PRADA

MILANO

DAL 1913

Annual Report 2013

PRADA spa
(Hong Kong Stock code: 1913)

Index

Patrizio Bertelli

Miuccia Prada

The PRADA Group

**The first Prada store,
Galleria Vittorio Emanuele II
Milan**

The PRADA Group

Presentation

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

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

These values have transformed a family business into a major player in the luxury market worldwide with the Prada, Miu Miu, Church's and Car Shoe brands.

The Group operates in 70 countries through 540 DOS, 32 franchise operated stores and a network of selected high-end multi-brand stores and luxury department stores.

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

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

The result is an exclusive relationship between each customer and the PRADA Group brands, its products, its communications and its stores. This is why customers recognize in Prada's products something exclusive, important and personal which represents the image they wish to portray of themselves.

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

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

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

Prada Store
by architect Roberto Baciocchi

Prada Store
by architect Roberto Baciocchi

Miu Miu Store
by architect Roberto Baciocchi

Miu Miu Store
by architect Roberto Baciocchi

Spring/Summer 2014
Advertising campaign
for Prada

History of PRADA Group

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

In 1919, Prada became an official supplier to the Italian Royal Family. Since then, Prada has been able to display the House of Savoy coat of arms on its label.

Over the years, the Prada name gained increasing renown and prestige.

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario's granddaughter, launched a partnership with Tuscan businessman Patrizio Bertelli. This partnership combined creativity and business ideas to commence a new era.

In 1977, Patrizio Bertelli set up IPI spa to consolidate the production resources that he had built up over the previous ten years in the leather goods segment. In the same year, IPI spa obtained an exclusive license from Miuccia Prada to produce and distribute leather goods bearing the Prada brand name. In the following years, the activities of the two families were gradually brought together within a single Group.

In 1983, the Prada family opened a second store in the prestigious Via della Spiga in Milan, one of Europe's key shopping destinations. The new store showcased the new brand image as it blended traditional elements with a modern architectural setting and would represent a revolution and a benchmark for luxury retail.

Commencing in 1986, new stores were opened in New York and Madrid, followed by London, Paris and Tokyo.

In response to the growing appreciation for the offer of Prada products, the range was extended from leather goods (bags, luggage and accessories) to include footwear and as men's and women's apparel.

The first Prada Donna runway show was held in Milan in 1988.

In 1993, Ms. Miuccia Prada's creative inspiration led to the establishment of a new brand Miu Miu designed for women who are particularly fashion-forward and aware of *avant-garde*, trendy and sophisticated fashion and lifestyle. Miu Miu now offers women's ready-to-wear, bags, accessories, footwear and eyewear and is an increasingly important component of the Group's sales.

The Prada leisure range, with its distinctive "Red Line", was launched in 1997.

In 1999 Prada acquired full control of Church's, a prestigious brand of high-end English footwear.

In 2001 Prada acquired control of Car Shoe, an historical Italian brand famous for its exclusive driving moccasins. The first "Epicenter" store was opened the same year in SoHo, New York.

In 2003, Prada entered into a licensing agreement with the Italian eyewear manufacturer Luxottica, world leader in the eyewear industry. The Luxottica Group currently produces eyewear for the Prada and Miu Miu brands. That same year, a second "Epicenter" store was opened in Aoyama, Tokyo, and the Group also began its partnership with the Spanish cosmetics manufacturer Puig Beauty & Fashion Group which launched the Prada Woman fragrance at the end of 2004.

Spring/Summer 2014
Advertising campaign
for Prada

In 2006, Miu Miu organized its first fashion show in Paris.

The first Prada by LG cellphone was launched in March 2007, the world's first touch screen cell phone.

The Prada e-store first went online in 2010.

The Miu Miu e-store went online in 2011. The same year, Prada entered into a joint venture with the Al Tayer Insignia llc Group to develop a Prada and Miu Miu retail network in the Middle East.

On June 24, 2011, 19% of the share capital of PRADA spa was successfully placed on the Main Board of the Hong Kong Stock Exchange.

In December 2012, Prada sa and Luxottica srl renewed their worldwide licensing agreement for production and marketing of Prada and Miu Miu brand eyewear.

In January 2013, Prada and Miu Miu announced the collaboration of Miuccia Prada on the costume design for The Great Gatsby movie directed by Baz Luhrmann.

In the summer of 2013, the Luna Rossa Challenge team, sponsored by Prada, took part in the 34th edition of the America's Cup, reaching the finals of the Challengers' elimination series for the third time in four attempts.

In August 2013, the Group reached a total of five hundred DOS.

In November 2013, the Prada Group and Coty Inc announced an exclusive agreement for the creation, development and distribution of a line of Miu Miu fragrances, marking the brand's entrance into the prestige fragrance segment.

