended January 31, 2010 occurred mainly as a result of the discontinuation of the franchising agreement in Kuwait.

Comparison of net sales by geographic area for the financial years ended January 31, 2010 and January 31, 2009

Italy

Net sales in Italy decreased by 14.3% to € 330.0 million in the financial year ended January 31, 2010 from € 385.2 million in the year ended January 31, 2009 due to the effects of the economic downturn, which had a negative effect on domestic consumption and tourist traffic in Italy during the year. The retail channel in Italy experienced a decrease in sales of 5.3% (1.3% on a like-for-like basis) while sales through our wholesale channel decreased by 19.3%.

Rest of Europe

Net sales in Europe decreased by 14.5% (12.8% at constant exchange rates) to € 373.0 million in the financial year ended January 31, 2010 from € 436.3 million for the financial year ended January 31, 2009. In Rest of Europe, net sales from the wholesale channel decreased by 31.9% in the financial year ended January 31, 2010 compared to the financial year ended January 31, 2009, as a result of the general economic conditions affecting mainly independent wholesale clients, while the retail channel experienced a significant growth of 13.9% (18.0% at constant exchange rates), although sales were steady on a like-for-like basis. Our results for the financial year ended January 31, 2010 were also positively affected by 10 DOS net openings including debut openings in countries like the Czech Republic and Turkey, the full year sales contribution from 14 DOS net openings in the prior financial year and by the UK market which, for the second year in a row, showed a significant growth on a like-for-like basis.

North America

Net sales in North America decreased by 21.5% (24.2% at constant exchange rates) to € 227.8 million for the financial year ended January 31, 2010 from € 290.0 million in the financial year ended January 31, 2009. This was mainly due to the global financial crisis which had further eroded the spending power of consumers and consumer confidence. The wholesale channel declined significantly in the financial year ended January 31, 2010 compared to the financial year ended January 31, 2009. The drop in orders from department stores led to a decrease of 35.4% in net sales from the wholesale channel, approximately the same at constant exchange rates for the year ended January 31, 2010, mainly as the result of decreased consumer spending. Our retail channel showed slightly better results with only a 2.9% decline (a 6.5% decline at constant exchange rates and a 10.2% decrease on a like-for-like bases) in sales compared to the financial year ended January 31, 2009.

Asia Pacific

Asia Pacific continued a positive growth trend with 40.1% growth (37.8% at constant exchange rates) of net sales to € 396.1 million in the financial year ended January 31, 2010 from € 282.7 million in the financial year ended January 31, 2009, mainly driven by strong sales in Greater China and South Korea. The increase can be attributed to the 18.1% revenue growth on a like-for-like basis and the full year contribution of the 8 DOS net openings during the financial year ended January 31, 2009 and the 15 DOS net openings during the financial year ended January 31, 2010 in the region.

Japan

The Japanese market remained stagnant in the financial year ended January 31, 2010, with sales amounting to € 189.4 million, representing an increase of 1.4% (a 10.4% decrease at constant exchange rates) over the financial year ended January 31, 2009. Our performance was partially mitigated by strong sales of Miu Miu's products, which grew 6.2% at constant exchange rates and 2.7% on a like-for-like basis.

Other Countries

In "Other countries" we operate only through independent customers or franchising contracts. The decrease in net sales in the financial year ended January 31, 2010 was mainly attributable to the discontinuation of a wholesale distributor relationship in the United Arab Emirates.

Net Sales by Product Lines

The following table sets forth the net revenues of the Group by product line, and the percentage of net sales attributable to each product for the periods indicated.

	Year Ended January 31,						
	2009		2010		2011		CAGR
	(€ in millions, except percentages)						
Leather goods	634.1	39.5%	711.6	46.5%	1,013.6	50.3%	26.4%
Ready-to-wear	470.8	29.4%	396.4	25.9%	483.6	24.0%	1.3%
Footwear	488.4	30.4%	410.5	26.8%	503.1	24.9%	1.5%
Other[(1)]	10.8	0.7%	12.0	0.8%	16.8	0.8%	24.4%
Total	1,604.1	100.0%	1,530.6	100.0%	2,017.1	100.0%	12.1%

(1) Other includes sales for mainly eyewear and fragrances.

Comparison of net sales by product line for the financial years ended January 31, 2011 and January 31, 2010

Net sales of leather goods increased by 42.4% to € 1,013.6 million in the financial year ended January 31, 2011 from € 711.6 million in the financial year ended January 31, 2010 as sales continued to grow more rapidly than for other product lines. Growth in leather goods sales was driven by the strong growth of our retail channel in Asia Pacific, where leather goods are the most significant part of our product sales mix. Net sales of ready-to-wear increased by 22.0% to € 483.6 million in the financial year ended January 31, 2011 from € 396.4 million in the financial year ended January 31, 2010. The increase was mainly due to a strong recovery in the economy as well as the significant expansion of our retail channel. Net sales of footwear increased by 22.6% to € 503.1 million in the financial year ended January 31, 2011 from € 410.5 million in the prior financial year mainly profiting from the performance of Prada and Miu Miu.

Comparison of net sales by product line for the financial years ended January 31, 2010 and January 31, 2009

Despite an overall decline in our net sales, sales of leather goods increased by 12.2% to € 711.6 million in the financial year ended January 31, 2010 compared to the prior financial year because our losses in the wholesale channel were less relevant to our sales of leather goods. Net sales of ready-to-wear decreased by 15.8% to € 396.4 million in the financial year ended January 31, 2010 from

€ 470.8 million in the financial year ended January 31, 2009, mainly as a result of weak sales in the wholesale channel. Net sales of footwear decreased by 15.9% to € 410.5 million in the financial year ended January 31, 2010 from € 488.4 million in the prior financial year also due to weakness in sales through our wholesale channel.

Royalties

Royalties are paid by licensees on sales of eyewear, fragrances, mobile phones and under franchise agreements for use of trademarks. The following table sets forth our royalty income for the licensed products for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
	(€ in millions)		
Eyewear	27.7	23.2	24.0
Fragrances	5.1	3.8	3.6
Mobile phones	4.1	1.7	—
Franchise agreements	2.3	1.6	1.7
Other[(1)]	0.3	0.4	0.2
Total	39.5	30.7	29.6

(1) Other consists of income from neckties and socks for Church's.

Comparison of royalties for the financial years ended January 31, 2011 and January 31, 2010

Revenue from royalties decreased by 3.5% to € 29.6 million in the financial year ended January 31, 2011 compared to the € 30.7 million in the financial year ended January 31, 2010. These results reflected a slight increase in sales for eyewear and a slight decrease in sales for fragrances and the expiration of the mobile phones licensing agreement of the prior year.

Comparison of royalties for the financial years ended January 31, 2010 and January 31, 2009

Revenue from royalties decreased by 22.3% to € 30.7 million in the financial year ended January 31, 2010, compared to € 39.5 million in the financial year ended January 31, 2009. The decline in revenues was mainly due to a decline in the sales of eyewear and fragrances resulting from poor market conditions and the expiration of our mobile phone licensing arrangement in December, 2009. We also saw a decline in royalties generated from signage licensing fees because of lower franchise sales.

Cost of Goods Sold

Comparison of cost of goods sold for the financial years ended January 31, 2011 and January 31, 2010

Cost of goods sold was € 658.8 million in the financial year ended January 31, 2011 compared to € 586.6 million in the financial year ended January 31, 2010, with cost of goods sold as a percentage of net revenues dropping to 32.2% in the financial year ended January 31, 2011 from 37.6% in the financial year ended January 31, 2010. This decrease was due to the greater contribution made by the retail channel which increased by 44% in the year ended January 31, 2011, an increase in unit margins and a more favorable ratio of full price sales to sales at promotional prices. Depreciation and amortization of industrial assets were € 8.0 million in the financial year ended January 31, 2011 and € 7.4 million in the financial year ended January 31, 2010.

