PRADA

MILANO

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Separate Financial Statements 2011

PRADA spa
(Hong Kong Stock code: 1913)

Separate Financial Statements 2011

Index

Patrizio Bertelli

Miuccia Prada

Corporate Information

Corporate Information

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

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

Financial Review

Introduction

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

The Company's main activities are as follows:

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

The report of the Board of Directors refers to PRADA spa (the "Company"), operational holding company of the PRADA Group. It is based on the Separate Financial Statements at January 2012 (financial year 2011), as prepared in accordance with IFRS adopted by the European Union. The Financial review should be read together with the Financial statements and the Explanatory notes which form an integral part of the Separate Financial Statements.

2011 highlights

In 2011, the PRADA Group successfully pursued its strategy of growth on the worldwide luxury goods market, combining one of the highest sales growth in the sector with a further, significant increase in profitability. The expansion program has led to the opening of 75 new stores across 17 different countries, including Russia and the United Arab Emirates for the first time.

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

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

(amounts in thousands of Euro)	January 31 2012	%	January 31 2011	%
Net sales	1,501,788	100.0%	1,215,911	100.0%
Cost of goods sold	(717,728)	-47.8%	(645,586)	-53.1%
Gross margin	784,061	52.2%	570,325	46.9%
Operating expenses	(446,248)	-29.7%	(362,071)	-29.8%
Interest and other financial income (expenses), net	6,557	0.4%	4,334	0.4%
Profit before tax	344,369	22.9%	212,588	17.5%
Income tax	(105,370)	-7.0%	(89,812)	-7.4%
Net income for the year	238,999	15.9%	122,776	10.1%
ROE	29.54%		15.54%	
ROI	23.60%		16.04%	
ROS	22.49%		17.13%	
Depreciation, amortization and impairment	20,328	1.4%	20,711	1.7%
EBIT	337,813	22.5%	208,254	17.1%
EBITDA	358,141	23.8%	228,965	18.8%

Net revenues for the twelve months ended January 31, 2012 totaled Euro 1,501.8 million, 23.5% more than the Euro 1,215.9 million recorded the previous year. The increase was driven by the retail channel thanks to the opening of new DOS and like-for-like growth by existing stores.

EBITDA for the year amounted to Euro 358.1 million with a 56.4% increase on 2010. Sales growth led to a significant improvement in EBITDA as a percentage of net revenues – it rose from 18.8% in 2010 to 23.8% in 2011. The improved profitability was largely thanks to an excellent performance in terms of gross margin as a result of the higher volume of sales and economies of scale achieved in relation to fixed costs.

The increase in operating expenses is partially due to an increase in royalties expenses and a Euro 23.6 million increase in advertising and communications costs.

Net financial income totaled Euro 6.6 million and mainly comprised the following income and expenses:

- dividend income of Euro 31.8 million;
- impairment loss on investments of Euro 3.8 million;
- net exchange losses of Euro 8.3 million;
- net interest expenses of Euro 11.5 million.

Net income for the year amounted to Euro 239 million, 94.7% more than that recorded in prior year, and represented 15.9% of net sales (10.1% in 2010).

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

Analysis of the statement of financial position

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Non-current assets	1,175,872	1,116,904
Current assets excluding financial assets	777,038	657,637
Current liabilities excluding financial liabilities	469,413	413,742
Net working capital	307,625	243,895
Long-term liabilities, including deferred taxation	11,237	13,028
Employee benefits	17,778	20,400
Provisions for risks	23,204	28,906
Net invested capital	1,431,278	1,298,464
Shareholders' equity	1,212,250	809,052
Long-term financial payables	135,984	235,783
Short-term financial payables (net of cash and cash equivalents)	83,044	253,630
Net financial indebtedness	219,028	489,413
Shareholders' equity and net financial indebtedness	1,431,278	1,298,464
Ratios		
Net financial indebtedness/Shareholders' equity	0.18	0.60
Current assets/Current liabilities	1.66	1.59

Net invested capital increased by Euro 132.8 million (10.2%), because of increases in both net working capital and non-current assets. Net financial indebtedness decreased by Euro 270.4 million while shareholders' equity increased thanks to net income for the year of Euro 239 million and the capital of Euro 206.6 million raised by the IPO on the Main Board of Hong Kong Stock Exchange.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Property, plant and equipment	218,972	166,352
Intangible assets	93,926	91,634
Investments in subsidiaries and associated undertakings	828,927	825,230
Deferred tax assets	32,295	30,320
Other non-current assets	1,751	1,229
Derivative financial instruments, non-current	-	2,140
Total non-current assets	1,175,872	1,116,904
Percentage of tangible assets already depreciated	0.55	0.50

Property, plant and equipment and Intangible assets showed a net increase of around Euro 54.9 million. Details of capital expenditure for the period are provided in Notes 8 and 9.

Investments in subsidiaries and associated undertakings recorded a net increase of Euro 3.7 million, mainly because of share capital increases by PRADA Rus llc and PRADA Middle East fzco, as highlighted in Note 10.

The following table contains a breakdown of Net working capital.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade receivables	539,783	478,899
Inventories	185,857	130,145
Trade payables	(345,785)	(309,929)
Net operating working capital	379,855	299,115
Derivative financial instruments	(11,917)	2,484
Other receivables from parent, subsidiary, associated companies and related parties	4,930	2,190
Other current assets	22,328	21,734
Assets held for sale	-	4,948
Current tax receivables (payables)	(19,079)	(30,534)
Other liabilities to parent, subsidiary, associated companies and related parties	(4,160)	(8,564)
Other current liabilities	(64,331)	(47,478)
Net working capital	307,625	243,895

The overall increase of Euro 63.7 million is due to a Euro 80.7 million increase in net operating working capital and a Euro 16.9 increase in net other current liabilities. In particular, payables for investments increased from Euro 9.5 million to Euro 17.3 million.

The increase in net operating working capital is due to increases in trade receivables (+Euro 60.9 million) and inventories (+Euro 55.7 million). These increases were partially offset by the increase in net trade payables (+Euro 35.9 million).

Net financial position

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Long term debt, net of current portion	134,902	233,694
Obligations under financial leases	1,081	2,089
Long term financial debt	135,984	235,783
Bank overdraft and short term loans	112,470	149,956
Financial payables to the parent company, subsidiaries, associates and related parties	282,357	288,775
Financial receivables from the parent company, subsidiaries, associates and related parties	(198,198)	(184,233)
Obligations under financial leases	1,002	2,819
Cash and cash equivalents	(114,587)	(3,686)
Short term financial debt	83,044	253,630
Net financial debt	219,028	489,413
Net financial debt, net of parent company and other Group companies	134,869	384,871

As at January 31, 2012, the net financial position showed net financial indebtedness of Euro 134.9 million, Euro 250 million less than at January 31, 2011.

As shown in the Statement of cash flows, cash flows from operating activities amounted to Euro 143.6 million and wholly funded all investing activities for the period (Euro 38.3 million) as well as permitting a marked reduction in net indebtedness.

The dividends of Euro 35 million were settled by offsetting Euro 32.5 million of receivables due from parent company PRADA Holding bv and through cash payments of Euro 2.5 million.

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

Policy on hedging of financial risks

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

Research and development

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

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

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

Collection design expenses are partially deferred to the subsequent period during which sales of the products take place.

Relationships and transactions with related parties

Information on relationships and transactions with related parties is provided in Note 2.

Treasury stock

As at January 31, 2012, the Company did not hold any treasury stock.

Personal data protection policy document

In compliance with the provisions of Legislative Decree no 196/2003 "Personal data protection code", PRADA spa has adopted and updated a Personal Data Protection Policy Document.

Significant events during the year

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

Events after the reporting period

In February 2012, the Company purchased the last two buildings subject to a commitment signed with third parties in 2010 for the purchase of properties situated in Italy and already used by the Company in its production activities.

Outlook for 2012

The results reported for 2011 confirm the Company's ability to achieve strong growth while continuing to become more profitable.

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

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

Proposed allocation of net income for the year

The Board of Directors proposes that the net income for the period of Euro 238,998,883 be allocated as follows:

- Euro 11,949,944 to the Legal reserve;
- Euro 127,941,200 to the shareholders as dividends;
- Euro 99,107,739 to Retained earnings.

The Chief Executive Officer

Patrizio Bertelli

Milan, March 29, 2012

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices and fulfilling its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards with the aim of establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Code on Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code during the period from the time of its listing on June 24, 2011 to January 31, 2012 (the "Reviewed Period"). This Corporate Governance Report summarises how the Company has applied the principles and implemented the code provisions contained in the Code throughout the Reviewed Period.

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Specific written confirmations have been obtained from each Director to confirm compliance with the Model Code throughout the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

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

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which four are Executive Directors, two are Non-executive Directors and three are Independent Non-executive Directors. All Directors have distinguished themselves in their field of expertise and advised the Board in the area of their specialty, relevant to the Group's business activities and strategic development.

b. Board Meetings

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

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

c. Board Attendance

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

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

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

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

d. Roles and Responsibilities

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

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

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

e. Independent Non-executive Directors

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

f. Liability Insurance for the Directors

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

Chairperson and Chief Executive Officer

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

Appointment of Directors

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

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

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

Board committees

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

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

a. Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process, internal control and risk management system, to oversee the external audit process and the internal audit process carried out by the internal audit department of the Company and to perform other duties and responsibilities as assigned to the Audit Committee by the Board.