Spring/Summer 2014
Advertising campaign
for Miu Miu

The Group brands

PRADA Group owns and manages some of the most prestigious luxury brands in the world. These brands, together with control over the key elements of the value chain, represent key assets for the Group. All of the Group's activities are geared towards constantly increasing brand value, in order to raise their profile and recognition, and, ultimately, make them more desirable.

Prada

The Prada brand was created in 1913 by Mario Prada and has since become one of the most prestigious and widely-recognized brands in the fashion and luxury goods industries. The brand's iconic trademarks, which are readily recognized around the world, incorporate the House of Savoy coat of arms surrounded by the knotted insignia, reflecting its heritage as an official supplier to the former Royal Family of Italy.

Prada represents the best of Italian manufacturing creativity and tradition, sophisticated style and uncompromising quality. As one of the most innovative fashion brands, it is capable of re-defining "the norm", always anticipating and often setting new trends. Prada has also become a recognized symbol of elegance, the very essence of fashion. It has even captured the attention of the world of literature and cinema with, for example, the best selling novel "The Devil Wears Prada" which was made into a successful movie of the same name. The brand's distinctive originality is built on its innovative approach to style, craftsmanship and quality and constant research in all sectors. Prada relentlessly applies its creative approach not only to design development but also to the most innovative production techniques.

Prada has been a sophisticated interpreter of its times and a frontrunner of style and trends. The Prada brand targets an international customer base that is modern, sophisticated, aware of stylistic innovations and expects craftsmanship of the highest quality. By combining attention to detail and quality with a cutting-edge production and a unique and strong identity style, it aims to make each Prada product one-of-a-kind.

Miu Miu

Named for Miuccia Prada's nickname in her younger years, Miu Miu was created in 1993 as a brand with a separate identity from Prada and has since evolved into one of the leading high fashion brands in the world, based on the same creativity, quality and culture of innovation at the heart of all Group activities. Miu Miu is characterized by its avant-garde, sensual and provocative style, which seeks to evoke a sense of freedom and intimacy with attention to detail and high quality. Miu Miu targets women particularly aware of the latest fashion trends, driven by a modern spirit of exploration and experimentation in their fashion choices.

The Group has made major efforts since 2005 to enhance the independent identity of the Miu Miu brand. The brand's fashion shows and the nerve center of its communications and marketing activities have been moved to Paris while international activities and events have increased and the retail network has expanded swiftly in order to cover all leading markets.

Church's

The Church's brand was founded in 1873 in Northampton, England by Thomas Church and his three sons, based on the historical family experience in the production of handmade men's shoes since 1675. At the beginning of the 20th century, Church's began exporting outside of Europe to the United States, Canada and South America and received the prestigious Queen's Award for Exports from Queen Elizabeth II in 1965. Church's remains a recognized leader in the men's handmade luxury footwear industry. Church's footwear stands out for its classical style and sophisticated English

Spring/Summer 2014
Advertising campaign
for Prada Eyewear

elegance based on the combination of fine leather and high-quality craftsmanship. Church's collections are designed to appeal to a discerning, international clientele which appreciates high-quality shoes, combining a classical range with modern style collections, both sharing the same top quality and elegance.

Car Shoe

Car Shoe was founded in 1963 by Gianni Mostile whose passion for sports and racing cars led him to design handmade moccasins made from very soft leather and soles set on tiny rubber studs to improve grip on car pedals. The Car Shoe driving moccasins design was awarded a registered patent by the Italian Ministry of Trade and Industry in 1964 though it has now expired. The brand has since become an iconic Italian classic, known for its technical-design originality with high-quality leather and handmade craftsmanship. We believe Car Shoe is a symbol of exclusive and relaxed living with luxury in mind. Particularly suited for leisure time and informal occasions, Car Shoe products are targeted at a sporty and elegant clientele.

Spring/Summer 2014
Advertising campaign
for Miu Miu Eyewear

Strategic processes

Design

Creativity is the first step of the quality process.

Miuccia Prada has the ability to combine intellectual curiosity, the pursuit of new and unconventional ideas, cultural and social interests with a strong sense of fashion. This has made it possible to establish in Prada a genuine "in house" design culture, also based on method and discipline, which guides everyone working in the Prada creative process.

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

Miuccia Prada and Patrizio Bertelli's flair, coupled with their extraordinary charisma, continues to attract talented people from all over the world who want to work with them in many different creative fields. This results in formidable teams in all aspects of the creative process: from fashion design to manufacture, from architecture to communication and photography, from interior design of the stores to all unique and special projects in which the Prada Group is involved.

2013
Advertising campaign
for Prada Parfums

Production

The second phase of the quality process involves the careful selection of materials which are often exclusively made for Prada to very detailed specifications. Given the volume of fabric and leather consumed in production, Prada enjoys the priority attention of the world's best fabric makers and tanners.