Comparison of cost of goods sold for the financial years ended January 31, 2010 and January 31, 2009

Cost of goods sold was € 586.6 million in the financial year ended January 31, 2010 compared to € 690.5 million in the financial year ended January 31, 2009, with cost of goods sold as a percentage of revenues dropping to 37.6% from 42.0% of net revenues with a reduction of 15% compared to the 5% decrease of net revenues. The decrease in cost of goods sold between the financial year ended January 31, 2010 and the prior year was due to different sales channel and market mixes, in particular the 13.8% growth of the retail channel compared to 26.4% decline of the wholesale channel which in turn led to lower volumes, as well as a continuous process of rationalization of the production platform relating to a decrease in the costs of raw material and transformation costs.

Gross margin

Comparison of gross margin for the financial years ended January 31, 2011 and January 31, 2010

Gross profit amounted to € 1,387.9 million in the financial year ended January 31, 2011 compared to € 974.7 million in the year ended January 31, 2010 with the gross margin of 67.8% of net revenues, compared to 62.4% in the previous year, mainly as a result of the drivers highlighted in the discussion of cost of goods sold above.

Comparison of gross margin for the financial years ended January 31, 2010 and January 31, 2009

Our gross margin improved during the period, despite a decline in total revenues for the foregoing reasons. Gross profit amounted to € 974.7 million in the financial year ended January 31, 2010 compared to € 953.1 million in the prior financial year with the gross margin at 62.4% of net revenues, compared to 58.0% in the prior financial year, mainly boosted by an increase in the percentage of sales coming from our retail channel compared to that of our wholesale channel.

Operating expenses

Comparison of financial years ended January 31, 2011 and January 31, 2010

Operating expenses in the financial year ended January 31, 2011 increased by 23.1% (17.0% at constant exchange rate), to € 969.5 million from € 787.6 million in the financial year ended January 31, 2010; as a percentage of net revenue they decreased to 47.4% from 50.4%. Operating expenses are divided into four categories: product and development expenses, advertising and promotion expenses, selling expenses and general and administration expenses. The increase for these expenses is mainly due to the expansion of the DOS network, while the 3% decline as a percentage of net revenues comes from gains related to economies of scale. As a result of the expansion of our DOS network, depreciation, amortization and impairment adjustments for both tangible and intangible fixed assets rose to € 109.5 million in the financial year ended January 31, 2011 from € 95.8 million in the prior financial year; personnel expenses, excluding industrial employees, rose to € 303.5 million from € 258.7 million in the prior financial year; fixed rents rose to € 148.8 million in the financial year ended January 31, 2011 from € 118.0 million in the prior financial year; and variable rents rose to € 140.5 million from € 94.0 million in the prior financial year.

Product and development expenses

Product and development expenses, primarily consisting of labor costs and to a lesser extent the materials used for the production of prototypes and samples, in the financial year ended January 31, 2011 were almost constant at € 97.2 million, compared to € 96.8 million for the financial year ended January 31, 2010. Product and development expenses as a percentage of net revenues declined from 6.2% in the financial year ended January 31, 2010 to 4.7% in the financial year ended January 31, 2011 mainly due to efficiencies gained from economies of scale.

Advertising and promotion expenses

Advertising and promotion expenses in the financial year ended January 31, 2011 increased by 12.3% (9.0% at constant exchange rates) to € 85.1 million from € 75.8 million in the financial year ended January 31, 2010. Compared to the previous year, these expenses increased significantly which is mainly due to incremental spending for media press.

Selling expenses

Selling expenses increased by 32.6% (24.0% at constant exchange rates) to € 642.5 million in the financial year ended January 31, 2011, compared to € 484.6 million in the financial year ended January 31, 2010. The increase is the result of our expansion of the DOS network both in terms of the 59 stores opened during the financial year ended January 31, 2011 and the carry over effect from the stores opened in the previous year. Selling expenses as a percentage of net revenues remained stable at about 31%. Within selling expenses, labor costs increased at a relatively lower rate as more expansion took place in lower wage countries while rental expenses increased at higher rate due to the variable rent increases.

General and administration

General and administration expenses increased by 11.0% (8.1% at constant exchange rates) to € 144.7 million in the financial year ended January 31, 2011 from € 130.4 million in the financial year ended January 31, 2010. Within general and administration expenses, we experienced increases in labor costs, consultancy costs, recruiting expenses associated with the economic recovery and increase in DOS openings, and miscellaneous one time expenses and other costs. Despite the increase in absolute amount, mainly due to an increase in expenses related to the business expansion, general and administration expenses as a percentage of net revenues decreased from 8.4% to 7.1% due to efficiency of scale.

Comparison of operating expenses for the financial years ended January 31, 2010 and January 31, 2009

Operating expenses in the financial year ended January 31, 2010 increased by 3.3% to € 787.6 million, from € 762.1 million in the year ended January 31, 2009 primarily due to the impact of exchange rates, although operating expenses as a percentage of net revenues rose to 50.4% from 46.4%, offsetting the improvement in gross margin. Operating expenses remained substantially stable despite the 35 DOS openings during the year and the carry over expenses from the 34 stores opened during the financial year ended January 31, 2009, largely as a result of the cost control program we started in the second half of 2008 to compensate for the negative effects from the worldwide economic downturn. Depreciation, amortization and impairment adjustments for both tangible and intangible fixed assets rose to € 95.8 million in the financial year ended January 31, 2010 from € 84.6 million in the prior financial year; personnel expenses, excluding industrial employees, rose to € 258.7 million from € 250.5 million in the prior financial year; fixed rents rose to € 118.0 million in the financial year ended January 31, 2010 from € 109.3 million in the prior financial year; and variable rents rose to € 94.0 million from € 70.7 million in the prior financial year.

Product and development expenses

Product and development expenses were € 96.8 million in the financial year ended January 31, 2010 compared to € 88.2 million in the prior financial year. The increase in these expenses was due to higher tax relief on research activities in the financial year ended January 31, 2009 compared to year ended January 31, 2010, as well as an increase in labor costs.

Advertising and promotion expenses

Advertising and promotion expenses recorded a significant decrease totaling € 75.8 million in the financial year ended January 31, 2010 compared to € 99.5 million in the financial year ended January 31, 2009, due to a decrease in media spending as a result of the economic crisis, which allowed us to renegotiate advertising rates at significant discounts and a strategic choice to favor non-conventional forms of communication such as the Prada Transformer project in Seoul, Korea and the publication of the "Prada book".

Selling expenses

Selling expenses increased by 13.2% (9.7% at constant exchange rates), to € 484.6 million in the financial year ended January 31, 2010 compared to € 428.1 million in the financial year ended January 31, 2009. The increase, mainly from rents, depreciation and labor costs, came as a result of the 35 DOS openings during the year and the full year expenses associated with the 34 DOS opened during the financial year ended January 31, 2009 and was partially offset by the cost reduction measures that were implemented.

General and administration

General and administration expenses decreased by 10.9% (11.9% at constant exchange rates) to € 130.4 million in the financial year ended January 31, 2010, from the € 146.3 million in the financial year ended January 31, 2009. This decrease in general and administration expenses is due in large part to a review of business processes aimed at cost containment that we started in the second half of 2008 to compensate for the negative effects of the financial crisis on our profitability that resulted in a general reduction of costs across the board and a reduction in labor costs and consultant expenses.