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

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

External Auditor's Remuneration

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

	Euro in million
Audit fees	**0.6**

b. Remuneration Committee

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

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

Remuneration Policy

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

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

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

c. Nomination Committee

The Company established a separate Nomination Committee on March 29, 2012 to comply with the new Code on Corporate Governance Practices (to be renamed the Corporate Governance Code), which will take effect on April 1, 2012. According to its terms of reference, the primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-executive Directors. The Nomination Committee consists of two Independent Non-executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Non-executive Director, Mr. Marco Salomoni.

d. Supervisory Body

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

Board of statutory auditors

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

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

Directors' responsibility and auditors' responsibility for financial statements

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

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

Internal control

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

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

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

Investor relations and communications

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

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

Financial Statements

Statement of financial position

(amounts in Euro)	Note	January 31 2012	January 31 2011
Assets			
Current assets			
Cash and cash equivalents	1	114,587,104	3,686,275
Trade receivables, net	2	539,782,714	478,899,006
Inventories	3	185,857,302	130,144,855
Derivative financial instruments	4	893,992	7,367,688
Receivables from parent company, subsidiaries, associates and related parties	5	203,128,112	186,423,401
Other current assets	6	45,574,008	34,088,018
Assets held for sale	7	-	4,947,800
Total current assets		1,089,823,233	845,557,043
Non-current assets			
Property, plant and equipment	8	218,972,373	166,351,513
Intangible assets	9	93,926,322	91,633,941
Investments in subsidiaries and associated undertakings	10	828,927,287	825,229,842
Deferred tax assets	27	32,295,019	30,319,746
Other non-current assets	11	1,750,729	1,228,986
Derivative financial instruments - non current	4	-	2,139,868
Total non-current assets		1,175,871,730	1,116,903,895
Total Assets		2,265,694,963	1,962,460,939
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	12	112,470,106	149,955,618
Financial and other payables to parent company, subsidiaries, associates and related parties	13	286,516,757	297,338,578
Trade payables	14	345,785,292	309,928,720
Current tax liabilities	15	42,325,291	42,888,629
Derivative financial instruments	4	12,810,986	4,883,374
Obligations under financial leases	16	1,002,328	2,819,194
Other current liabilities	17	64,330,809	47,477,508
Total current liabilities		865,241,569	855,291,620
Non-current liabilities			
Long-term debt, net of current portion	18	134,902,489	233,693,683
Obligations under financial leases	16	1,081,216	2,089,110
Employee benefits	19	17,777,867	20,399,753
Provisions	20	23,204,147	28,906,446
Deferred tax liabilities	27	9,492,379	12,261,079
Other non-current liabilities	21	1,410,181	736,865
Derivative financial instruments - non current	4	334,682	30,397
Total non-current liabilities		188,202,960	298,117,334
Total liabilities		1,053,444,529	1,153,408,954
Share capital		255,882,400	250,000,000
Other reserves		717,369,151	436,275,499
Net income/(loss) of the year		238,998,883	122,776,485
Shareholders' equity	22	1,212,250,434	809,051,985
Total liabilities and shareholders' equity		2,265,694,963	1,962,460,939

Income statement

(amounts in Euro)	Note	January 31 2012	January 31 2011
Net revenues	23	1,501,788,431	1,215,911,167
Cost of goods sold	24	(717,727,837)	(645,586,078)
Gross Margin		784,060,594	570,325,089
Operating expenses	25	(446,247,879)	(362,070,913)
Interest and other financial income (expenses), net	26	6,556,572	4,334,191
Income before taxation		344,369,286	212,588,367
Income taxes	27	(105,370,403)	(89,811,881)
Net income for the year		238,998,883	122,776,485

Statement of comprehensive income

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net income for the year	238,999	122,776
Fair value movements recognized in cash flow hedge reserve	(10,938)	9,243
Gains/ (losses) recognized in actuarial gains/(losses) reserve	498	491
Tax impact of above items	3,008	(2,635)
Net gains (losses) recognised directly in equity	(7,432)	7,099
Total comprehensive income	231,567	129,876

Statement of cash flows

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Cash flows generated from operations:		
Income before taxation	344,369	212,588
Income Statement adjustment for:		
Depreciation and amortization	20,314	20,710
Impairment of fixed assets	14	1
Financial (income) expenses	(20,358)	(15,756)
Losses/(gains) on disposal of fixed assets	(431)	(99)
Impairment of investments in subsidiaries (note 10)	3,708	7,744
Other provisions and non-monetary changes	9,278	36,180
Changes in Balance Sheets:		
Other non-current assets and liabilities	(8,556)	(2,178)
Trade receivables, net	(59,210)	(19,252)
Inventories, net	(55,712)	(15,120)
Other current assets and liabilities	(7,128)	(27,592)
Trade payables	35,322	49,685
Cash flows generated from operations	261,609	246,911
Interest paid	(10,224)	(17,643)
Income taxes paid	(107,780)	(45,381)
Net cash flows generated by operations	143,605	183,886
Cash flow generated (used) from investing activities:		
Purchase of property, plant and equipment	(62,703)	(42,473)
Proceeds on disposal of tangible assets	91	232
Purchase of intangible assets	(5,503)	(4,488)
Proceeds on disposal of intangible assets	1,800	-
Investments in subsidiaries (note 10)	(7,397)	(4,880)
Proceeds on disposal of investments	3,628	6
Dividends received	31,828	30,000
Cash flows generated (used) by investing activities	(38,257)	(21,603)
Cash flows generated (used) by financing activities:		
Share capital increase net of related expenses	205,171	-
Dividends paid	(2,482)	(58,852)
Change in short term borrowings	(85,601)	(221,776)
Repayment of long term borrowings	(108,531)	(147,349)
New long term borrowings arranged	-	262,400
Cash flow generated (used) by financing activities	8,557	(165,577)
Change in cash and cash equivalents net of bank overdraft	113,905	(3,294)
Exchange differences	(1,256)	(651)
Opening cash and cash equivalents, net of bank overdraft	(11,486)	(7,541)
Closing cash and cash equivalents, net of bank overdraft	101,163	(11,486)
Cash and bank balances	114,587	3,686
Bank overdraft	(13,424)	(15,173)

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Hedging reserve	Net income (loss) for the year	Share-holders' equity
Balance at January 31, 2010	250,000,000	250,000	209,298	6,905	182,899	84,252	(2,771)	59,594	790,176
Allocation of 2009 net income	-	-	-	2,980	-	56,615	-	(59,594)	-
Dividends paid	-	-	-	-	-	(111,000)	-	-	(111,000)
Comprehensive net income	-	-	-	-	-	491	6,608	122,776	129,876
Balance at January 31, 2011	250,000,000	250,000	209,298	9,884	182,899	30,358	3,837	122,776	809,052
Conversion of shares from Euro 1.0 to Euro 0.1	2,500,000,000	-	-	-	-	-	-	-	-
Issue of new shares	58,824,000	5,882	200,749	-	-	-	-	-	206,631
Allocation of 2010 net income	-	-	-	24,556	-	98,220	-	(122,776)	-
Dividends paid	-	-	-	-	-	(35,000)	-	-	(35,000)
Comprehensive net income	-	-	-	-	-	498	(7,930)	238,999	231,567
Balance at January 31, 2012	2,558,824,000	255,882	410,047	34,440	182,899	94,076	(4,093)	238,999	1,212,250

Notes to the Financial Statements

Corporate information

PRADA spa is a joint stock company, incorporated and domiciled in Italy, with its registered office at Via Fogazzaro 28, Milan.

At the reporting date, 79.98% of the Company's share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, while the remainder shares were listed on the Main Board of Hong Kong Stock Exchange.

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

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

These Financial Statements were approved by the Board of Directors on March 29, 2012.

Basis of preparation

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

Amendments to accounting standards

Amendments to IFRS applicable from February 1, 2011

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

– minor amendments to IAS/IFRS (2010);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial statements

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

The Income Statement is classified by destination.

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

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

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

Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash equivalents include all highly liquid investments with an original maturity of three months or less. For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts, deposit accounts and bank overdrafts.

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

Trade receivables and payables

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

Trade payables are recorded at nominal amount.

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

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

Inventories

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

Derivative financial instruments

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

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is used if derivative financial instruments is designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognized in shareholders' equity. Accumulated gains or losses are reversed from shareholders' equity and recorded in the income statement for the period in which the income statement effect of the hedged operation is recorded. Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recorded in the income statement.

If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses, recognized in shareholders' equity until then, is recorded in the income statement when the transaction takes place. If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized immediately in the income statement.

Assets held for sale

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

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

Property, plant and equipment

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

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

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

The costs included in "Leasehold improvements" relate to refurbishment work carried out on assets not owned by the Company. They are capitalized and amortized based on the lease agreement, taking account of any renewals. All costs incurred during the period between the start of refurbishment work and the opening of the store are capitalized as "Leasehold improvements", as they are deemed necessary to bring the related assets to their working condition in accordance with company guidelines.

Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of property, plant and equipment	Depreciation rate
Buildings	3% -10%
Production plant and equipment	7.5% - 25%
Leasehold improvements	Remaining lease term
Furniture and fittings	12%
Other equipment	15% - 33%

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

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

Every year, a test is performed for indications that the value of property, plant and equipment has been impaired. If any such indications are found, an impairment test is used to estimate the recoverable amount of the asset. The "Impairment of assets" paragraph describes the method used to perform the impairment test.

Impairment losses are recorded immediately in the Income Statement.

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of assets

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

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

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

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

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

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

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

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

Investments

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

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

Deferred tax assets

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

– deductible temporary differences;

– carryforward of unused tax losses.

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

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

Deferred tax assets are not discounted.

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

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

Obligations under finance leases

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

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

Non-current financial liabilities

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

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

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

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

Employee benefits

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

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

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

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

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

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

Provisions for risks and charges

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

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

Deferred tax liabilities

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

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

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

– the initial recognition of goodwill, or

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

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

Deferred tax liabilities are not discounted.

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

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

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

Revenue recognition

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

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

– the amount of the revenues can be reliably measured;

– the Company's effective control over the goods sold has ceased;

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

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

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

Accounting for costs

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

– an expense does not generate any future economic benefit;

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

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

Operating leases

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

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

Financial charges

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

Income taxes

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

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

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

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

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

Financial risk management

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

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

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

Exchange rate risk

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

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

Interest rate risk

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

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

Use of estimates

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

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

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

Significant acquisitions and disinvestments

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

On March 16, 2011, PRADA spa sold the Genny brand to third parties.