Prada products are made at eleven state-of-the-art facilities owned by the Group in Italy and England and through a network of external sub-contractors, all of them selected for their craftsmanship skills and coordinated by a team of specialists internal to the Group. This system enables close control of each stage of the overall production process and maximizes the individual capacities of each facility. Furthermore, it guarantees the utmost and uncompromised quality of each product as well as maximum flexibility.

The core of Prada's production employees has been working with the Group for an average of 20 years. This leads to the highest level of specialization, extensive knowledge and understanding of the Group brands and ensures that know-how of production techniques and core values is handed on smoothly to younger generations.

Distribution

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

The clearest evidence lies in the Epicenter Concept Store Program. These very special stores, located in New York, Los Angeles and Tokyo, have been designed in collaboration with world renowned architects Rem Koolhaas and Herzog & de Meuron, to re-invent and re-visit the concept of shopping.

The retail network is constantly revised and updated in order to make it easier for customers to use and make product displays more effective.

Over the years, the Group has expanded its network of Directly Operated Stores (DOS), alongside a significant presence in luxury department shares and selected high-end multi-brand stores and a limited number of franchise stores.

Directly Operated Stores offer an effective platform to showcase new collections, communicate with customers and offer real-time information on the performance of each product category. Apart from their primary sales function, the DOS are also important means of communication; genuine brand embassies which portray a strong and consistent brand image worldwide.

The wholesale channel (department and multi-brand stores) guarantees a number additional of points of sale, selected on the basis of their prestigious location on key markets and provides a direct and immediate comparison with the competition. In recent years, this sales channel has been carefully reviewed with the aim of being more selective in order to achieve consistency with the retail network expansion and to maintain the right positioning and international image of the brands.

The retail channel generates 84.5% of the PRADA Group's consolidated sales while the remaining 15.5% comes from the wholesale channel.

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

Human Resources

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

The Human Resources Department operates in an international environment, cooperating closely with the business areas in order to analyze processes, make them more efficient and effective and make the most of skills and specific local characteristics as part of an ongoing process to improve business processes, achieve integration between central and outlying parts of the business while focusing on the business as much as possible.

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

The training and development policies implemented have been mainly aimed at strengthening the Product Development and Retail areas, in line with the policy of achieving growth in the retail channel.

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

AC72 Luna Rossa
San Francisco Bay, July 2013

Image and communication

Effective communications are key to building and maintaining a unique powerful and consistent brands image. From fashion shows rich in content and impeccable executed to award-winning advertising campaigns, Prada and all the Group brands continue successfully to create an appealing and cutting-edge image that attracts a high quality, international client base and is appreciated by the most demanding of commentators and critics.

Strong press coverage, featured prominently on hundreds of covers of the world's most important fashion magazines not to mention the most important daily and weekly publications, contributes towards the visibility of the products of the Group brands.

Cultural and commercial in-store events help raise the brands' profile and increase awareness of the most recent collections on local markets and, in particular, in leading international cities from Tokyo to New York and London and from Hong Kong to Shanghai and Beijing.

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

As sponsor of Team Luna Rossa, Prada has taken part in the challenge for the America's Cup in the 2000, 2003, 2007 and 2013 editions. This experience, which led also to the development of a sports clothing and accessories line, helped further to spread the Prada image worldwide, associating it with the oldest and one of the most prestigious international sporting competitions.

Art and culture

Miuccia Prada and Patrizio Bertelli's interest in contemporary art led to their decision, in 1993, to create a space in Milan to hold exhibitions dedicated to acclaimed international artists. The Fondazione Prada, managed by Germano Celant, was born in 1995 with the purpose of receiving and communicating what Miuccia Prada calls "the most powerful mental and cultural provocations of our time".