Net Income

The table below sets forth certain income statement information for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
	(€ in millions)		
EBITDA from operations to be continued	**282.6**	**290.2**	**535.9**
Depreciation, amortization and impairment	**(91.7)**	**(103.2)**	**(117.5)**
EBIT	**191.0**	**187.0**	**418.4**
Financial charges	**(37.1)**	**(31.9)**	**(30.2)**
Taxes	**(52.6)**	**(52.5)**	**(134.7)**
Minority interests	**(1.8)**	**(0.2)**	**(2.7)**
Discontinued operations	**(0.6)**	**(2.3)**	**—**
Net income	**98.8**	**100.2**	**250.8**

Comparison of net income for the financial years ended January 31, 2011 and January 31, 2010

Our net income increased by 150.4% to € 250.8 million in the financial year ended January 31, 2011 from € 100.2 million in the year ended January 31, 2010. This result is mainly due to the improvement of our EBITDA from continuing operations that rose to € 535.9 million for the financial year ended January 31, 2011 from € 290.2 million in the prior financial year; and as a percentage of net revenues EBITDA increased to 26.2% from 18.6% due to the reasons discussed above. Depreciation, amortization and impairment charges, as shown in the table above, increased primarily as a result of our continued retail network expansion. EBIT, which amounted to € 418.4 million in the financial year ended January 31, 2011, showed a strong increase compared to the € 187.0 million in the year ended January 31, 2010, due to the economic recovery and a rebound in consumer confidence. Financial charges, which amounted to € 30.2 million in the financial year ended January 31, 2011, showed a slight decrease due to exchange gains and losses differences in the two years.

Comparison of net income for the financial years ended January 31, 2010 and January 31, 2009

Our net income in the financial year ended January 31, 2010 was slightly higher at € 100.2 million compared to € 98.8 million in the prior financial year. The increase was mainly due to an increase in EBITDA and lower financial charges, which were partially offset by the higher depreciation and amortization charges. Financial charges declined to € 31.9 million from € 37.1 million largely as the result of our lower outstanding finances and refinancing at lower interest rates. Depreciation, amortization and impairment grew to € 103.2 million compared to € 91.7 million in the prior financial year. EBIT declined to € 187.0 million for the financial year ended January 31, 2010 from € 191.0 million in the financial year ended January 31, 2009, primarily as a result of the challenging economic environment and weakness in the wholesale channel.

EBITDA

The table below sets forth the EBITDA percentage and net revenues by brand for the periods indicated.

	Year Ended January 31,					
	2009		2010		2011	
	(€ in millions, except percentages)					
	Net Revenues	EBITDA %	Net Revenues	EBITDA %	Net Revenues	EBITDA %
Prada	1,302.4	19.2%	1,238.1	20.2%	1,614.8	28.1%
Miu Miu	241.9	12.5%	254.0	16.5%	354.5	21.8%
Church's	50.0	2.7%	43.8	2.4%	53.1	12.7%
Car Shoe	34.3	6.7%	18.5	(10.4)%	17.9	(11.1)%
Other	15.1	(10.8)%	6.9	(10.0)%	6.3	2.4%
Total	1,643.6	17.2%	1,561.2	18.6%	2,046.7	26.2%

Comparison of EBITDA for the financial years ended January 31, 2011 and January 31, 2010

Our EBITDA from continuing operations rose to € 535.9 million for the financial year ended January 31, 2011 from € 290.2 million in the prior financial year. As a percentage of net revenues the EBITDA margin increased to 26.2% from 18.6%.

EBITDA as a percentage of revenues for Prada in the year ended January 31, 2011 increased to 28.1% of net revenues from 20.2% for the year ended January 31, 2010. This result is mainly due to an increase in gross margin coming from a more favorable channel mix as the percentage of sales from DOS grew from 64.4% to 70.6%, a more favorable geographical mix as sales increased more on a relative basis in countries where gross margins tend to be higher, increased unit margins and the above mentioned change in the markdown policy, together with economies of scale for selling and general expenses.

EBITDA as a percentage of revenues for Miu Miu increased for the year ended January 31, 2011 to 21.8% of net revenues from 16.5% for the year ended January 31, 2010. This result is mainly due to the increased gross margin, coming from a more favorable distribution channel mix as the percentage of sales from DOS grew from 70.3% to 74.9%, a more favorable geographical mix as sales increased more on a relative basis in countries where gross margins tend to be higher, increased unit margins and the change in the markdown policy.

EBITDA as a percentage of revenues for Church's increased as a percentage of net revenues to 12.7% from 2.4% for the year ended January 31, 2010 primarily due to significant gross margin growth due to the renovation of the Northampton factory in the second half of 2008, which increased the capacity of the facility and allowed us to gain efficiency as sales volumes rebounded after the economic downturn which resulted in lower unit production costs. In addition, we had significant gains as a result of economies of scale as selling expenses and general expenses declined as a percentage of net sales.

EBITDA for Car Shoe as a percentage of revenues continued to decline to -11.1% of net revenues for the year ended January 31, 2011 from -10.4% for the year ended January 31, 2010 as slow sales did not generate enough revenues to offset fixed costs.

Comparison of EBITDA for the financial years ended January 31, 2010 and January 31, 2009

EBITDA from continuing operations in the financial year ended January 31, 2010 rose to € 290.2 million from € 282.6 million in the year ended January 31, 2009, representing an increase as a percentage of revenues from 17.2% to 18.6%.

EBITDA for Prada as a percentage of revenues increased in the year ended January 31, 2010 to 20.2% of net revenues from 19.2% in the year ended January 31, 2009. This result was mainly due to increased gross margin, coming from a more favorable channel mix as the percentage of sales from DOS grew dramatically from 55.2% to 64.4%, a more favorable geographical mix as sales increased more on a relative basis in countries where gross margins tend to be higher, partially offset by the higher percentage of general and selling expenses of net revenues.

EBITDA for Miu Miu as a percentage of revenues increased in the year ended January 31, 2010 to 16.5% of net revenues from 12.5% in the year ended January 31, 2009. This result was mainly due to increased gross margin, coming from a more favorable channel mix as the percentage of sales from DOS grew from 55.5% to 70.3%, a more favorable geographical mix as sales increased more on a relative basis in countries where gross margins tend to be higher, slightly offset by the higher percentage of general and selling expenses of net revenues.

EBITDA for Church's declined slightly as a percentage of revenues to 2.4% of net revenues in the year ended January 31, 2010 from 2.7% in the year ended January 31, 2009 primarily due to declining sales volumes, particularly in the wholesale channel caused by the economic downturn.

EBITDA for Car Shoe was similarly affected by the economic downturn and as a percentage of revenues declined to -10.4% of net revenues in the year ended January 31, 2011 from 6.7% in the year ended January 31, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements arise primarily from the need to make capital investments, meet our debt service requirements and to fund our working capital.

Our principal sources of funds are cash flows from operations, as well as term loan facilities and revolving loan facilities described below. As at January 31, 2011, we had €96.6 million cash and cash equivalents.

Our liquidity position is monitored centrally at PRADA S.p.A. The main instruments for monitoring liquidity are the daily bank reports for each company and the monthly consolidated liquidity report, which is based on a one-month actual and three-month rolling cash forecast for each operating unit, which includes each unit's expected future cash flows and funding needs. According to our guidelines, each Group company manages the collection of receivables payments to be made in the ordinary course of business. Our corporate finance department is responsible for optimizing management of financial resources and reports to our Chief Financial Officer. Specific considerations in determining our appropriate cash position include our forecast for working capital, capital expenditure needs and our liquidity ratios. We also aim to maintain a certain level of excess cash to meet unexpected circumstances.

In the opinion of our Directors, based on past performance and current expectations, our liquidity position, expected cash flow from operations, the expected proceeds from the Global Offering and available credit lines are sufficient to support currently planned business operations, commitments and other contractual obligations for the next twelve months from the date of this prospectus, and we have sufficient working capital for our present requirements and our requirements for the next twelve months from the date of this prospectus. Our Directors confirm that we did not experience any liquidity shortage during the three years ended January 31, 2011.

As at January 31, 2011 we had cash and cash equivalents of € 96.6 million. Further, we had unused and available credit lines totaling € 440.6 million (€ 254.3 million at January 31, 2010 and € 302.5 million at January 31, 2009). The large increase comes from a reduction of outstanding balances on existing facilities, as well as refinancing of certain outstanding bank loans.