On April 2, 2011, PRADA Brasil Importação e Comércio de Artigos de Luxo ltda was established in order to develop commercial activities in Brazil.

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

On October 14, 2011, PRADA Ukraine llc was established with the aim of developing retail activities in the Ukraine.

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

On December 15, 2011, PRADA Hong Kong P.D. Limited was established as a service company operating in Hong Kong.

Statement of financial position

1. Cash and cash equivalents

The following table details the balance at January 31, 2012 and 2011:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Cash on hand	979	833
Bank deposit accounts	68,500	1
Bank current accounts	45,108	2,852
Total cash and cash equivalents	114,587	3,686

Bank deposit accounts include some of the proceeds from the share capital increase. See the Statement of cash flows for details of cash flows for the year.

2. Trade receivables

Trade receivables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade receivables - Third parties	128,099	165,168
Trade receivables - Parent company	653	505
Trade receivables - Subsidiaries and associates	391,333	296,222
Trade receivables - Companies controlled by PRADA Holding bv	6	6
Trade receivables - Related parties	19,692	16,999
Total trade receivables	539,783	478,899

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

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

A detailed breakdown of these receivables by debtor is provided in Note 28 "Transactions with parent, subsidiary, associated and related companies".

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade receivables, gross	134,160	169,434
Allowance for bad and doubtful debts	(6,061)	(4,266)
Trade receivables, net	128,099	165,168

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Opening amount	4,266	4,477
Increases	2,320	918
Utilized	(525)	(1,129)
Closing amount	6,061	4,266

Gross trade receivables at January 31, 2012 are analyzed by maturity date as follows:

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	134,160	109,810	6,416	3,949	4,939	688	8,358
Trade receivables, parent, subsidiary and related companies	411,684	318,249	13,534	35,527	7,437	3,204	33,733
Total	545,844	428,059	19,950	39,476	12,376	3,892	42,091

(amounts in thousands of Euro)	January 31 2011	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade receivables, third parties	169,434	144,298	5,636	6,367	3,027	359	9,747
Trade receivables, parent, subsidiary and related companies	313,731	260,052	8,697	15,068	7,185	1,545	21,184
Total	483,165	404,350	14,333	21,435	10,212	1,904	30,931

3. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Raw materials	62,597	60,057
Work in progress	13,236	13,795
Finished products	178,648	119,850
Allowance for obsolete and slow-moving inventories	(68,624)	(63,558)
Net inventories	185,857	130,145

Inventories are valued at weighted average cost.

The increase in finished products is consistent with the higher volume of production needed to supply the expanded DOS retail network and the growth in the business in general.

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

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at January 31 2011	31,374	32,183	63,558
Reversed as not required	(2,000)	-	(2,000)
Provided	-	7,067	7,067
Balance at January 31 2012	29,374	39,250	68,624

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

4. Derivative financial instruments: assets and liabilities

Derivative financial instruments - assets and liabilities, current portion:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial assets regarding derivative instruments	894	7,368
Financial liabilities regarding derivative instruments	(12,811)	(4,884)
Net carrying amount	(11,917)	2,484

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial assets regarding derivative instruments	-	2,140
Financial liabilities regarding derivative instruments	(335)	(31)
Net carrying amount	(335)	2,109

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

	January 31 2012	January 31 2011	IFRS7 Category
Forward contracts	316	595	Level II
Options	578	6,561	Level II
Interest rate swaps	-	2,352	Level II
Positive fair value	894	9,508	
Forward contracts	(890)	(458)	Level II
Options	(11,428)	(4,217)	Level II
Interest rate swaps	(828)	(238)	Level II
Negative fair value	(13,146)	(4,914)	
Net carrying amount	(12,252)	4,594	

All of the derivative instruments reported in the financial statements at January 31, 2012 can be classified as Level II of the fair value hierarchy proposed by IFRS 7. The Company has not entered into any derivative contracts that may be classed as Level I or III.

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

Foreign exchange rate transactions

The international nature of the Company's activities expose its cash flows – especially those relating to sales - to exchange rate volatility. In order to hedge this risk, the Company enters into options and forward sale and purchase agreements so as to guarantee the value in Euro of identified cash flows.

Expected future cash flows mainly regard the collection of trade receivables and settlement of trade payables. The most important currencies in terms of hedged amounts are: U.S. Dollar, Hong Kong Dollar and Japanese Yen.

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

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

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

All contracts in place as at January 31, 2012 will mature by January 31, 2013.

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

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

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

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2011
Currency			
US Dollar	93,872	18,989	112,862
GB Pound	38,241	-	38,241
Japanese Yen	76,518	6,978	83,496
Hong Kong Dollar	116,226	14,612	130,838
Swiss Franc	19,490	-	19,490
Other	34,141	29,926	64,067
Total	378,488	70,505	448,993

All of the contracts in place at January 31, 2011 expired by January 31, 2012.

Interest rate transactions

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

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

* IRS discontinued in compliance with IAS39

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

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

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

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

(amounts in thousands of Euro)	
Opening balance as at February 1, 2010	(3,951)
Change in fair value, recognized in Equity	(18,037)
Change in fair value, charged to Income Statement	27,280
Closing balance at January 31 2011	5,292
Change in fair value, recognized in Equity	(6,871)
Change in fair value, charged to Income Statement	(4,066)
Closing balance at January 31 2012	(5,645)

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

Information on financial risks

Capital Management

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

Categories of financial assets and liabilities according to IAS 39

Financial assets

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

Financial assets at January 31, 2011	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	3,686		3,686	1
Trade receivables, net	478,899		478,899	2
Derivative financial instruments		9,508	9,508	4
Financial receivables from parent, subsidiary and associated companies and related parties	184,233		184,233	5
Total	666,819	9,508	676,326	

Financial liabilities

Financial liabilities at January 31, 2012	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	247,373		247,373	12,18
Financial payables - parent, subsidiary and associated companies and related parties	282,357		282,357	13
Trade payables	345,785		345,785	14
Derivative financial instruments		13,146	13,146	4
Total	875,515	13,146	888,661	

Financial liabilities at January 31, 2011	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	383,649		383,649	12,18
Financial payables - parent, subsidiary and associated companies and related parties	288,775		288,775	13
Trade payables	309,929		309,929	14
Derivative financial instruments		4,914	4,914	4
Total	982,353	4,914	987,266	

Credit risk

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

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

The Company manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's Commercial Departments.

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

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

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

Liquidity risk

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

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

At January 31, 2012, the Company had unused and available bank borrowing facilities totaling Euro 388.3 million. This included Euro 3.8 million relating to the secured loan from Cassa di Risparmio di Parma e Piacenza arranged in July 2008 and maturing in August 2015.

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

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2012	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years
Forward contracts designated as cash flow hedges						
Cash outflows	(910)	(428)	(482)	-	-	-
Cash inflows	-	-	-	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(12,696)	(5,814)	(6,882)	-	-	-
Cash inflows	6,239	1,397	4,842	-	-	-
Interest rate swaps - cash flow hedge	(858)	(101)	(409)	(321)	(25)	(2)
Net value	(10,773)	(6,390)	(4,035)	(321)	(25)	(2)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2011	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years
Forward contracts designated as cash flow hedges						
Cash outflows	(840)	(331)	(509)	-	-	-
Cash inflows	409	69	340	-	-	-
Other contracts designated as cash flow hedges						
Cash outflows	(21,771)	(20,196)	(1,575)	-	-	-
Cash inflows	18,767	17,345	1,423	-	-	-
Interest rate swaps - cash flow hedge	(170)	(101)	(57)	(11)	-	-
Net value	(3,604)	(3,215)	(378)	(11)	-	-

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at January 31 2012	Future contractual cash flows at Jan. 31, 2012	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	2,084	2,141	-	554	486	591	510	-	-
Financial debt towards banks	248,646	256,449	13,424	51,485	54,090	120,406	12,735	4,309	-
Financial payables towards subsidiaries, parent company and related parties	282,357	282,357	282,357	-	-	-	-	-	-
Total	533,087	540,947	295,781	52,038	54,576	120,997	13,245	4,309	-

(amounts in thousands of Euro)	Carrying amount at January 31 2011	Future contractual cash flows at Jan. 31, 2011	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	4,910	5,168	-	958	2,005	1,071	610	523	-
Financial debt towards banks	383,649	408,195	15,349	87,430	57,830	117,724	116,743	10,100	3,019
Financial payables towards subsidiaries, parent company and related parties	288,775	288,775	288,775	-	-	-	-	-	-
Total	677,334	702,138	304,124	88,388	59,835	118,795	117,353	10,624	3,019

Exchange rate risk

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

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

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

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

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	(662)	(483)	1.763	(21)
Hong Kong Dollar	6.604	9.087	(4.234)	(9.921)
Japanese Yen	1.357	3.241	(1.253)	(3.848)
US Dollar	(720)	432	2.823	(1.057)
Other currencies	(2.701)	(221)	3.567	4
Total	3.878	12.057	2.666	(14.843)

The total impact on shareholders' equity (Euro 12.1 million positive and Euro 14.8 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies. The effects on net income and shareholders' equity are stated before the effect of taxation.

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

Interest rate risk

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

The following table shows the sensitivity of the Company's net income and shareholders' equity to a shift in the interest rate curve in relation to its financial position as at January 31, 2012.

(amounts in thousands of Euro)	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity
Euro	+ 0,50%	(886)	(158)	- 0,50%	886	151
Japanese Yen	+ 0,50%	10	10	- 0,50%	(10)	(10)
Hong Kong Dollar	+ 0,50%	(327)	(327)	- 0,50%	327	327
US Dollar	+ 0,50%	47	47	- 0,50%	(47)	(47)
Other currencies	+ 0,50%	87	87	- 0,50%	(87)	(87)
Total		(1,069)	(341)		1,069	334

The total impact on shareholders' equity is the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve. The effects on the above-mentioned items are stated before the tax effect.