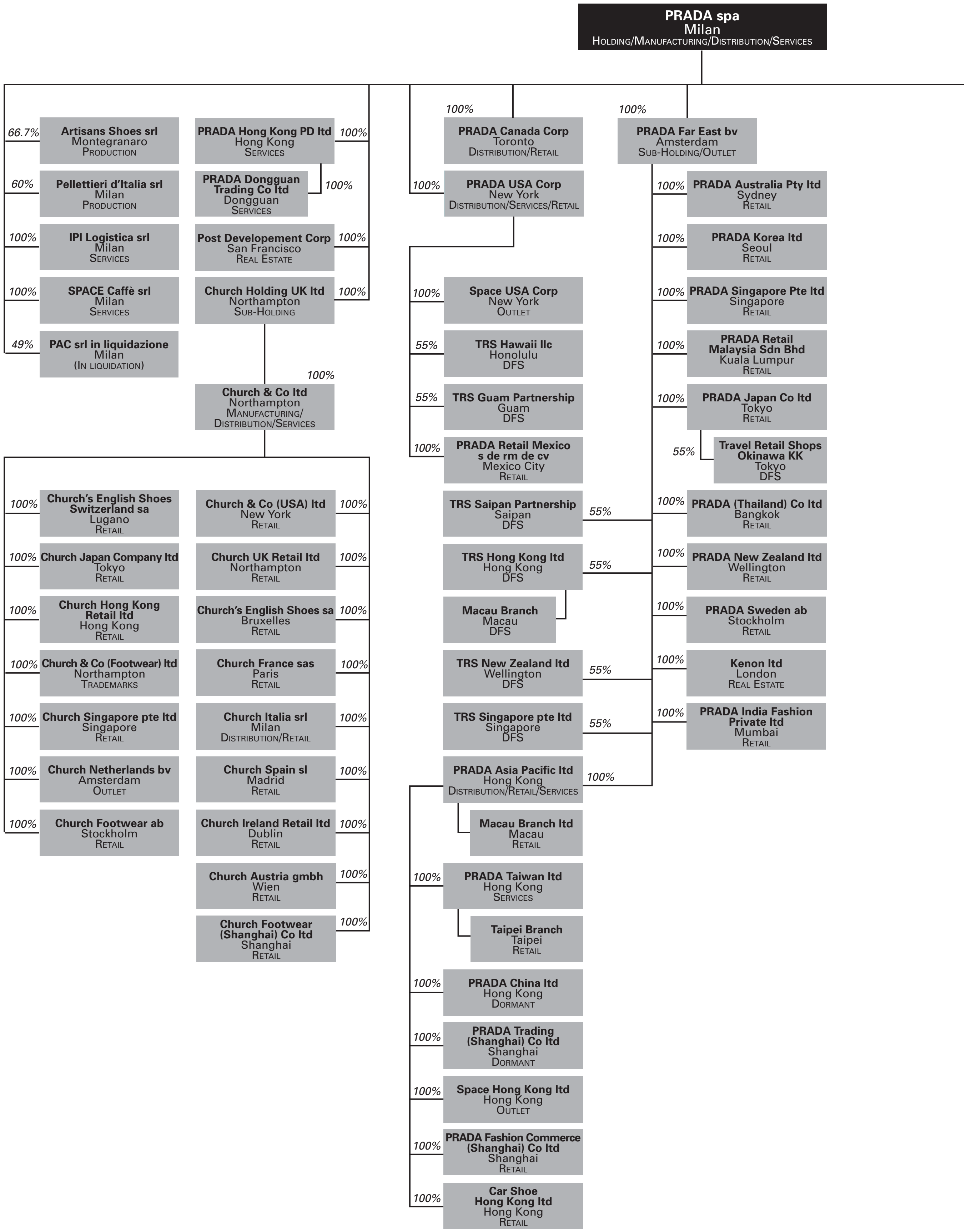
Organized with the full collaboration of the artists themselves, the exhibitions presented by the Fondazione Prada have so far included artists of international renown such as Anish Kapoor, Mariko Mori, Louise Bourgeois, Laurie Anderson, Walter De Maria, Marc Quinn, Carsten Hoeller, Steve McQueen, Giulio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