As at April 30, 2011 we had cash and cash equivalents of € 114.6 million, and had unused and available credit lines totaling € 441.7 million.

Cash Flow

The following table summarizes our cash flow activities for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
		(€ in millions)	
Cash flows generated from operations, net	165.9	279.9	367.7
Cash flow generated (used) by investing activities	(152.1)	(142.1)	(191.6)
Cash flow generated (used) by financing activity	(16.4)	(125.1)	(169.3)
Change in cash and cash equivalents, net of bank overdraft	(2.6)	12.7	6.8
Exchange differences	7.3	(3.3)	3.5
Closing cash and cash equivalents, net of bank overdraft	59.9	69.2	79.5

Consolidated Cash Flow from Operating Activities

Our cash flow from operating activities in the financial year ended January 31, 2011 was € 367.7 million, 31.4% higher than in the prior financial year. The increase was mainly due to the increase in profits before taxes to € 388.2 million in the financial year ended January 31, 2011 from € 155.2 million in the financial year ended January 31, 2010, which was partly offset by higher taxes paid in the amount of € 90.2 million in the financial year ended January 31, 2011 compared to € 39.4 million for financial year ended January 31, 2010, and higher outflows in the working capital and the other non-current assets and liabilities.

Our cash flow from operating activities in the financial year ended January 31, 2010 was € 279.9 million, 68.7% higher than the € 165.9 million of net cash flow in the financial year ended January 31, 2009. The increase was due to the lower payments of taxes of € 39.4 million for the financial year ended January 31, 2010 compared to the € 98.1 million paid in the financial year ended January 31, 2009, the lower amount of interest paid in the amount of € 21.2 million in the financial year ended January 31, 2010 compared to the € 35.4 million paid for the financial year ended January 31, 2009, and the positive effects on the net working capital.

Cash Flow Used in Investing Activities

Our cash flow used in investing activities amounted to € 191.6 million in the financial year ended January 31, 2011, compared with € 142.1 million for the financial year ended January 31, 2010. Our cash flow for the purchase of assets, comprised of purchases of property, plant and equipment, such as prepaid land lease payments and fixtures used at our stores, increased to € 187.6 million from € 132.8 million in the previous financial year.

Our cash flow used in investing activities amounted to € 142.1 million in the financial year ended January 31, 2010, compared with € 152.1 million in the financial year ended January 31, 2009. Our cash flow for the purchase of assets, comprised of purchases of property, plant and equipment, such as prepaid land lease payments and fixtures used at our stores, decreased to € 132.8 million from € 144.3 million in the previous financial year.

Cash Flow Used in Financing Activities

Our cash flow used in financing activities amounted to € 169.3 million in the financial year ended January 31, 2011 compared with € 125.1 million of cash flow used in financing activities for the financial year ended January 31, 2010. The change was mainly due to the higher repayments in the short-term portion of long-term borrowings to € 179.7 million from € 114.6 million, to a decrease in short-term borrowings to € 201.8 million compared with an increase of € 38.5 million partially offset by the increase in proceeds from long-term borrowings to € 307.3 million in the financial year ended January 31, 2011 from € 23.0 million in the financial year ended 31 January 2009. In addition we paid dividends to the shareholders € 58.8 million in the financial year ended January 31, 2011 compared to € 47.8 million paid in the previous year.

Our cash flow used in financing activities amounted to € 125.1 million in the financial year ended January 31, 2010 compared with € 16.4 million of cash flow used in financing activities for the financial year ended January 31, 2009. The change was mainly due to the payment of dividends to shareholders in the amount of € 47.8 million in the financial year ended January 31, 2010 from nil in the financial year ended January 31, 2009, and to a lower use of short-term borrowings to € 38.5 million from € 94.7 million.

Capital Expenditures

The following table sets forth our capital expenditures by nature for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
	(€ in millions)		
Land and buildings*	17.6	2.2	10.5
Plant and production machinery	6.8	5.9	7.6
Leasehold improvements	61.9	65.7	83.2
Furniture and fittings*	22.8	19.2	26.4
Other tangible assets (construction in progress included)	31.3	27.1	70.4
Intangible assets	18.8	12.3	8.8
Goodwill	0.0	2.1	0.0
Total	159.2	134.5	206.9

* The amounts exclude additions of fixed assets arising from acquisitions of subsidiaries during the Track Record Period as detailed in the Accountants' Report set forth in Appendix I to this prospectus.

The following table sets forth our capital expenditures by destination for the periods indicated.

	Year Ended January 31,					
	2009		2010		2011	
	(€ in millions, except percentages)					
Retail	112.0	70.4%	109.6	81.5%	153.7	74.3%
Industrial & logistics	37.4	23.5%	15.7	11.7%	28.4	13.7%
Corporate	9.8	6.1%	9.2	6.8%	24.8	12.0%
Total	159.2	100%	134.5	100%	206.9	100%

During the Track Record Period the most significant portion of our capital expenditures were attributable to the expansion of our retail network. Investments related to our DOS equaled € 375.3 million, or approximately 75% of the total € 500.6 million of capital expenditures made during the Track Record Period.

Comparison of capital expenditures for the financial years ended January 31, 2011 and January 31, 2010

Retail capital expenditures increased to € 153.7 million in the financial year ended January 31, 2011 from € 109.6 million in the financial year ended January 31, 2010. These expenditures, which consist primarily of investments related to the opening of new DOS as well as the expansion and renovation of existing stores, increased primarily due to an increase to 59 DOS openings in the financial year ended January 31, 2011 from 35 DOS openings in the financial year ending January 31, 2010. The increase in leasehold improvement related expenditures to € 83.2 million from € 65.7 million in the prior financial year, in furniture and fittings expenditures to € 26.4 million from € 19.2 million in the prior financial year and in other tangible assets (construction in progress included) to € 70.4 million from € 27.1 million in the prior financial year were the categories of expenditures most effected by our retail expansion efforts. The capital expenditure for land and buildings increased to € 10.5 million in the financial year January 31, 2011 from € 2.2 million in the financial year ended January 31, 2010 due to the purchase and refurbishment costs of a footwear production facility in Tuscany, Italy. The increase in plant and production machinery expenditures to € 7.6 million from € 5.9 million in the prior financial year was primarily related to the purchase of footwear molds and other equipment for production.

Comparison of capital expenditures for the financial years ended January 31, 2010 and January 31, 2009

Retail capital expenditures decreased slightly to € 109.6 million in the financial year ended January 31, 2010 from € 112.0 million in the financial year ended January 31, 2009. These expenditures consisted primarily of investments related to the opening of 35 new DOS during the financial year ended January 31, 2010, and were largely in line with the retail expenditures related to the opening of 34 new DOS during the financial year ended January 31, 2009. Leasehold improvement related expenditures increased to € 65.7 million from € 61.9 million in the prior financial year, while expenditures on furniture and fittings dropped to € 19.2 million from € 22.8 million* in the prior financial year and expenditures on other tangible assets (construction in progress included) dropped to € 27.1 million from € 31.3 million in the prior financial year. Capital expenditure for land and buildings decreased significantly to € 2.2 million in the financial year January 31, 2010 from € 17.6 million* in the financial year ended January 31, 2009 during which the Group purchased

* The amounts exclude additions of fixed assets arising from acquisitions of subsidiaries during the Track Record Period as detailed in the Accountants' Report set forth in Appendix I to this prospectus.

property in Tuscany, Italy for office and design laboratories. Capital expenditures for plant and production machinery declined to € 5.9 million from € 6.8 million in the prior financial year as costs related to the purchase of footwear molds and other production equipment declined.

Financial Liabilities and Contractual Obligations

The following table sets forth the contractual obligations, commercial commitments and principal payments which we were obligated to make as at January 31, 2011 for the periods indicated. The timing of these payments is based on our best estimate of the contractual maturities of the obligations. The timing of the payments may differ significantly from the actual maturity of these obligations.