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

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

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial receivables	198,198	184,233
Other receivables	4,930	2,190
Financial receivables and other receivables from parent, subsidiary and associated companies and related parties	203,128	186,423

Financial receivables include correspondence current accounts of Euro 16.2 million and short-term loans of Euro 182.1 million which bear interest and form part of the Group's centralized treasury management. The correspondence current accounts and loans receivable generate interest income at the Euribor or Libor variable rate plus a spread of 1%.

A detailed breakdown of the balance is provided in Note 28.

6. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
VAT and other tax receivables	23,246	12,354
Other current assets	2,445	2,767
Prepayments and accrued income	19,883	18,966
Total other current assets	45,574	34,088

Tax receivables include VAT receivables of Euro 21.1 million and other tax receivables of Euro 2.1 million.

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

"Prepayments and accrued income" include the following prepaid expenses: design, advertising campaign and fashion show costs totaling Euro 13.4 million; software assistance costs of Euro 1.6 million; industrial property rental costs of Euro 1.5 million; amortized costs on loans of Euro 0.6 million; insurance costs of Euro 0.4 million and other costs of Euro 2.4 million. Prepaid design costs mainly includes costs incurred to develop collections that will generate revenue the following year.

7. Assets held for sale

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

8. Property, plant and equipment

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

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total historical cost
Balance at January 31, 2010	73,192	79,865	29,559	28,670	46,830	38,365	296,481
Additions	10,346	7,434	7,545	4,850	2,238	7,041	39,455
Disposals	-	(1,057)	-	(4)	(128)	-	(1,188)
Other movements	31,978	339	(683)	58	54	(31,752)	(7)
Impairment	-	(15)	(274)	-	(238)	-	(527)
Balance at January 31, 2011	115,517	86,566	36,147	33,575	48,755	13,654	334,213
Additions	37,834	6,645	4,336	3,537	3,049	13,520	68,921
Disposals	-	(300)	(4)	(1)	(1,496)	-	(1,801)
Other movements	-	15	268	-	-	(283)	-
Impairment	-	(8)	-	(2)	(1)	-	(11)
Balance at January 31, 2012	153,351	92,919	40,747	37,109	50,308	26,890	401,323

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

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Total accumulated depreciation
Balance at January 31, 2010	12,113	67,784	18,319	20,528	34,539	153,283
Depreciation	2,464	5,918	1,735	1,625	4,418	16,160
Disposals	-	(929)	-	-	(126)	(1,056)
Other movements	157	(3)	(157)	(49)	52	-
Impairment	-	(15)	(274)	-	(237)	(526)
Balance at January 31, 2011	14,734	72,755	19,623	22,103	38,646	167,861
Depreciation	3,261	6,262	1,771	1,875	3,084	16,253
Disposals	-	(296)	-	-	(1,456)	(1,753)
Impairment	-	(8)	-	(2)	(1)	(11)
Balance at January 31, 2012	17,995	78,713	21,394	23,975	40,274	182,350

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2012 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total net book value
Balance at January 31, 2010	61,079	12,081	11,240	8,142	12,290	38,365	143,197
Additions	10,346	7,434	7,545	4,850	2,238	7,041	39,455
Depreciation	(2,464)	(5,918)	(1,735)	(1,625)	(4,418)	-	(16,160)
Disposals	-	(128)	-	(3)	(2)	-	(133)
Other movements	31,821	342	(526)	107	2	(31,752)	(6)
Impairment	-	-	-	-	(1)	-	(1)
Balance at January 31, 2011	100,783	13,811	16,524	11,471	10,109	13,654	166,351
Additions	37,834	6,645	4,336	3,537	3,049	13,520	68,921
Depreciation	(3,261)	(6,262)	(1,771)	(1,875)	(3,084)	-	(16,253)
Disposals	-	(3)	(3)	-	(41)	-	(48)
Other movements	-	15	268	-	-	(283)	-
Balance at January 31, 2012	135,356	14,206	19,353	13,133	10,034	26,890	218,972

Additions to "Land and buildings", amounting to Euro 37.8 million, mainly regard the purchase of a number of industrial properties in Tuscany, already used by the Company in its manufacturing processes under rental agreements (mainly clothing). These investments related to a preliminary purchase agreement signed in 2010 whereby PRADA spa undertook to purchase a number of buildings mainly situated in Tuscany. The last properties relating to this commitment were purchased in the February 2012 for Euro 12.3 million.

The increases in "Production plant and machinery" mainly relate to purchases of equipment involved in footwear production for a total of Euro 4.6 million.

At January 31 2012, "Land and buildings" included capitalized interest expenses of Euro 1,361 thousand.

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

Additions to "Assets under construction" totaling Euro 13 million included Euro 11 million of capex on real estate properties in Tuscany and Euro 1 million on a property in Milan.

9. Intangible assets

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

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total historical cost
Balance at January 31, 2010	5,388	2,102	-	46,131	85,425	287	139,332
Additions	1,446	-	-	3,256	-	991	5,693
Other movements	(12)	-	-	188	-	(188)	(12)
Balance at January 31, 2011	6,821	2,102	-	49,574	85,425	1,090	145,012
Additions	-	-	1,360	4,037	-	972	6,369
Disposals	(1)	-	-	(1)	-	-	(2)
Other movements	-	-	-	1,061	-	(1,061)	-
Impairment	-	-	-	-	-	(14)	(14)
Balance at January 31, 2012	6,820	2,102	1,360	54,671	85,425	987	151,365

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

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Total accumulated amortization
Balance at January 31, 2010	2,626	2,095	-	40,807	3,303	48,831
Amortization	1,777	1	-	2,772	-	4,550
Other movements	(2)	-	-	-	-	(2)
Balance at January 31, 2011	4,400	2,096	-	43,579	3,303	53,378
Amortization	1,111	1	85	2,865	-	4,061
Other movements	-	-	-	-	-	-
Balance at January 31, 2012	5,510	2,097	85	46,443	3,303	57,439

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

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total net book value
Balance at January 31 2010	2,762	7		5,324	82,122	287	90,501
Additions	1,446	-		3,256	-	991	5,693
Amortization	(1,777)	(1)		(2,772)	-	-	(4,550)
Other movements	(10)	-		188	-	(188)	(10)
Balance at January 31 2011	2,421	6		5,995	82,122	1,090	91,634
Additions	-	-	1,360	4,037	-	972	6,369
Amortization	(1,111)	(1)	(85)	(2,865)	-	-	(4,061)
Disposals	(1)	-	-	(1)	-	-	(1)
Other movements	-	-	-	1,061	-	(1,061)	-
Impairment	-	-	-	-	-	(14)	(14)
Balance at January 31 2012	1,310	5	1,275	8,228	82,122	987	93,927

Goodwill

"Goodwill" amounted to Euro 82.1 million at January 31 2012 and included Euro 78.3 million relating to sales and distribution activities in Italy. As required by IAS 36, goodwill with an indefinite useful life is not amortized but tested for impairment at least once a year.

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

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

Business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital approach (WACC). The weighted average cost of capital used for discounting purposes was 9.3%.

The impairment test performed as at January 31, 2012 did not identify any impairment losses.

10. Investments

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Investments in subsidiaries and associated undertakings	828,915	825,217
Other investments	13	13
Total	828,927	825,230

Investments in subsidiaries and associated undertakings at January 31, 2012 and 2011 are analyzed as follows:

(amounts in thousands of Euro)	Note	January 31 2011	Increases	Decreases	January 31 2012
Investments in subsidiaries:					
Artisans Shoes srl		2,706			2,706
Church Holding UK plc		108,828			108,828
IPI Logistica srl		1,798			1,798
Post Development Corp.		54,807			54,807
PRADA Bosphorus Deri Mamuller Limited Sirketi		8,481			8,481
PRADA Canada Corp.		5,086			5,086
PRADA Czech Republic sro		1,894			1,894
PRADA Far East bv		383,590			383,590
PRADA Hellas Single Partner Limited Liability Company	(1)	6,000		3,700	2,300
PRADA Maroc	(2)	-	133		133
PRADA Portugal, Unipessoal lda		955			955
PRADA Rus llc	(3)	24	5,005		5,029
PRADA sa		23,315			23,315
PRADA STORES srl		80,237			80,237
PRADA Ukraine	(4)	-	72		72
PRADA USA Corp.		145,759			145,759
Space Caffè srl	(5)	-	100	100	-
PRADA Brazil	(6)	-	119		119
PRADA Middle East	(7)	-	2,069		2,069
Investments in associated undertakings:					
PAC srl - in liquidation		1,738			1,738
Investments in other entities		13			13
Total		825,230	7,497	3,800	828,927

Investments were tested for impairment and impairment losses of Euro 3.7 million were identified.

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

(1) The value of the investment has been reduced by Euro 3.7 million to reflect the loss highlighted by the impairment test;

(2) PRADA Maroc (sarlau) was established on November 17, 2011 to develop retail activities in Morocco. The company is wholly owned by Prada spa. The carrying amount represents share capital that has been subscribed and paid;

(3) during the year, the Company funded share capital increases totaling RUB 200,000,000;

(4) PRADA Ukraine llc was established on October 14, 2011 to develop retail activities in the Ukraine. The carrying amount of the investment represents share capital subscribed and paid plus related expenses;

(5) The movement is due to recapitalization on May 30, 2011 to cover losses by waiving receivables and to the writedown of the investment;

(6) PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda was established on April 2, 2011 to develop retail activities in Brazil.

(7) On May 25, 2011, PRADA spa and Al Tayer Insignia llc incorporated Prada Middle East fzco in the Jebel Ali Free Zone of Dubai, United Arab Emirates, with stakes of 60% and 40%, respectively, in order to handle development of the network of Prada and Miu Miu stores in the Middle East.