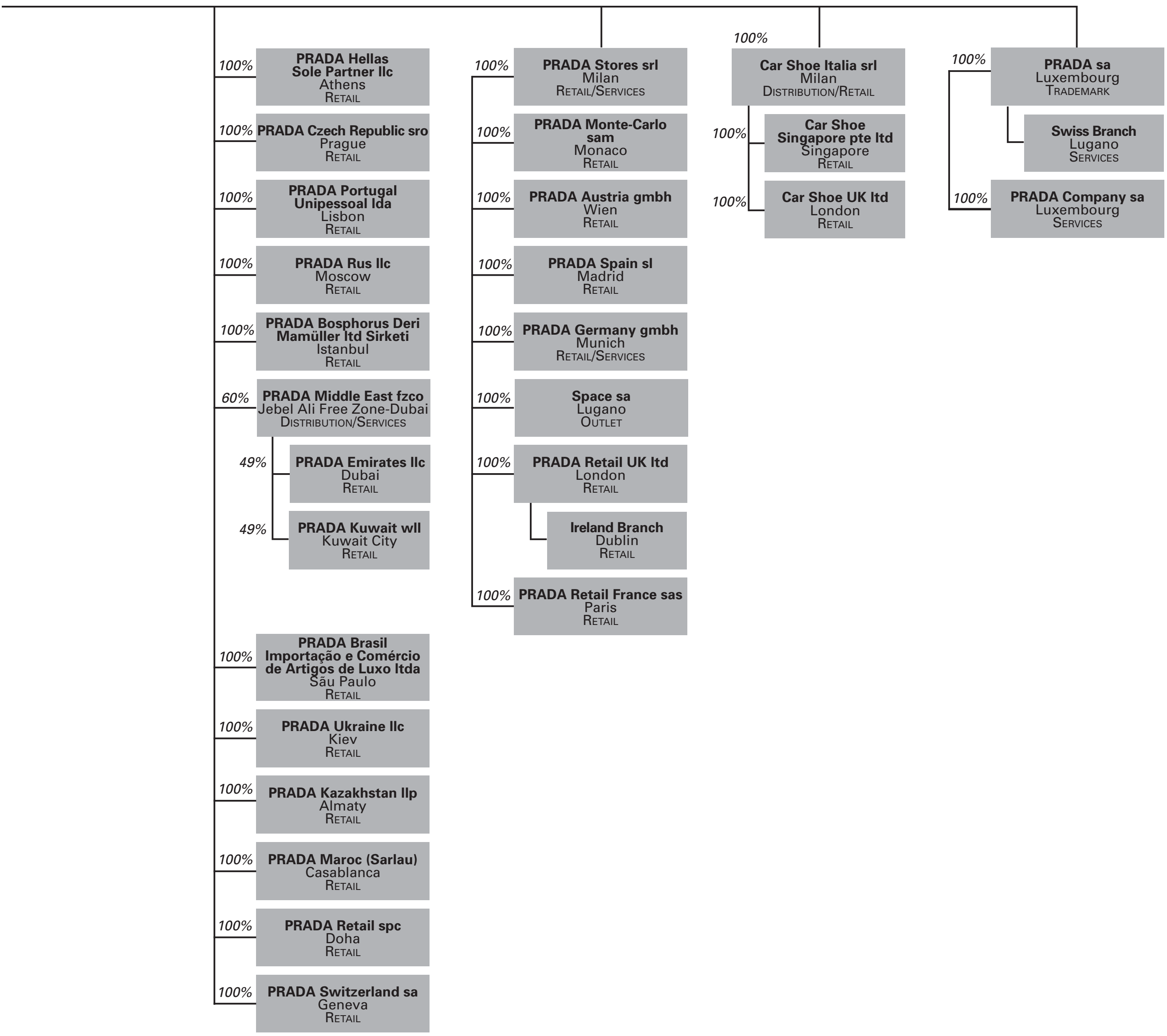
The flexible nature of the Fondazione Prada has been confirmed with events, conferences and film exhibitions covering a range of different sectors like architecture, philosophy, science, design and cinema. Over the years, a number of special projects have also been organized abroad including Carsten Hoeller's "Double Club" in London, OMA's "Prada Transformer" in Seoul, Francesco Vezzoli's "24h Museum" and the "Auguste Perret: Huits Chefs d'oeuvre !/?" at Palais d'Iéna in Paris.

In 2011 the Fondazione Prada opened a new exhibition space in Venice, Ca' Corner della Regina, an historic palace on the Grand Canal. It aims to offer a culturally stimulating program which commenced in 2011 with the "Fondazione Prada Ca' Corner" exhibition and continued in 2012 with "The Small Utopia. Ars Multiplicata". In 2013, it was the turn of "When Attitudes Become Form: Bern 1969/Venice 2013", a surprising and original reconstruction by Germano Celant, in dialogue with Thomas Demand and Rem Koolhaas, of the legendary "When Attitudes Become Form" exhibition organized by Harald Szeeman in Bern in 1969.

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

PRADA Group Structure




100% PRADA Hellas Sole Partner llc Athens Retail
100% PRADA Czech Republic sro Prague Retail
100% PRADA Portugal Unipessoal lda Lisbon Retail
100% PRADA Rus llc Moscow Retail
100% PRADA Bosphorus Deri Mamüller ltd Sirketi Istanbul Retail
60% PRADA Middle East fzco Jebel Ali Free Zone-Dubai Distribution/Services
49% PRADA Emirates llc Dubai Retail
49% PRADA Kuwait wll Kuwait City Retail
100% PRADA Brasil Importação e Comércio de Artigos de Luxo ltda Sãu Paulo Retail
100% PRADA Ukraine llc Kiev Retail
100% PRADA Kazakhstan llp Almaty Retail
100% PRADA Maroc (Sarlau) Casablanca Retail
100% PRADA Retail spc Doha Retail
100% PRADA Switzerland sa Geneva Retail
100% PRADA Stores srl Milan Retail/Services
100% PRADA Monte-Carlo sam Monaco Retail
100% PRADA Austria gmbh Wien Retail
100% PRADA Spain sl Madrid Retail
100% PRADA Germany gmbh Munich Retail/Services
100% Space sa Lugano Outlet
100% PRADA Retail UK ltd London Retail
Ireland Branch Dublin Retail
100% PRADA Retail France sas Paris Retail
100% Car Shoe Italia srl Milan Distribution/Retail
100% Car Shoe Singapore pte ltd Singapore Retail
100% Car Shoe UK ltd London Retail
100% PRADA sa Luxembourg Trademark
Swiss Branch Lugano Services
100% PRADA Company sa Luxembourg Services