	As at January 31, 2011			
	Up to 1 Year	Up to 5 Years	Over 5 Years	Total
	(€ in millions) (unaudited)			
Liabilities to banks	195.8	305.5	0.0	501.3
Financial leases	5.0	2.5	0.0	7.5
Other interest bearing debt	0.8	0.0	0.0	0.8
Operating lease	198.5	660.4	535.8	1,394.7
Capital expenditure contractual obligation	30.2	12.3	0.0	42.5
Total contractual obligations	430.3	980.7	535.8	1,946.8

The table above does not include provisions, prepayments received on orders, trade amounts payable and certain other current liabilities, such as liabilities for personnel and social security payments and tax liabilities associated with the normal course of our business activity, and accruals. Provisions to pension funds for post employment benefits as at January 31, 2011 amounted to € 29.9 million. Annual cash contributions to pension funds for post employment benefits amounted to approximately € 5.8 million in the financial year ended January 31, 2011. We expect to fund our capital expenditures and contractual obligations through our cash flows from operations.

Off-balance Sheets Items

We currently have no material off-balance sheet obligations.

Net Working Capital and Net Current Assets

We define net working capital as trade receivables, inventories and other current assets less trade payables and other current liabilities. The following table sets forth our net working capital and net current assets for the periods indicated.

	As at January 31,			As at April 30,
	2009	2010	2011	2011
		(€ in millions)		(€ in millions) (unaudited)
Current assets				
Cash and cash equivalents	86.9	98.6	96.6	114.6
Trade receivable, net	250.5	224.2	274.2	211.0
Inventories	251.2	231.5	280.4	338.7
Derivative financial instruments	3.4	0.2	7.4	22.0
Amounts due from parent company, a jointly controlled entity and related parties *	22.3	56.4	36.3	4.2
Other current assets	130.5	74.7	70.2	99.2
Assets held for sales	1.4	1.4	4.9	—
Total current assets	746.2	687.0	770.0	789.7
Current liabilities				
Bank overdrafts and short-terms loans	366.5	459.3	194.2	186.9
Amounts due to parent company, a jointly controlled entity and related parties *	3.2	5.6	1.1	0.7
Other shareholder's loan	0.5	0.5	0.6	0.6
Trade payables	230.5	196.4	233.9	260.9
Current tax liabilities	33.9	62.2	107.6	105.6
Derivative financial instruments	21.3	9.3	5.3	3.1
Obligations under finance leases	3.4	5.5	5.0	4.0
Other current liabilities	93.4	90.7	111.5	100.9
Total current liabilities	752.8	829.6	659.2	662.7
Net current (liabilities) assets	(6.5)	(142.6)	110.9	127.0
Net working capital	308.3	243.3	279.4	287.1

* During the Track Record Period, our Group has entered into transactions with related parties. Please see Note 9 and Note 17 under "Notes to the Financial Information" in Appendix I to this prospectus for more information. The Directors are of the view that all of the related party transactions were conducted on arm's length bases, on normal commercial terms and in the ordinary course of business of the Group.

Comparison of net working capital as at January 31, 2011 and January 31, 2010

Our net working capital increased by 14.8% to € 279.4 million as at January 31, 2011 from € 243.3 million as at January 31, 2010. The change was due to an increase in trade receivables and inventories, partially offset by an increase in trade payables and an increase in the negative balance of other current assets/liabilities. The changes in inventories, trade receivables and trade payables are consistent with the higher volumes of production necessary to supply our expanded DOS network and with the growth of our business in general. The increase in trade receivables is also due to the one-off effect of the expiration, during the period, of the trade receivables securitization program (approximately € 38 million) which was terminated on January 19, 2010. The higher negative balance of other current assets/liabilities is mainly due to an increase in payables for capital expenditure and payables for short-term benefits for employees (both included in "other current liabilities"). Payables for capital expenditure increased from € 28.2 million as at January 31, 2010 to € 41.1 million as at January 31, 2011. Payables for benefits to employees, which mainly include accruals for wages, salaries and bonuses, increased from € 26.5 million as at January 31, 2010 to € 32.8 million as at January 31, 2011 mainly due to the increased average number of employees.

Comparison of net current (liabilities) assets as at January 31, 2011 and January 31, 2010

Our net current (liabilities) assets increased to € 110.9 million as at January 31, 2011 from (€ 142.6 million) as at January 31 2010. This was largely a result of the refinancing of the € 129 million term loan and a revolving loan of € 80 million with a new term loan and revolving credit facility of € 360 million, which increased our long-term debt from € 111.4 million as at January 31, 2010 to € 303.4 million as at January 31, 2011, and decreased our bank overdrafts and short-term loans from € 459.3 million as at January 31 2010 to € 194.2 million as at January 31, 2011.

Comparison of net working capital as at January 31, 2010 and January 31, 2009

Our net working capital decreased by 21.1% from € 308.3 million as at January 31, 2009 to € 243.3 million as at January 31, 2010. This decrease was mainly due to a reduction in trade receivables and inventories, which was partially offset by a decrease in trade payables and other current payables. The decrease in trade receivables and trade payables is due to the decrease in sales volumes from the wholesale channel. The reduction in inventories was the result of a strong focus on finished product inventories management started already in 2008. The decrease of the balance of other current assets/liabilities, which was positive for € 37.1 million as at January 31, 2009 and negative for € 16.0 million as at January 31, 2010, was mainly due to the decrease in receivables for VAT and other taxes, which was € 18.6 million as at January 31, 2010 compared with € 66.9 million as at January 31, 2009.

Comparison of net current (liabilities) assets as at January 31, 2010 and January 31, 2009

Our net current liabilities increased to € 142.6 million as at January 31, 2010 from € 6.5 million as at January 31, 2009, primarily due to the reclassification of a syndicated term loan of € 129 million repayable in July 2010 as short-term debt for the financial year ended January 31, 2010 from long term debt for the financial year ended January 31, 2009.

Trade Receivables, Average Inventory and Trade Payable Turnover Days

The following table sets forth our turnover days of trade receivables, average inventory turnover days and turnover days of trade payables for the periods indicated.

	Year Ended January 31,		
	2009	2010	2011
Turnover days of trade receivables[(1)]	54	55	44
Average inventory turnover days [(2)]	139	148	140
Turnover days of trade payables[(3)]	84	84	67

(1) Turnover days of trade receivables equal to average trade receivables (trade receivables balance at beginning of the year plus trade receivables balance at the end of the year divided by two) divided by total net revenues and multiplied by 360.

(2) Average inventory turnover days equal to average inventory (inventory at beginning of the year plus inventory at the end of the year divided by two) divided by cost of goods sold and multiplied by 360.

(3) Turnover days of trade payables equal to average trade payables (trade payables balance at beginning of the year plus trade payables balance at the end of the year divided by two) divided by total purchases and multiplied by 360. We use total purchases rather than cost of goods sold as our cost of goods sold does not take into account certain relevant distribution and general administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.

During the Track Record Period, turnover of trade receivables decreased by 10 days, from 54 days in the financial year ended January 31, 2009 to 44 days in the financial year ended January 31, 2011. This reduction was mainly due to the increase of the proportion of retail sales in our total revenues. In the same period, average inventory turnover days remained substantially stable despite the growth of sales. Turnover days of trade payables decreased by 17 days, from 84 days in the financial year ended January 31, 2009 to 67 days in the financial year ended January 31, 2011 mainly because of the increased weight of rents, which had shorter terms of payments, in our total operating expenses as we expanded our DOS network.

Net Financial Position

On January 31, 2011, we had a net financial position of € 375.4 million, as compared to € 434.1 million on January 31, 2010 and € 537.3 million on January 31, 2009. As at April 30, 2011, our net financial position was € 375.0 million. Net financial position is a non-GAAP measure widely used by Italian financial institutions and securities analysts to assess a company's liquidity and the adequacy of its financial structure. The following table sets forth our indebtedness and net financial position for the periods indicated.