Additional information on subsidiaries and associated undertakings:

(amounts in local currency /000)	Carrying amount	Local currency	Share Capital	Latest net income / (loss)	Share-holders' equity	% interest held
Artisans Shoes srl	2,706	EURO	1,000	3,296	8,412	66.70%
Church's Holding UK plc	108,828	GBP	78,126	311	121,112	100.00%
IPI Logistica srl	1,798	EURO	600	141	2,497	100.00%
Post Development corp.	54,807	USD	42,221	2,305	74,130	100.00%
PAC srl in liquidation (1)	1,738	EURO	31	54	3,837	49.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	8,481	TRY	7,630	(3,837)	529	100.00%
PRADA Canada corp.	5,086	CAD	300	4,952	22,425	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	226	707	100.00%
PRADA Far East bv	383,590	EURO	20	110,537	295,312	100.00%
PRADA Hellas Single Partner Limited Liability Company	2,300	EURO	6,000	(15)	894	100.00%
PRADA Honk Kong P.D. Limited	-	HKD	-	-	-	100.00%
PRADA Portugal, Unipessoal lda	955	EURO	5	403	362	100.00%
PRADA Rus llc	5,029	RUB	250	(186,200)	(9,761)	99.90%
PRADA sa	23,315	EURO	31	43,566	228,745	100.00%
PRADA Stores srl	80,237	EURO	520	(956)	9,138	100.00%
PRADA USA corp.	145,759	USD	152,211	20,296	166,405	100.00%
Space Caffè srl	-	EURO	20	(50)	54	100.00%
PRADA Brazil Importaçao e Comercio de Artigos de Luxo ltda	119	BRL	250	(1,714)	(1,464)	100.00%
PRADA Middle East FZCO	2,069	AED	18,000	(941)	17,059	60.00%
PRADA Maroc	133	MAD	1,500	(2,491)	(991)	100.00%
PRADA Ukraine	72	UAH	700	(4,725)	(4,025)	100.00%

(1) Figures at 31/12/2010

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

11. Other non-current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Long-term guarantee deposits	273	379
Other long-term receivables	678	850
Rental contributions receivable	800	-
Total	1,751	1,229

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

12. Bank overdrafts and short-term loans

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Bank overdrafts	13,424	15,173
Short term loans	-	30,130
Current portion of long term loans	99,993	106,044
Deferred costs on loans	(947)	(1,391)
Bank overdrafts and short-term loans	112,470	149,956

The decrease in "Bank overdrafts and short-term loans" benefit by free cash flows for the year and the proceeds of the share capital increase (IPO).

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

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

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Financial payables	282,357	288,775
Other payables	4,160	8,564
Financial payables and other payables to parent, subsidiary and associated companies and related parties	286,517	297,339

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

See Note 28 for a detailed breakdown of the balance by creditor.

14. Trade payables

Trade payables may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Trade payables - third parties	176,212	175,718
Trade payables - related parties	950	1,504
Trade payables - subsidiary and associated companies	168,624	132,707
Total	345,785	309,929

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

Trade payables to subsidiary companies include Euro 94.3 million of royalties payable to PRADA sa.

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

A detailed breakdown by creditor is shown in Note 28 "Transactions with parent, subsidiary and associated companies and related parties".

Total trade payables are summarized below by maturity date.

(amounts in thousands of Euro)	January 31 2012	Current	Overdue (days) 1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	176,212	161,283	8,684	2,448	876	522	2,398
Trade payables - related parties	950	901	-	33	7	-	9
Trade payables - subsidiary and associated companies	168,624	141,602	5,373	6,621	3,515	3,154	8,358
Total	345,785	303,787	14,057	9,102	4,398	3,676	10,765

(amounts in thousands of Euro)	January 31 2011	Current	Overdue (days) 1 < 30	31 < 60	61 < 90	91 < 120	> 120
Trade payables - third parties	175,717	164,820	4,104	1,232	1,456	898	3,206
Trade payables - related parties	1,504	429	-	108	174	160	633
Trade payables - subsidiary and associated companies	132,707	117,646	3,223	1,721	1,247	722	8,148
Total	309,929	282,895	7,327	3,061	2,877	1,781	11,987

15. Current tax liabilities

Current tax liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Current taxes on income	34,505	35,612
VAT and other taxes	3,796	4,103
Social security liabilities	4,024	3,174
Total	42,325	42,889

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

16. Obligations under finance leases

"Property, plant and equipment" includes properties with a net carrying amount of Euro 12.1 million acquired under finance leases that are still in place.

At January 31, 2012, the residual liabilities towards leasing companies under finance leases still in place were due as follows:

Payable by the end of the year ending:	
(amounts in thousands of Euro)	
January 31 2013	1,002
January 31 2014	578
January 31 2015	503
Total	2,083

The decrease in obligations under finance leases is due to installment payments made as due under finance leases in place at January 31, 2012.

17. Other current liabilities

"Other current liabilities" can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Other payables	2,120	778
Financial payables	9	-
Payables for capex	17,382	9,529
Deferred income	284	53
Payables to employees	24,568	20,993
Provision for returned good	19,968	16,124
Total	64,331	47,478

"Other payables" includes advances of Euro 1.9 million received from customers and sundry other payables of Euro 0.2 million.

Payables for capital expenditure include liabilities as at January 31, 2012 for capital expenditure described in Notes 8 and 9 on "Property, plant and equipment" and "Intangible assets".

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

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

18. Long-term financial payables, net of current portion

Long-term financial payables are analyzed below.

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Long term bank borrowings	135,229	234,943
Deferred costs on LT loans	(327)	(1,249)
Total	134,902	233,694

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

Long term financial payables include fixed interest loans (90%) and variable interest loans (10%). The financial instruments used to hedge the interest rate risk – interest rate swaps and collars – convert the variable rates of interest due on loans into fixed rates or rates within an agreed range.

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

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

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

Long term borrowings at January 31, 2011 is detailed as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	180,000	Euro	Pool loan	July 2013	3.01%
PRADA spa	4,200	Euro	Monte dei Paschi di Siena	July 2015	3.31%
PRADA spa	18,750	Euro	IntesaSanPaolo	June 2014	2.15%
PRADA spa	12,000	Euro	Unicredit	May 2012	2.35%
PRADA spa	3,750	Euro	C.R. Lucca,Pisa, Livorno	August 2012	4.40%
PRADA spa	16,243	Euro	Cariparma	June 2015	2.19%
Total	234,943				

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

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

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

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

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

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

19. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Post-employment benefits	17,412	19,429
Other long term employee benefits	366	971
Total	17,778	20,400

Liabilities for post-employment benefits totaled Euro 17.4 million at January 31, 2012 and were all classified as defined benefit plans.

The TFR liability was determined by an independent actuary considering demographic, economic and financial evidence and assumptions.

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

The following table shows movements in liabilities for post-employment benefits in the period ended January 31, 2012:

	Post-employment benefits
Balance at January 31 2011	**19,429**
Current service costs	2
Financial charges	382
Actuarial (gains)/ losses	(496)
Indemnities paid	(1,905)
Balance at January 31 2012	**17,412**

Other long-term employee benefits

In order to hold on to certain key personnel, the Company has signed agreements ("Stability accords") with them, encouraging them to remain with the Company until a certain future date in return for payment of an indemnity.

These Stability accords are classified as "Other long term employee benefits" in terms of IAS 19 and were measured by actuarial appraisal.

As at January 31, 2012, the liability for these other long-term employee benefits, determined using the Projected Unit Credit Method, was Euro 0.4 million.

20. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for tax disputes	Provision for litigation	Total
Balance at January 31, 2011	**28,393**	**513**	**28,906**
Increases	370	490	860
Utilized / Released	6,430	132	6,562
Balance at January 31, 2012	**22,333**	**871**	**23,204**

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

Provision for tax disputes

On December 30, 2005, Genny spa (a company incorporated into PRADA spa) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the failure to apply VAT to the value of the "Genny" and "Byblos" brands which were sold along with their respective business units. The amount assessed was about Euro 21 million. The Company successfully appealed at the first and second levels of appeal. The second level of appeal decision by Ancona Regional Tax Commission was issued on December 31, 2010 and formally deposited in 2011. The Tax Authorities then announced its appeal to the Supreme Court of Cassation against which the Company submitted a counter appeal.

On August 4, 2006, IPI Italia spa (a company incorporated into PRADA spa), as purchaser of the Genny business, received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand acquired as part of the business. Even though it submitted its defensive arguments against this claim, on October 9, 2007, the company received a request for penalties against which it filed an appeal. After that appeal was thrown out, the company filed another appeal with Milan Regional Tax Commission and it, too, was rejected in a decision issued on January 20, 2010. On March 3, 2011, the Company then made a further appeal to the Supreme Court of Cassation and, on April 13, 2011, the Tax Authorities filed their own counter appeal. The full amount of the penalties imposed was paid after the related tax demands were issued. Therefore, the related accrual, made in prior years, does not appear under provisions for risks and charges.

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

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their independent tax advisors, believe that the provisions totaling Euro 22.3 million carried at January 31, 2012 in respect of the tax disputes described above represents the best estimate of the obligations that the Company could be called upon to fulfill.

Provision for litigation

This provision represents the Directors' assessment of litigation risks at the end of financial year 2011.

21. Other non-current liabilities

"Other non-current liabilities" amount to Euro 1.4 million and regard liabilities to be recognized on a straight-line basis in relation to rental costs for stores in S. Elpidio a Mare and Noventa di Piave and for the factory in Ancona.

22. Shareholders' equity

Shareholders' equity is analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Share capital	255,882	250,000
Other reserves	717,369	436,275
Net income for the period	238,999	122,776
Total shareholders' equity	1,212,250	809,052

Share capital

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

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

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

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

Share premium reserve

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

Dividends

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

Availability of shareholders' equity

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

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

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

Income statement

23. Net revenues

Net revenues are mainly generated by sales of products and are stated net of returns and discounts. Net revenues for the year ended January 31, 2012 amounted to Euro 1,502 million, 24% more than in prior year (Euro 1,216 million in 2010).