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 16 of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company website	www.pradagroup.com
Hong Kong Exchange Stock Code	1913
Board of Directors (appointed on May 22, 2012)	Carlo Mazzi (Chairperson, having assumed the role on February 14, 2014, and Executive Director) Miuccia Prada Bianchi (Chief Executive Officer, having assumed the role on February 14, 2014, and Executive Director) Patrizio Bertelli (Chief Executive Officer and Executive Director) Donatello Galli (Chief Financial Officer and Executive Director) Alessandra Cozzani (Executive Director appointed on December 20, 2013) Gaetano Micciché (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) Marco Salomoni (Non-Executive Director) resigned on December 19, 2013
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri
Nomination Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Sing Cheong Liu
Board of Statutory Auditors	Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member)

Supervisory Board (Legislative Decree 231/2001)	David Terracina (Chairman) Gian Franco Oliviero Mattei Franco Bertoli
Main Shareholder	PRADA Holding B.V. Keizersgracht 313 3rd floor 1016 EE Amsterdam - The Netherlands
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Authorized Representatives in Hong Kong	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Alternate Authorized Representative in Hong Kong to Carlo Mazzi	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

Financial Review

The Financial review of the Board of Directors refers to the Group of companies controlled by PRADA spa (the "Company"), operating holding company of the PRADA Group (the "Group") and is based on the Consolidated financial statements of the Group for the twelve months ended January 31, 2014 (year 2013), prepared in accordance with IFRS as adopted by the European Union. This Financial review must be read together with the Consolidated financial statements and the Notes which form an integral part of the Consolidated financial statements.

Consolidated income statement

(amounts in thousands of Euro)	twelve months ended January 31 2014	%	twelve months ended January 31 2013	%
Retail	2,996,637	83.5%	2,664,238	80.8%
Wholesale	551,570	15.4%	592,190	18.0%
Royalties	39,140	1.1%	40,791	1.2%
Net revenues	3,587,347	100.0%	3,297,219	100.0%
Cost of goods sold	(938,698)	-26.2%	(920,678)	-27.9%
Gross margin	2,648,649	73.8%	2,376,541	72.1%
Operating expenses	(1,709,412)	-47.7%	(1,486,760)	-45.1%
EBIT	939,237	26.2%	889,781	27.0%
Interest and other financial income/(expenses), net	(17,357)	-0.5%	(7,131)	-0.2%
Dividends from investments	1,016	-	966	-
Income before taxation	922,896	25.7%	883,616	26.8%
Taxation	(285,091)	-7.9%	(250,339)	-7.6%
Net income from continuing operations	637,805	17.8%	633,277	19.2%
Net income for the year	637,805	17.8%	633,277	19.2%
Net income from continuing operations – non-controlling interests	10,020	0.3%	7,596	0.2%
Net income – non-controlling interests	10,020	0.3%	7,596	0.2%
Net income from continuing operations - Group	627,785	17.5%	625,681	19.0%
Net income – Group	627,785	17.5%	625,681	19.0%
Depreciation, amortization and impairment	203,949	5.7%	162,688	4.9%
EBITDA	1,143,186	31.9%	1,052,469	31.9%
Basic and diluted earnings per share (in Euro per share)	0.245		0.245	

Key financial information

Key income statement information (amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013	twelve months ended January 31 2012	% chg on January 2013	CAGR % 2011-13
Net revenues	3,587,347	3,297,219	2,555,606	8.8%	18.5%
EBITDA	1,143,186	1,052,469	759,252	8.6%	22.7%
EBITDA %	31.9%	31.9%	29.7%	-	-
EBIT	939,237	889,781	628,935	5.6%	22.2%
EBIT %	26.2%	27.0%	24.6%	-	-
Income before tax	922,896	883,616	602,908	4.4%	23.7%
Net income of the Group	627,785	625,681	431,929	0.3%	20.6%
Earnings per share (Euro)	0.245	0.245	0.170	0%	20.0%
Capital expenditure	611,227	351,129	278,856	-	-
Net operating cash flows	769,436	759,272	479,954	1.3%	26.6%
Average number of employees	10,816	9,427	8,067	14.7%	-

Key statement of financial position information (amounts in thousands of Euro)	January 31 2014	January 31 2013	January 31 2012	change on January 2013
Net operating working capital	409,774	317,714	357,648	92,060
Net invested capital	2,405,650	2,017,844	1,817,327	387,806
Net financial position	295,890	312,648	13,640	(16,758)
Group shareholders' equity	2,687,554	2,320,022	1,822,743	367,532

2013 highlights

In 2013, the PRADA Group pursued with conviction its strategic plan of expansion in the global luxury goods market, achieving one of the highest rates of growth in the segment. The results achieved were all the more satisfying considering the ongoing uncertainty of the economic environment, especially in some parts of Europe, and the related exchange rate volatility. For the fourth consecutive year, significant net revenue growth was recorded.