	As at January 31,			As at April 30,
	2009	2010	2011	2011
		(€ in millions)		(€ in millions) (unaudited)
Long-term debt	264.0	111.4	303.4	297.4
Obligations under finance leases	7.7	7.7	2.5	2.1
Total long-term financial debt	271.7	119.1	305.9	299.5
Bank overdrafts and short-term loans	366.5	459.3	194.2	186.9
Financial payables to parent company, a jointly controlled entity and related parties	2.8	2.8	0.3	0.2
Other shareholders' loans	0.5	0.5	0.6	0.6
Obligations under finance leases	3.4	5.5	5.0	4.0
Total short-term financial debt	373.2	468.1	200.1	191.7
Provision for contingencies and commitments	14.1	13.1	52.7	50.5
Total indebtedness	659.0	600.3	558.7	541.7
Total financial debt	644.9	587.2	506.0	491.2
Financial receivables from parent company, a jointly controlled entity and related parties	(20.7)	(54.5)	(34.0)	(1.7)
Cash and cash equivalents	(86.9)	(98.6)	(96.6)	(114.6)
Net financial position	537.4	434.2	375.4	375.0

Our total net financial position as at January 31, 2011 was € 375.4 million, down from € 434.2 million over the previous year. The cash flow generated from the current operations (€ 367.7 million) fully financed investments for the period (€ 191.6 million) and, after having distributed dividends to shareholders of our Company (€ 111.0 million), allowed for a substantial reduction in our net indebtedness. We expect that we will be able to repay the short-term loans as at April 30, 2011 using our cash flows from current operations and without utilizing any of our available credit lines.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since April 30, 2011.

The following table sets forth our gearing ratio for the periods indicated.

	As at January 31,		
	2009	2010	2011
	(€ in millions)		
Net financial position	537.4	434.2	375.4
Owner's equity	1,003.1	1,047.9	1,204.4
Gearing ratio	0.54	0.41	0.31

We define the gearing ratio as the ratio of net financial position to owner's equity. During the Track Record Period, the gearing ratio progressively improved from 0.54 as at January 31, 2009 to 0.31 as at January 31, 2011. This improvement was due to the strong results in term of cash flow generated by current operations and net profits, which then reduced our financial indebtedness and increased owner's equity.

The year-end average interest rates for the bank overdrafts, short-term debt and long-term debt (including interest rate swaps) are as follows.

	Year Ended January 31,		
	2009	2010	2011
Bank overdraft/short-term/current portion of long-term bank debt	3.18%	2.05%	2.44%
Long-term bank debt	3.94%	4.36%	2.93%

Contingent Liabilities and Guarantees

We have contingent liabilities with respect to our credit facilities and other matters arising in the ordinary course of our business. We may issue a guarantee when a credit facility is extended to one of our subsidiaries. See "— Credit Facilities" below for further information.

We are subject to litigation claims and tax disputes arising in the ordinary course of our business. See Note 23 of the Accountants' Report in Appendix I to this prospectus. It is not anticipated that any material liabilities will arise from our contingent liabilities.

Other than as disclosed above and apart from intra-group liabilities and normal trade payables, as at April 30, 2011, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Credit Facilities

The vast majority of our credit facilities are extended directly to our Company, and when a credit line is extended to one of our subsidiaries, we often issue a guarantee or a letter of comfort.

Generally we use medium-to-long-term committed credit facilities to meet our financial needs consisting of fixed investments as well as short-term committed and uncommitted credit lines to cover the variable elements of our financial needs, and in particular our working capital requirements. Our medium-to-long-term credit facilities are typically subject to certain restrictive covenants and conditions (see the descriptions below for the key covenants of the specific facilities). Throughout the Track Record Period and as of the Latest Practicable Date, we have been in compliance with the covenants and conditions of all our credit facilities and there has been no delay in the repayment of any bank and other borrowings.

As at April 30, 2011, our total credit facilities amounted to € 932.8 million, among which € 441.7 million were unutilized and available credit facilities. As at April 30, 2011, our primary credit facilities are as follows:

July 12, 2010 Term Loan and Revolving Facility — € 360 Million

On July 12, 2010, we entered into a loan agreement with a group of seven banks (Banca Monte dei Paschi di Siena, Crédit Agricole Corporate and Investment Bank, HSBC, Intesa Sanpaolo, Mizuho, Natixis, UniCredit S.p.A. (formerly known as UniCredit Corporate Banking S.p.A.)). This agreement comprises of (i) a term loan for € 260 million, repayable from July 2011 in four equal semi-annual installments in the amount of € 40 million plus a final repayment of € 100 million, and (ii) a revolving loan of € 100 million. The loan maturity date is July 27, 2013. We used the funds from the term loan to refinance existing indebtedness, in particular the Euro-denominated outstanding portion, equaling € 209 million, of the syndicated loan obtained in 2005 (described below under "Other Bank Agreements"). We use the funds from the revolving loan to finance working capital and other general corporate needs.

The term and revolving loans bear an EURIBOR interest rate plus a margin. The loans are subject to certain restrictive covenants which are based on the consolidated financial statements of our Group. These covenants include (i) a minimum amount for consolidated net worth, which shall not be less than € 650 million; (ii) a maximum level of the ratio of total net bank borrowings to EBITDA, which shall not exceed 2.5 at the year end (3 for the half-year period); and (iii) a minimum level for the ratio of EBITDA to net financial interests, which shall be higher than 4.

May 29, 2007 Term Facility — € 30 Million (UniCredit)

On May 29, 2007, we signed a long-term € 30 million credit facility with UniCredit S.p.A. (formerly Banca di Roma S.p.A.). This facility is repayable in four installments. The first installment of € 6 million was paid in November 2010 and two additional € 6 million payments are due in May 2011 and November 2011. A final payment of € 12 million is due in May 2012. Pursuant to the agreement we may exercise, within 60 days before the expiry date a "term out" option to extend the loan term by two years. Should we exercise this option, the remaining € 12 million amount of the facility may be repaid in five equal six-month installments. Should we exercise this option, we would be subject to a fee of 0.10% on the total outstanding amount of the loan.

The loan bears a three or six-month EURIBOR interest rate plus a margin. The loan is subject to certain restrictive covenants based on the consolidated financial statements of our Group. These covenants include (i) a maximum level for the ratio of total consolidated net borrowings to EBITDA of 3.5 and (ii) a minimum level for the ratio of EBITDA to net financial charges that shall not be lower than 4.0.

May 29, 2007 Term Facility — € 30 Million (Intesa Sanpaolo)

On May 29, 2007, we signed a € 30 million long-term loan agreement with Intesa Sanpaolo. The loan is repayable in eight equal semi-annual installments starting in December 2010 (the first installment has been paid). The final maturity is in June 2014. The purpose of the loan is to partially refinance a previous loan of British Pounds 52.4 million.

The loan bears a three or six-month EURIBOR interest rate plus a margin. The loan is subject to certain restrictive covenants based on the consolidated financial statements of our Group. These covenants require (i) a minimum amount of consolidated net worth that shall not be less than € 320 million; (ii) a maximum level for the ratio of total consolidated net borrowings to EBITDA of 3.5 (3.75 for the half-year period); and (iii) a minimum level for the ratio of EBITDA to net financial charges that shall not be lower than 4.0.

July 31, 2008 Mortgage Loan Agreement — up to € 20 Million

On July 31, 2008, Cassa di Risparmio di Parma e Piacenza SpA granted us a seven year mortgage loan for a maximum amount of € 20 million, disbursable based on the progress of works on a property located in Tuscany, Italy. On January 18, 2010 the amortization schedule was amended although the final maturity remains the original, June 30, 2015. Pursuant to this amendment there are seven semi-annual equal installments of € 2.86 million (if the loan is used up to its maximum amount) starting in December 2012. This mortgage loan bears a six month EURIBOR interest rate plus 95 basis points.