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Net sales	1,500,093	1,214,074
Royalties	1,695	1,837
Net revenues	1,501,788	1,215,911

24. Cost of goods sold

Cost of goods sold is analyzed as follow:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Purchases of raw materials and production costs	693,103	581,068
Logistics costs, duties and insurance	72,389	75,486
Change in inventories	(47,764)	(10,967)
Total	717,728	645,586

Cost of goods sold has increased by Euro 72.1 million in absolute terms because of the higher volume of business.

Cost of goods sold has decreased by 5.3 percentage points on net revenues compared to prior year (down from 53.1% to 47.8%).

25. Operating expenses

Operating costs sold can be analyzed as follow:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Product design and development costs	70,298	43,010
Advertising and communications costs	90,904	88,094
Selling costs	218,554	176,914
General and administrative costs	66,492	54,053
Operating expenses	446,248	362,071

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

Product design and development costs, broadly in line with prior year, include both the design phase – i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept - and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves.

Selling costs increased by Euro 41.6 million mainly because of higher royalties.

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

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

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Interest income / (expenses)	(11,470)	(14,244)
Exchange gains / (losses) - realized	774	(3,399)
Exchange gains / (losses) - unrealized	(9,118)	838
Dividends	31,828	30,000
Other financial income / (expenses)	(5,458)	(8,861)
Total	6,557	4,334

Net interest expenses, amounting to Euro 11.5 million (Euro 14.2 million in 2010), represent the difference between total interest income of Euro 6 million (Euro 3.2 million in 2010) and interest expenses of Euro 17.5 million (unchanged on 2010).

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

Moreover, the repayment of short-term Euro borrowing shielded the Company from the impact of the higher spreads seen mainly in the short-term portion of the interest rate curve.

"Other financial income/(expenses)" includes a Euro 3.7 million impairment loss on Prada Hellas and a Euro 0.1 million impairment loss on Space Caffè.

27. Income taxes

Income taxes for the periods ended January 31, 2012 and January 31, 2011 are analyzed as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Current taxation	106,228	70,729
Prior year taxation	(246)	21,246
Deferred taxation	(612)	(2,163)
Total	105,370	89,812

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

(amounts in thousands of Euro)	January 31 2012
Opening balance, net	18,059
Deferred taxes for the period	4,744
Closing balance, net	22,803

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

(amounts in thousands of Euro)	Deferred tax, net		Income Statement effect	Share-holders' equity effect
	January 31 2012	January 31 2011		
Employee benefits – defined benefit plans	(788)	(788)	-	-
Inventories	21,395	19,804	(1,591)	-
Property, plant and equipment	(6,825)	(7,497)	(672)	-
Intangible assets	124	2,550	2,426	-
Provisions for risks and charges	7,025	7,608	584	-
Allowance for doubtful debts	(1,287)	(1,302)	(15)	-
Derivative instruments	1,552	(1,455)	-	(3,008)
Other temporary differences	1,810	(556)	(1,343)	(1,023)
Long term IRAP (Regional Tax) liabilities	(204)	(305)	-	-
Total	22,803	18,059	(612)	(4,031)

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

(amounts in thousands of Euro)	IRES	Eff. IRES rate	IRAP	Eff.IRAP rate	Total tax	Total Eff. rate
Theoretical tax on pre-tax income	94,702	27.50%	13,534	3.93%	108,235	31.43%
Exempt dividends	(8,315)	-2.41%	-		(8,315)	-2.41%
Aid to economic growth (ACE)	(1,672)	-0.49%	-		(1,672)	-0.49%
Impairment of investments	1,045	0.30%	-		1,045	0.30%
Other permanent differences	1,262	0.37%	89	0.03%	1,350	0.39%
Adjustments in UNICO tax return	84	0.02%	(381)	-0.11%	(297)	-0.09%
Difference between pre-tax income and net value of production			5,024	1.46%	5,024	1.46%
Taxation for period	87,105	25.29%	18,266	5.30%	105,370	30.6%
Temporary differences	724	0.21%	(112)	-0.03%	612	0.18%
Current taxation	87,828	25.50%	18,153	5.27%	105,982	30.78%

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

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

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

Statement of financial position

(amounts in thousands of Euro)	Trade receivables January 31 2012	Trade receivables January 31 2011	Trade payable January 31 2012	Trade payables January 31 2011
Parent company	653	505	-	-
PRADA Holding bv	653	505	-	-
Subsidiaries and associates	391,333	296,222	168,624	132,707
Artisans Shoes srl	932	1,626	16,767	17,496
Car Shoe Hong Kong	54	111	2	-
Car Shoe Italia srl	4,515	4,928	184	130
Car Shoe sa	126	105	-	-
Car Shoe Singapore	7	37	-	-
Car Shoe UK	143	-	-	-
Church's Austria	23	-	-	-
Church's Dublin	27	-	-	-
Church & Co. (USA) ltd	18	58	-	-
Church & Co. plc	9,815	9,019	40	165
Church English shoes sa	2	25	-	-
Church France sa	37	27	-	-
Church Holding UK plc	231	166	43	41
Church Hong Kong Retail	20	30	-	-
Church Japan Co., ltd	1	1	-	-
Church Italia srl	3,705	891	27	42
Church's Netherlands	15	-	-	-
Church's Singapore	94	85	-	-
Church UK Retail ltd	1,331	1,278	-	-
Church's Eng. Shoes Sw.sa	16	9	23	23
Church's Spain	10	96	-	-
Fragrance & Skincare	-	72	-	23
IPI Logistica srl	382	438	8,839	7,515
Post Development Corp.	1	66	-	-
PRADA (Thailand) Co.,ltd	339	97	1	-
PRADA Asia Pacific ltd	62,056	47,289	11,028	2,771
PRADA Australia Pty. ltd	2,677	965	358	17
PRADA Austria gmbh	1,135	197	118	55
PRADA Bosphorus Deri Mamuller Limited Sirketi	11,434	8,355	137	75
PRADA Brazil	684	-	-	-
PRADA Canada Corp.	891	(511)	90	81
PRADA Czech Republic sro	1,139	2,000	389	310
PRADA Company sa	5	14	-	-
PRADA Far East bv	15	220	4	4
PRADA Fashion (Shanghai)	5,991	5,494	1,415	2
PRADA Germany gmbh	9,974	9,415	1,971	2,529
PRADA Hawaii Corp.	-	8,844	-	903
PRADA Hellas	5,513	4,967	11	91
PRADA Hong Kong P.D. Limited	2	-	-	-
PRADA Japan Co., ltd	42,501	32,615	4,830	926
PRADA Korea ltd	979	938	297	47
PRADA Maroc	355	-	-	-
PRADA Mexico	395	-	-	-
PRADA Middle East fzco	2,438	-	530	-
PRADA Montecarlo sam.	944	460	30	83
PRADA Portugal, Unipessoal lda	3,003	2,974	25	83
PRADA Retail France sas	26,249	19,640	7,089	1,896
PRADA Retail Malaysia sdn	203	97	-	-

(amounts in thousands of Euro)	Trade receivables January 31 2012	Trade receivables January 31 2011	Trade payable January 31 2012	Trade payables January 31 2011
PRADA Retail UK	34,844	21,130	2,779	1,433
PRADA Rus LLC	16,166	611	-	-
PRADA sa	31,428	31,261	106,291	93,624
PRADA Singapore Pte, ltd	727	865	1	2
PRADA Spain sa	4,573	2,284	63	26
PRADA Stores srl	27,053	23,499	216	534
PRADA Taiwan ltd Taipei	629	509	2	(1)
PRADA Trading Shangai ltd	-	196	-	-
PRADA Ukraine	199	-	-	-
PRADA United Arab Emirates (*)	665	-	-	-
PRADA USA Corp.	66,427	46,816	4,680	1,597
Space Caffè srl	(21)	120	-	-
Space Hong Kong ltd	1,202	1,040	1	-
Space sa	643	471	35	(1)
Space USA Corp.	4,017	3,084	-	-
TRS Australia ltd	151	151	-	-
TRS Guam	51	45	-	-
TRS Hawaii llc	1,133	379	287	124
TRS MACAU	72	44	-	-
TRS New Zealand Pty. ltd	19	14	-	-
TRS Okinawa	862	498	20	57
TRS saipan	26	58	-	-
TRS Singapore Pte Limited	39	11	-	-
Controlled by PRADA Holding bv	6	6	-	-
EXHL Italia srl	6	6	-	-
Related parties	19,692	16,999	807	1,377
Al Tayer Insignia LLC	205	-	-	-
F.lli PRADA srl	18,242	5,322	660	367
Gipafin S.ar.l.	20	20	1	1
HMP srl	8	8	-	-
IPR srl	-	3,560	-	397
Luna Rossa Challenge 2007	-	318	-	86
Montenapoleone 6 srl	-	2,224	-	224
PRADA Italia spa	-	264	-	2
Progetto Prada Arte srl	668	309	8	-
Spiga 1 srl	-	2,097	-	47
Stellarea	28	28	-	-
Stiching Fondazione Prada	521	721	-	-
Venezia 3 srl	-	2,128	-	234
Others (**)	-	-	138	18
Total	411,684	313,731	169,431	134,085