Commercial growth was driven by the retail network thanks to both the solid contribution of existing stores and the impact of newly opened stores. Retail network expansion led to the opening of 79 net new Directly Operated Stores (DOS) during the year. The total number of DOS hit 500 in August 2013 and reached 540 at January 31, 2014. The Group now covers with its own stores 40 out of the 70 countries where Prada, Miu Miu, Church's and Car Shoe finished products are distributed and these stores generate 84.5% of consolidated net sales. At the same time, leather goods generate around two thirds of consolidated net sales with the remainder coming from clothing and footwear. This is consistent with the strategy of retail growth and the ongoing policy of selective reduction of the independent customer base.

The revenue growth has been accompanied by a communications strategy focused on sustaining and developing brand identity and ranging from unique advertising campaigns to sponsorship of events and initiatives with global visibility as the participation by Luna Rossa in the XXXIV edition of the America's Cup or the cultural and artistic initiatives of the Fondazione Prada.

Finally, in the industrial area, in 2013 management committed to improving further processes in order to optimize the system of procurement for the retail network and maintain high quality gross margins without affecting a tradition of craftsmanship that has now lasted a hundred years.

The Group's net revenue for the twelve months ended January 31, 2014, totaled Euro 3,587.3 million, 8.8% more than in 2012 (+13.3% at constant exchange rates). An improvement in gross margin helped limit the impact of an increase in operating expenses due to retail network expansion and EBITDA remained in line with prior year at 31.9% of net revenue. In absolute terms, EBITDA totaled Euro 1,143.2 million, 8.6% more than the figure of Euro 1,052.5 million achieved in 2012.

The Group's net income totaled Euro 627.8 million, slightly higher than the figure of Euro 625.7 million for the twelve months ended January 31, 2013. In addition to reasons above explained, the Group's net income, as a percentage of net revenue, decreased from 19% to 17.5% because the increase in the direct tax burden.

The capital expenditure incurred during the twelve months ended January 31, 2014, amounted to Euro 611.2 million and was mainly focused on the retail area. Capital expenditure was mainly used to sustain the plan to open new stores and to acquire a prestigious building on Old Bond Street in London which the Group has already partially deployed to open one of the most strategic Prada stores in the world.

Free cash flows for the year enabled the Group to report a positive net financial position of Euro 295.9 million at January 31, 2014, after distributing dividends of Euro 230.3 million to the shareholders of PRADA spa. In terms of duration, the debt structure is more favorable than at January 31, 2013, as it has shifted more towards a longer term profile. During the year, the Group made loan repayments falling due of Euro 162.5 million, issued a five year bond of Euro 130 million and arranged new long-term bank loans of Euro 46.8 million.

Net sales analysis

(amounts in thousands of Euro)	twelve months ended January 31 2014		twelve months ended January 31 2013		% change
Net sales by geographical area					
Italy	552,897	15.6%	528,302	16.2%	4.7%
Europe	776,494	21.9%	739,634	22.7%	5.0%
Americas	487,990	13.8%	440,035	13.5%	10.9%
Asia Pacific	1,292,753	36.4%	1,160,166	35.6%	11.4%
Japan (including Hawaii)	340,784	9.6%	337,313	10.4%	1.0%
Middle East	91,114	2.6%	44,803	1.4%	103.4%
Other countries	6,175	0.1%	6,175	0.2%	0.0%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by brand					
Prada	2,943,633	83.0%	2,649,559	81.4%	11.1%
Miu Miu	519,142	14.6%	512,762	15.7%	1.2%
Church's	68,609	1.9%	68,447	2.1%	0.2%
Car Shoe	13,427	0.4%	19,660	0.6%	-31.7%
Other	3,396	0.1%	6,000	0.2%	-43.4%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by product line					
Clothing	581,594	16.4%	563,322	17.3%	3.2%
Leather goods	2,332,518	65.7%	2,038,043	62.6%	14.4%
Footwear	594,586	16.8%	625,390	19.2%	-4.9%
Other	39,509	1.1%	29,673	0.9%	33.1%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by distribution channel					
DOS	2,996,637	84.5%	2,664,238	81.8%	12.5%
Independent customers and franchises	551,570	15.5%	592,190	18.2%	-6.9%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales	3,548,207	98.9%	3,256,428	98.8%	9.0%
Royalties	39,140	1.1%	40,791	1.2%	-4.0%
Total net revenues	3,587,347	100.0%	3,297,219	100.0%	8.8%

Distribution channels

The retail channel delivered net sales of Euro 2,996.6 million for the twelve months ended January 31, 2014, an increase of 12.5% compared to Euro 2,664.2 million in 2012 (+17.8% at constant exchange rates).