April 3, 2009 Mortgage Loan Agreement — US$22 Million

On April 3, 2009, our subsidiary Post Development Corp. and Sovereign Bank signed a five-year mortgage loan agreement. According to the terms of the loan, a total amount of US$3.3 million is to be paid in 59 monthly installments, beginning in June 2009 and ending in April 2014, with the remaining US$18.7

million to be paid in a bullet repayment in May 2014. The loan is secured by a mortgage on Prada USA Corporation's head office in New York and guaranteed by Prada USA Corp. The mortgage loan bears a one-month LIBOR interest rate plus 300 basis points.

The loan is subject to certain restrictive covenants that are based on the financial statements of Prada USA Corp. and Post Development Corp. These covenants include a debt service coverage ratio requirement on Post Development Corp. of not less than 1:1, and a debt service coverage ratio requirement on Prada USA Corp. of not less than 1.25:1.00.

September 28, 2010 Term Loan Facility — RMB 170 Million

On September 28, 2010, Prada Fashion Commerce (Shanghai) Company Limited and Mizuho Corporate Bank (China) Ltd. signed a committed term loan facility for RMB 170.0 million. The maturity date of the loan is September 28, 2013. The purpose of this facility is to finance fixed assets. The facility has two tranches: Tranche A is available for utilization for nine months after September 28, 2010, and Tranche B is available from January 15, 2011 until September 15, 2011. The Tranche A amount of RMB 120.0 million is repayable in four equal semi-annual installments starting in March 2012 and ending in September 2013. The Tranche B amount of RMB 50.0 million is repayable in four quarterly installments starting in December 2012 and ending in September 2013. The applicable interest rate is equal to 100% of the base interest rate published by People's Bank of China.

To secure this facility we have released a corporate guaranty in favor of the lender.

September 28, 2010 Syndicated Credit Facility — JPY 6 Billion

On September 28, 2010, Prada Japan Co., Ltd signed a syndicated loan agreement with Mizuho Bank Ltd and Bank of Tokyo-Mitsubishi UFJ. This agreement is comprised of a term loan for JPY 4 billion, repayable starting in January 2012 in three equal semi-annual installments in the amount of JPY 400 million plus a final repayment of JPY 2.8 billion in July 2013, and a committed revolving credit line for JPY 2 billion expiring in July 2011.

The term loan bears a six-month TIBOR interest rate plus a margin of 1.10%, whereas the committed credit line, if utilized, bears a TIBOR interest rate 1 week or 1, 2, 3, 4, 5 or 6 month (according to the interest period chosen) plus a margin of 0.825%.

The syndicate loan is subject to certain restrictive covenants which are based on the financial statements of Prada Japan Co. Ltd. In particular, its ordinary income shall not be negative for two consecutive years and its net assets shall be more than 80% of the amount of net assets as at January 31, 2010.

To secure this facility we have released a corporate guaranty in favor of the lenders.

Qualitative Disclosure about Market Risk

We are exposed to various market risks, in particular interest rate and currency risks. Our primary strategy in managing these risks is to establish equilibrium between our assets and liabilities, and to reduce the negative impact that sharp and unexpected market movements could have on our financial position. The following is a description of the principal market risks that we face:

Interest Rate Risk

We usually borrow at floating rates and therefore are exposed to interest rate risk. Our net profit is affected by changes in interest rates due to the effect such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. Generally we undertake medium and long-term financial debt to support our general corporate activities, including capital expenditures. Current financial needs, based on working capital, which are by nature variable in terms of amount and duration, are met by using short-term loans and short-term credit lines. Our interest rate exposure is concentrated mainly in PRADA S.p.A., and to a lesser degree in Prada Japan Co., Ltd. and in Post Development Corp. Our subsidiaries are not allowed to conduct autonomous financing activities with external financial institutions except as required and/or authorized by the corporate finance department.

We manage interest rate risk by entering into short-term and medium-term interest rate swap agreements and collars as cash flow hedges on future interest payments, with the economic effect of converting borrowings from floating rates to fixed rates or to a negotiated range of rates. Current portions of long-term loans and debenture are represented by fixed interest rate loans at 96% in the financial year ended January 31, 2011 (84% in 2010) and floating interest rate loans at 4% in the financial year ended 2010 (16% in the financial year ended 2009). For detailed information on interest rates on long-term loans and hedging contracts, see Note 16 and Note 8 under "Notes to the Financial Information" in Appendix I to this prospectus. For a sensitivity analysis relating to the interest rate risk, see Note 12 under "Notes to the Financial Information" in Appendix I to this prospectus.

Our guidelines for the management of interest rate risk require us to hedge at least 50% of our total outstanding medium and long-term loans by switching from floating to fixed rates. Short-term financial debt is not usually hedged. The hedge percentage of the long-term loans can be lower than 50% of the exposure if particular market conditions in terms of interest rate level and hedge cost exist, subject to the approval of our Chief Financial Officer ("**CFO**"). As at January 31, 2011 long-term loans were represented by fixed interest rate loans at 80% (81% as at January 31, 2010) and floating interest loans at 20% (19% as at January 31, 2010).

The corporate finance department coordinates and executes, directly or through the subsidiaries' administration department, hedging transactions in order to minimize risks connected to interest rate fluctuations based on specific guidelines. The corporate finance department monitors the exposure to interest rate risks and prepares a monthly report for our CFO and Deputy Chairman, pointing out the outstanding interest rate hedging contracts and their fair value.

All of our interest rate derivative contracts are with large financial institutions rated as strong investment grade by a major rating agency. Our management believes the risk of default under these hedging contracts is remote, and in any event would not be material to the consolidated financial results. Our hedging policy prohibits speculative transactions.

As at January 31, 2011 the notional amounts of interest rate derivatives contracts are as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date
IRS	Euro/000	260,000	1.511%	26/07/2013
IRS	Euro/000	26,250	1.5450%	02/06/2014
IRS	Euro/000	24,000	1.7450%	29/05/2012
IRS	Euro/000	5,400	2.21%	01/07/2015
IRS	Euro/000	8,750	3.5%	01/08/2012
IRS	USD/000	20,988	5.7%	01/05/2014

Foreign Exchange Risk Management

We are an international group, and therefore we are exposed to exchange rate risk which can affect revenues, costs, margins and profits.

We are exposed to the exchange rate transaction risk, mainly with respect to the distribution and sale of our products. Furthermore we are exposed to the exchange rate translation risk because we prepare consolidated financial statements in Euro, but many of our foreign subsidiaries report in currencies other than Euro. For that reason if exchange rate movements cause changes in the Euro value of items that have been incurred or recorded by these subsidiaries, we may record changes in the translation reserve in the consolidated equity as well as changes in the translation of the results of such non-Euro subsidiaries.

During the financial year ended January 31, 2011, approximately 35% of our total net sales were denominated in Euro, approximately 40% in US dollars or in currencies pegged to the US dollars, and approximately 10% in Japanese

Yen. As our operations and production are primarily in Italy, a major portion of the costs of our production and purchases are denominated in Euro, our reporting currency. Approximately 62% of our total costs (cost of goods sold and operating expenses) incurred in the financial year ended January 31, 2011 were denominated in Euro, about 20% were denominated in US dollars or in currencies pegged to the US dollars, and about 9% in Japanese Yen. In addition, as at January 31, 2011, approximately 13% of our cash and cash equivalents were denominated in Euro, approximately 57% in US dollars or in currencies pegged to US dollars and about 13% in Japanese Yen and approximately 78% our financial debt was denominated in Euro, approximately 6% in US dollars or in currencies pegged to US dollars and about 15% in Japanese Yen. For a sensitivity analysis on our exposure to the foreign exchange risk, see the section headed "Exchange rate risk" under Note 8 of the Accountants' Report in Appendix I to this prospectus.