(amounts in thousands of Euro)	Financial receivables January 31 2012	Financial receivables January 31 2011	Other receivables January 31 2012	Other receivables January 31 2011
Parent company	-	32,529	-	118
PRADA Holding bv	-	32,529	-	118
Subsidiaries and associates	198,185	151,692	4,678	1,939
Artisans Shoes srl	5,908	-	1,597	783
Car Shoe Italia srl	1	1	-	-
Church & Co. plc	2,277	2,228	-	-
Church France sa	4	495	-	-
Church Holding UK plc	1,593	1,522	-	-
Church Italia srl	37	37	94	2
Church's Eng. Shoes Sw.sa	401	737	-	-
IPI Logistica srl	-	-	44	145
PRADA (Thailand) Co.,ltd	9	786	-	-
PAC Srl in liquidation	1,397	1,397	-	-
PRADA Asia Pacific ltd	-	-	5	-
PRADA Australia Pty. ltd	833	758	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	4,344	-	-	-
PRADA Brazil	1,297	-	9	-
PRADA Canada Corp.	4	3	-	-
PRADA Czech Republic sro	1,750	1,803	20	-
PRADA Fashion (Shanghai)	-	-	6	-
PRADA Germany gmbh	12,533	10,653	225	451
PRADA Hawaii Corp.	-	72	-	-
PRADA Hellas	102	-	-	-
PRADA Japan Co., ltd	2,121	89	4	-
PRADA Korea ltd	-	-	2	-
PRADA Maroc	2,692	-	-	-
PRADA Middle East FZCO	4,438	-	5	-
PRADA Montecarlo sam.	1,119	1,116	-	-
PRADA Portugal, Unipessoal lda	570	567	-	-
PRADA Retail France sas	16,706	16,674	1,420	-
PRADA Retail UK	1,071	3,341	4	1
PRADA Rus LLC	10,136	649	172	1
PRADA sa	11,814	11,607	70	42
PRADA Spain sa	15,980	8,759	9	-
PRADA Stores srl	98,592	88,141	909	510
PRADA Taiwan ltd Taipei	-	-	-	1
PRADA Ukraine	-	-	41	-
PRADA United Arab Emirates (*)	-	-	30	-
PRADA USA Corp.	75	-	9	3
Space Caffè srl	125	38	1	-
TRS Australia ltd	257	220	-	-
Related parties	13	12	252	134
F.lli PRADA srl	-	-	1	-
HMP srl	13	12	174	59
Progetto Prada Arte srl	-	-	76	74
Stiching Fondazione Prada	-	-	2	-
Total	198,198	184,233	4,930	2,190

(amounts in thousands of Euro)	Other current liabilities January 31, 2012	Other current liabilities January 31, 2011
Members of the Board of Directors	87	171

Income Statement

(amounts in thousands of Euro)	Net Revenues January 31 2012	Net Revenues January 31 2011	Cost of goods sold January 31 2012	Cost of goods sold January 31 2011
Subsidiaries and associates	**1,024,246**	**747,270**	**125,307**	**74,029**
Artisans Shoes srl	-	-	61,079	40,376
Car Shoe Hong Kong	-	-	2	-
Car Shoe Italia srl	9,007	9,872	(297)	(262)
Car Shoe Singapore	-	-	(1)	-
Car Shoe UK	-	-	(1)	-
Church & Co. plc	4,689	3,274	666	515
Church Italia srl	2,181	1,753	1	24
Fragrance & Skincare	-	-	-	22
IPI Logistica srl	-	-	21,733	17,423
PRADA Asia Pacific ltd	383,279	252,649	21,446	4,619
PRADA Australia Pty. ltd	-	-	7	12
PRADA Austria gmbh	7,540	2,409	53	14
PRADA Bosphorus Deri Mamuller Limited Sirketi	7,964	6,168	1,944	1,400
PRADA Canada Corp.	13,643	12,668	5	5
PRADA Czech Republic sro	2,991	2,404	117	60
PRADA Far East bv	10,762	8,211	1	-
PRADA Fashion (Shanghai)	-	-	1,241	1
PRADA Germany gmbh	23,488	15,654	104	132
PRADA Hawaii Corp.	-	14,183	-	426
PRADA Hellas	2,344	1,792	84	113
PRADA Japan Co., ltd	101,670	86,030	8,499	6,025
PRADA Korea ltd	-	-	437	157
PRADA Mexico	242	-	-	-
PRADA Middle East FZCO	3,452	-	534	-
PRADA Montecarlo sam.	3,160	2,233	95	107
PRADA Portugal, Unipessoal lda	4,535	3,178	1,136	29
PRADA Retail France sas	54,624	42,369	237	272
PRADA Retail UK	69,937	41,753	502	162
PRADA Rus LLC	9,858	-	-	-
PRADA Spain sa	9,974	5,668	179	69
PRADA Stores srl	58,913	45,833	479	195
PRADA United Arab Emirates (*)	126	-	-	-
PRADA USA Corp.	177,686	150,039	1,927	829
Space Hong Kong ltd	12,368	8,267	1,785	520
Space sa	9,738	8,395	851	638
Space USA Corp.	30,286	15,950	-	-
TRS Hawaii llc	5,129	3,672	150	45
TRS New Zealand Pty. ltd	-	-	-	1
TRS Okinawa	4,659	2,846	315	100
Related parties	**38,229**	**31,069**	**562**	**361**
F.lli PRADA srl	38,229	11,026	545	88
IPR srl	-	7,035	-	143
Luna Rossa Challenge 2007	-	-	17	(19)
Montenapoleone 6 srl	-	4,541	-	30
Spiga 1 srl	-	4,372	-	26
Venezia 3 srl	-	4,095	-	92
Total	**1,062,475**	**778,339**	**125,869**	**74,390**

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	January 31 2012	January 31 2011	January 31 2012	January 31 2011
Parent company	(172)	(144)	146	433
PRADA Holding bv	(172)	(144)	146	433
Subsidiaries and associates	104,698	75,435	35,491	26,989
Artisans Shoes srl	2,070	2,747	1,838	(36)
Car Shoe Hong Kong	(17)	(123)	-	-
Car Shoe Italia srl	(2,099)	(2,424)	8	(7)
Car Shoe sa	(20)	(10)	-	-
Car Shoe Singapore	(19)	(148)	-	-
Car Shoe UK	(140)	-	-	-
Church's Austria	(23)	-	-	-
Church's Dublin	(27)	-	-	-
Church & Co. (USA) ltd	(14)	(18)	-	1
Church & Co. plc	(765)	(1,046)	48	35
Church English shoes sa	(6)	(10)	-	-
Church France sa	(91)	(65)	9	8
Church Holding UK plc	(65)	(37)	71	31
Church Hong Kong Retail	(31)	(52)	-	-
Church Italia srl	(324)	(382)	-	7
Church's Netherlands	(18)	-	-	-
Church's Singapore	(9)	(63)	-	-
Church's Spain	(18)	(11)	-	-
Church UK Retail ltd	(416)	(165)	(1)	-
Church's Eng. Shoes Sw.sa	(20)	(19)	16	16
Fragrance & Skincare	-	(237)	-	-
IPI Logistica srl	552	196	(6)	(1)
PBLuxembourg sa	-	(28)	-	121
Post Development Corp.	(1)	(5)	(517)	(372)
PRADA (Thailand) Co.,ltd	(515)	(114)	65	89
PAC Srl in liquidation	-	-	-	21
PRADA Asia Pacific ltd	(4,597)	(4,292)	2,171	1,342
PRADA Australia Pty. ltd	(1,383)	(1,245)	125	128
PRADA Austria gmbh	(441)	(246)	(24)	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	(851)	(1,389)	(169)	(343)
PRADA Brazil	(675)	-	12	-
PRADA Canada Corp.	(133)	(121)	63	(318)
PRADA Czech Republic sro	(198)	(248)	(79)	262
PRADA Company sa	(5)	(5)	-	-
PRADA Far East bv	(166)	(242)	(7,755)	(1,860)
PRADA Fashion (Shanghai)	(4,520)	(4,489)	(66)	(8)
PRADA Germany gmbh	(692)	(1,637)	242	48
PRADA Hawaii Corp.	-	(544)	23	1,008
PRADA Hellas	(468)	(388)	2	-
PRADA Hong Kong P.D. Limited	(2)	-	-	-
PRADA Japan Co., ltd	(3,137)	(7,006)	3,893	(3,836)
PRADA Korea ltd	(1,899)	(1,918)	2	1
PRADA Maroc	(354)	-	-	-
PRADA Mexico	(144)	-	9	-
PRADA Middle East FZCO	(379)	-	320	-
PRADA Montecarlo sam.	(219)	(189)	24	22
PRADA Portugal, Unipessoal lda	(556)	(829)	12	7
PRADA Retail France sas	2,161	(1,058)	356	57
PRADA Retail Malaysia sdn	(292)	(183)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	January 31 2012	January 31 2011	January 31 2012	January 31 2011
PRADA Retail UK	(1,833)	(2,187)	1,047	(394)
PRADA Rus llc	(5,346)	(610)	736	18
PRADA sa	154,228	125,565	29,381	29,766
PRADA Singapore Pte, ltd	(1,313)	(1,758)	-	-
PRADA Spain sa	(1,668)	(870)	271	45
PRADA Stores srl	(7,319)	(6,234)	2,074	1,412
PRADA Taiwan ltd Taipei	(926)	(950)	-	-
PRADA Ukraine	(174)	-	-	-
PRADA United Arab Emirates (*)	(494)	-	3	-
PRADA USA Corp.	(8,447)	(8,537)	731	(656)
Space Caffè srl	(18)	(106)	1	-
Space Hong Kong ltd	(95)	(93)	119	(27)
Space sa	(115)	(78)	85	172
Space USA Corp.	(337)	(283)	209	124
TRS Australia ltd	-	(16)	38	37
TRS Guam	(58)	(55)	-	-)
TRS Hawaii llc	(107)	(97)	(18)	34
TRS MACAU	(83)	(104)	-	-
TRS New Zealand Pty. ltd	(24)	(17)	-	-
TRS Okinawa	(141)	(59)	121	33
TRS saipan	(26)	(19)	-	-
TRS Singapore Pte Limited	(39)	(12)	-	-
Controlled by PRADA Holding bv	(6)	(6)	-	-
EXHL Italia srl	(6)	(6)	-	-
Related parties	860	(680)	5	62
Al Tayer Insignia LLC	(205)	-	-	-
F.lli PRADA srl	(559)	(158)	-	-
HMP srl	482	465	2	1
IPR srl	-	(221)	-	-
Luna Rossa Challenge 2007	(34)	(100)	-	60
Montenapoleone 6 srl	-	6	-	-
PRADA Italia spa	-	(316)	-	-
Progetto Prada Arte srl	(334)	(29)	3	1
Spiga 1 srl	-	(160)	-	-
Stiching Fondazione Prada	(323)	(300)	-	-
Venezia 3 srl	-	(131)	-	-
Others (**)	1,834	265	-	-
Total	105,381	74,605	35,641	27,484

Notes:
(*) Company consolidated based on definition of control expressed in IAS 27
(**) The amount includes fees for services provided by Patrizia Albano (wife of Carlo Mazzi, Deputy Chairman of PRADA spa as at January 31, 2012) and Secva srl (Italian company whose majority shareholder and Chairman is Carlo Mazzi)

Commitments

Guarantees

Guarantees given relate to:

- guarantees given to third parties in respect of the obligations of Group companies - Euro 8.8 million;
- comfort letters issued to banks on behalf of subsidiary companies - Euro 160.6 million.