In order to hedge the transactions exchange risk, we enter into derivatives contracts to ensure the value in Euro (or in other currencies of the various Group companies) of identified expected cash flows. Such expected future cash flows mainly consist of the collection of trade receivables and the payment of trade payables. As joint-company loans, the exposure in foreign currency of the notional amount, lent or borrowed, is generally hedged through forward contracts.

Our corporate finance department is responsible for managing our hedging activities and follows strict procedures for the management of exchange rate risk. This department monitors exposure to this risk in reference to cash flow budgets and historical cash flows, and enters into hedging transactions in order to minimize the effect of foreign exchange movements on our cash flows. On a monthly basis, this office reviews current and forecasted exposures, and prepares a report to the Group CFO and the Deputy Chairman outlining the amount of the exposures, the amount of the derivatives contracts, the exchange rates hedged, the profit and loss on the expired hedging contracts and the fair value of the outstanding hedging contracts.

As a matter of policy, we only enter into contracts with counterparties that are major financial institutions. Our management believes that the risk of default under these hedging contracts is remote, and in any event would not be material to the consolidated financial results. We do not use derivative financial instruments for speculative purposes.

According to our existing guidelines for the management of exchange rate risk, at the end of each financial year we must hedge at least 80% of the net cash flows expected for the following financial year. With prior authorization of the corporate finance director and of our Group CFO, we may reduce the minimum hedging percentage to 50%. The maximum maturity of our hedging contracts is 18 months, but with prior authorization from the corporate finance director and our Group CFO we can extend it to a maximum period of 24 months.

As at January 31, 2011 the notional amounts countervailing in Euro of derivatives contracts designated as cash hedges were as follows:

Currency	Options	Forward Sale Contracts	Forward Purchase Contracts	Total as at January 31, 2011
		(€ in thousands)		
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

Counterparty Risk

Credit risk arises from the potential failure of a counterparty to meet its contractual obligations. We are exposed to counterparty risk primarily in connection with commercial transactions as well as with financing transactions. Our Group manages the credit risks by monitoring the reliability and solvency of customers. We believe we do not have a significant concentration of credit risk because we maintain adequate allowances for potential credit losses and as at January 31, 2010 and we did not have any material concentration of business with any particular customer.

Commodities Price Risk

We are not exposed to significant commodities price risk because raw materials costs represent a low percentage of our cost of goods sold and have an insignificant impact on our sales margins.

DIVIDENDS AND DIVIDEND POLICY

Dividends Paid by PRADA S.p.A.

During the financial year ended January 31, 2009, we did not pay any dividend.

During the financial year ended January 31, 2010, we distributed a dividend of €0.191 per share*, representing a total dividend of €47.8 million. The dividend was paid on September 30, 2009.

* The one-for-ten share split approved by our shareholders' meeting on May 26, 2011 as detailed in Appendix V to this prospectus has not been taken into account.

During the financial year ended January 31, 2011, at our shareholders' meeting on April 28, 2010 our shareholders approved a distribution of € 0.32 per share*, representing a total dividend of € 80.0 million. This dividend was paid on July 27, 2010 for an amount of € 27.9 million and on the same date an amount of € 52.1 million was offset against a receivable owed to us by Prada Holding B.V., our controlling shareholder. In addition, the shareholders' meeting on January 27, 2011 approved a distribution of € 0.124 per share*, representing a total dividend of € 31.0 million which was entirely paid on the same date. Furthermore, at our shareholders' meeting on March 28, 2011 our shareholders approved a distribution of € 0.14 per share*, representing a total dividend of € 35.0 million to be paid by June 30, 2011. This dividend was paid on April 29, 2011 for an amount of € 2.5 million and on the same date an amount of € 32.5 million was offset against a receivable owed to us by Prada Holding B.V., our controlling shareholder.

Dividends Policy

We may distribute dividends subject to the approval of our shareholders in the ordinary shareholders' meeting. The amount of any future dividend payments we may make will depend upon our strategy, future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors, including applicable provisions of Italian law and our By-laws. In addition, our controlling shareholder will be able to influence our dividend policy.

According to Italian law, we may pay dividends out of our actual annual net profits in the balance sheet that has been approved by our shareholders in the ordinary shareholders' meeting, after setting aside a portion not lower than 5% of the annual net profits to a non-distributable reserve until this reserve is equal to 20% of the share capital of our Company. As at January 31, 2009, 2010 and 2011, our legal reserve amounted to approximately € 6.9 million, € 6.9 million and € 9.9 million, respectively, and they are accounted for as retained earnings in our Group's financial statements. As at January 31, 2011, our Company had distributable reserves of € 361.9 million, not including our Company's profit for the year ended January 31, 2011 which is distributable only after approval by our shareholders in the ordinary shareholders' meeting in accordance with Italian law.

Cash dividends on our Shares, if any, will be paid in Euro, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to shareholders resident in Hong Kong.

Please see the sections headed "F. Summary of Main Italian Tax Aspects Relevant to Shareholders of the Company — 1. Dividends Payments" in Appendix IV to this prospectus for information on the tax treatments on dividends paid by our Company to our shareholders.

* The one-for-ten share split approved by our shareholders' meeting on May 26, 2011 as detailed in Appendix V to this prospectus has not been taken into account.

PROFIT FORECAST

We estimate that, on the bases set out in "Appendix III — Profit Forecast" in this prospectus, the forecast of the consolidated profit attributable to the owners of our Company for the six months ending July 31, 2011 is unlikely to be less than € 150.7 million (HK$1,710.4 million).[1] The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us and are based on the assumptions set out in Appendix III to this prospectus.

INTERIM REPORT

In accordance with Rule 11.18 of the Listing Rules, our Company's interim report for the six months ending July 31, 2011 will be audited if our Shares are listed on the Hong Kong Stock Exchange.

UNAUDITED PRO FORMA FORECAST BASIC EARNINGS PER SHARE

On the assumption that the Global Offering and the one-for-ten share split as detailed in Appendix V to this prospectus had been completed on February 1, 2011 and a total of 2,558,824,000 Shares were in issue (being the number of Shares expected to be in issue immediately after completion of the Global Offering), our unaudited pro forma forecast basic earnings per Share for the six months ending July 31, 2011 is unlikely to be less than € 0.0589 (approximately HK$0.6684).[1]

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of the adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as if it had taken place on January 31, 2011.

1. This figure was converted from Euro at the exchange rate of € 1.00 = HK$11.35 as at June 3, 2011.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Group as at January 31, 2011 or any future date following the Global Offering. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' report in Appendix I of this prospectus.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at January 31, 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets value per Share	
	(Note 1)	(Note 2)		(Note 3)	(Note 5)
	€ '000	€ '000	€ '000	€	HK$
Based on an Offer Price of HK$36.50 per Offer Share	335,231	185,445	520,676	0.20	2.31
Based on an Offer Price of HK$48.00 per Offer Share	335,231	244,326	579,557	0.23	2.57

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at January 31, 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at January 31, 2011, of € 1,204.4 million less the intangible assets of the Group as at January 31, 2011 of approximately € 869.1 million.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Prices of HK$36.50 (equivalent to € 3.22) and HK$48.00 (equivalent to € 4.23) per Offer Share, respectively (after deducting the underwriting fees and other related expenses). For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars has been converted into Euro at the rate of € 1.00 to HK$11.35. No representation is made that the Euro amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 in the preceding paragraph and on the basis that 2,558,824,000 Shares were in issue assuming that the Global Offering and the one-for-ten share split as detailed in Appendix V to this prospectus had been completed on January 31, 2011.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transaction of the Group entered into subsequent to January 31, 2011. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the payment of dividend of € 35 million which was approved by the shareholders' meeting on March 28, 2011.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Euro are converted into Hong Kong dollars at the rate of €1.00 to HK$11.35. No representation is made that the Euro amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since January 31, 2011 (being the date to which our Company's latest consolidated audited financial results were prepared) and there is no event since January 31, 2011 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under the Listing Rules 13.13 to 13.19.