Operating leases

As at January 31, 2012, operating leases mainly referred to industrial buildings and were broken down by due date as follows:

(amounts in thousands of Euro)	
Due within a year	11,383
Due between one and five years	37,290
Due after more than five years	20,732
Total	69,405

Other commitments

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

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

Additional information

Remuneration of the Board of Directors

(amounts in thousands of Euro)	January 31 2012
Directors' fees	2,531
Remuneration and other benefits	14,381
Bonuses and other incentives	4,769
Benefits in kind	120
Pension, healthcare and TFR contributions	329
Total	22,130

Fees of Deloitte & Touche spa

The fees of independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the Separate and Consolidated Financial Statements, checks that the accounting records are properly maintained and operations are correctly reflected in the accounting records and services rendered as Reporting Accountant involved in the Global Offering) amounted to Euro 0.6 million. Deloitte & Touche spa did not provide any other services to PRADA spa during the period.

Income statement by nature

(amounts in thousands of Euro)	January 31 2012
Net revenues	1,684,015
Change in inventories	46,341
Purchases of raw materials and finished goods	576,362
Labor costs	186,836
Amortization, depreciation and impairment	20,328
Other operating expenses	609,017
EBIT	337,813
Interest income (expenses), net	(11,470)
Exchange gains (losses) - realized	774
Exchange gains (losses) - unrealized	(9,118)
Dividends	31,828
Other financial income (expenses)	(5,458)
Interest and other financial income (expenses)	6,557
Income before taxation	344,369
Taxation	105,370
Net income for the period	238,999

Headcount

The average headcount by business division at January 31, 2012 and 2011 is shown below:

(no of employees)	January 31 2012	January 31 2011
Production	1,153	1,227
Product design and development	787	732
Communications	53	51
Selling	449	370
General and administrative services	431	414
Total	2,873	2,793

Employee remuneration

Employee remuneration in the periods ended January 31, 2012 and January 31, 2011 is analyzed by business division as follows:

(amounts in thousands of Euro)	January 31 2012	January 31 2011
Production	56,722	57,139
Product design and development	49,559	46,943
Communications	5,758	5,336
Selling	29,711	25,473
General and administrative services	45,086	37,012
Total	186,836	171,903

Independent Auditors’ Report

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

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

To the Shareholders of
PRADA S.p.A.

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti

Patrizia Arienti
Partner

Milan, Italy
March 29, 2012

Statutory Auditors' Report

PRADA Spa

Registered Office - Via A. Fogazzaro, no 28, 20135 Milan

R.E.A. (Business Register) no 1343952

Tax Number, VAT Number 10115350158

Report of the Board of Statutory Auditors to the Shareholders' General Meeting in terms of Article 2429 (2) of the Italian Civil Code

Dear Shareholders,

During the year ended January 31, 2012, we performed the activities required by law, also taking account of the "Code of Conduct for Statutory Auditors" recommended by the Italian Accounting Profession ("*il Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*").

In more detail, we report the following.

The Statutory Auditors checked on compliance with the law and the articles of association and on respect for principles of proper business management. We have no particular observations to make in this regard.

During the year, the Board of Statutory Auditors met seven times. The Statutory Auditors also attended all Shareholders' General Meetings, Board of Directors' Meetings and Executive Committee meetings, as held in accordance with the articles of association, legislative requirements and other applicable regulations. We can provide reasonable assurance that the actions approved by these meetings are consistent with the law and the articles of association, are not manifestly imprudent or hazardous, do not involve a potential conflict of interests and do not put the integrity of the Company assets at risk.

As required by the articles of association, the Statutory Auditors obtained from the Directors general information on the performance of the business and on the outlook for the future. We also obtained details of the most significant operations – in terms of size or characteristics – carried out by the Company and believe that these operations were consistent with the law and the articles of association, were not manifestly imprudent or hazardous, did not involve a potential conflict of interests, did not clash with resolutions approved by the Shareholders' General Meeting and did not put the integrity of the Company assets at risk.

Some of the most significant operations carried out by the Company were as follows:

- The share capital increase;

- Adoption of a new version of the articles of association;

- The listing on The Hong Kong Stock Exchange;

- Adoption of a new Corporate Governance model, consistent with the rules applicable to the Company in Italy and with the key principles laid down by the Code on Corporate Governance Practices, as contained in Appendix 14 to the rules regulating the listing of securities on the Stock Exchange of Hong Kong Limited.

We note the following additional significant events during the year:

- during the year, the General Meeting replaced resigning Directors Marco Cerrina Feroni and Davide Mereghetti with Gaetano Miccichè and Sing Cheong Liu.

The Statutory Auditors obtained information about the Company's organizational structure and it did not reveal any apparent weaknesses.

During the year, a number of amendments were made to the General Section of the Organizational, Management and Control Model in terms of Legislative Decree no 231/2011, as a result of changes to the Group's organizational and corporate structure. The Supervisory Board appointed under the said decree examined the possible effects for the Company resulting from the introduction of environmental offences under Legislative Decree no 231/2001 and took the necessary action to update the Organizational, Management and Control Model.

During the year, the Board of Statutory Auditors held several meetings with the Company's Supervisory Board. These meetings provided an occasion for an exchange of information and the Board of Statutory Auditors took note of the content of the reports prepared by the Supervisory Board on its activities.

The fact that some of the Prada S.p.A. Statutory Auditors are also on the Boards of Statutory Auditors of subsidiary companies facilitated a regular and constant exchange of information between the respective Boards of Statutory Auditors. No issues or anomalies requiring mention in this report came to light during the activities of the Statutory Auditors.

The Board of Statutory Auditors evaluated and controlled the adequacy of the administrative and accounting system and its reliability in accurately reflecting operating events. It did so by obtaining information from divisional managers and reviewing Company documents and has no particular observations to make in this regard.

During the year ended 31.01.2012 and up to the date of this report, no reports in terms of Article 2408 of the Italian Civil Code have been received.

During our work, as described above, we did not identify any other significant matters that require to be mentioned in this report.

The Board of Statutory Auditors examined the financial statements for the year ended 31.01.2012 as prepared in accordance with the accounting principles required by the Italian Civil Code, as interpreted and supplemented by the accounting principles recommended by the Italian Accounting Profession ("*i Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili*"), the Italian Accounting Board ("*l'Organismo Italiano di Contabilità*") and, where lacking and applicable, by IFRS as adopted by the European Union.

As the Board of Statutory Auditors is not required to perform detailed testing of the content of the financial statements, we have checked their general layout and general compliance with legal requirements on its form and structure; we have no particular observations to make in this regard.

The Board of Statutory Auditors has checked compliance with legal requirements on preparation of the Directors' Report and that the financial statements reflect the facts and information of which we are aware; we have no particular observations to make in this regard.

As far as we are aware, when preparing the Financial Statements, the Directors did not make any deviations from legal requirements in terms of Article 2423 (4) of the Italian Civil Code.

The Board of Statutory Auditors has examined the impairment test method adopted by the Directors.

The Board of Statutory Auditors has checked that the financial statements represent the facts and information that have come to our attention in the course of our engagement; we have no particular observations to make in this regard.

During the year, the Board of Statutory Auditors met regularly with partners and managers from external auditors Deloitte & Touche S.p.A., as appointed in terms of Article 2409-*bis* of the Italian Civil Code, in order to discuss and exchange data and information of use in performance of our respective duties. During these meetings, no matters requiring disclosure in this report came to our attention.

Taking account of the above and what emerged during our meetings with the external auditors, the Board of Statutory Auditors has concluded that there are no issues regarding the independence of the external auditors.

On 29 March 2012, Deloitte & Touche S.p.A. issued its external auditors' report in terms of Article 14 of Legislative Decree no 39/2010 which confirms that the financial statements for the year ended 31.01.2012 are consistent with reporting requirements and have, therefore, been prepared clearly and provide a true and fair view of the balance sheet and financial position and the result of the Company for the year. The said report also confirms, in terms of Article 14(2)(e) of the said Decree that the Directors' Report is consistent with the statutory financial statements for the year ended 31.01.2012. The external auditors' report is unqualified and does not contain any emphases of matter.

As required by Legislative Decree no 127/91, the Company has prepared consolidated financial statements and the accompanying Directors' Report.

The Board of Statutory Auditors has also checked the general layout of these consolidated documents, ensuring that their form and structure complies with legal requirements. We have no particular observations to make in this regard.

On 29 March 2012, Deloitte & Touche S.p.A. issued its external auditors' report on the consolidated financial statements. The said report confirms that the consolidated financial statements of the Prada Group at 31 January 2012 are consistent with consolidated reporting requirements have, therefore, been prepared clearly and provide a true and fair view of the balance sheet and financial position and the result of the Group for the year. The said report also confirms that the Directors' Report is consistent with the consolidated financial statements of Prada Group for the year ended 31 January 2012.

In conclusion, based on the above and insofar as we are responsible, we have not identified any reasons not to approve the financial statements for the year ended 31 January 2012 which report a net profit of Euro 238,998,883 and agree with the Directors proposals for the allocation of net profit for the year.

Milan, 2 April 2012

The Board of Statutory Auditors

Antonino Parisi (Chairman) ______

Riccardo Perotta (Statutory Auditor) ______

Gianandrea Toffoloni (Statutory Auditor) ______