On a Same Store Sales Growth (SSSG) basis, retail sales increased by 7%, performing steady throughout 2013 and benefiting from the geographical distribution of stores all over the world. Sales growth was further boosted by the strategy of retail expansion resulting in the opening of 79 net new stores during the year (93 openings and 14 closures). At January 31, 2014, the network included a total of 540 DOS. The results achieved meant that the contribution of the retail channel to the Group's consolidated net sales increased from 81.8% in the twelve months ended January 31, 2013, to 84.5%.

The wholesale channel contributed the remaining 15.5%, generating net sales of Euro 551.6 million and recording a 6.9% decrease (-5.8% at constant exchange rates) on the Euro 592.2 million reported in the twelve months ended January 31, 2013. The decrease due to rationalization of the independent customer base, the conversion of retail corners in North America into DOS and the ongoing stagnation of the European market – Italy included – was partially offset by the development of franchising contracts in the Far East and Italy where, in July 2013, related company Fratelli Prada spa launched a prestigious retail project in Galleria Vittorio Emanuele II in Milan.

Markets

In the twelve months ended January 31, 2014, net sales grew in all geographical areas with even higher paces of growth at constant exchange rates.

The Asia Pacific market reported net sales of Euro 1,292.8 million, an increase of 11.4% (+14.4% at constant exchange rates) compared to the Euro 1,160.2 million posted in 2012. The increase in net sales in this area was achieved thanks to the performance of existing stores, the 27 net new openings (31 openings and 4 closures) and the important new duty free franchise contracts in Korea, Taiwan and Singapore. Net sales in the Greater China area totaled Euro 826 million, 12.3% more than in 2012.

Net sales on the European market totaled Euro 776.5 million, a 5% increase compared to the Euro 739.6 million reported in 2012 (+7% at constant exchange rates). This performance was achieved thanks to double-digit growth in the retail channel in relation to both existing stores and the 13 new openings, net, during the year (14 openings and 1 closure). The continuing selective policy applied to independent customers, also considering the credit policy of the Group and tough market conditions, especially in smaller cities, have led to a significant downturn in the wholesale channel.

The Italian market generated net sales of Euro 552.9 million in the twelve months ended January 31, 2014, 4.7% more than the Euro 528.3 million reported for 2012. The growth was essentially driven by the retail channel as the wholesale channel, similar to the already highlighted European trends, remained almost unchanged compared to 2012.

The American market, meant as North, Centre and South America, recorded net sales of Euro 488 million, a 10.9% increase compared to the Euro 440 million reported for the twelve months ended January 31, 2013 (+15.3% at constant exchange rates). It is worth noting that, at the reporting date, there was an important ongoing strategic program to convert a number of points of sale in the best department stores from wholesale to direct operation. During the period, 21 retail corners were converted in the United States and Canada (16 Prada and 5 Miu Miu corners).

The Japanese market recorded the highest rates of organic growth with a 23.6% increase at constant exchange rates. However, the extreme weakness of the Japanese Yen hit the Euro equivalent figure and net sales totaled Euro 340.8 million, 1% more than the Euro 337.3 million recorded in the twelve months ended January 31, 2013. The strategy of repositioning the product mix implemented since the start of the year was highly successful and led to constant, double-digit sales growth throughout 2013 on an SSSG basis.

At January 31, 2014, the Middle East area included a total of 16 DOS (11 at January 31, 2013). It achieved net sales of Euro 91.1 million, almost double the Euro 44.8 million reported for 2012, and is now an important area of business for the Group.

Products

In the twelve months ended January 31, 2014, net sales of leather goods totaled Euro 2,332.5 million and increased by 14.4% compared to Euro 2,038 million in the previous year (+19.6% at constant exchange rates). This product category increased from 62.6% of consolidated net sales in 2012 to 65.7% in 2013.

Clothing generated net sales of Euro 581.6 million, 3.2% more than the Euro 563.3 million recorded in 2012 (+7.2% at constant exchange rates). Compared to prior year, growth was achieved in the retail channel while the wholesale channel decreased. Miu Miu achieved a double-digit growth (at constant exchange rates), a sign of the brand's strong identity. The total contribution by clothing to consolidated net sales decreased from 17.3% to 16.4%.

Footwear generated net sales of Euro 594.6 million, a 4.9% decrease compared to 2012 (-1.8% at constant exchange rates). This segment has suffered more than others from the contraction of the wholesale channel though, like the clothing segment, it has enjoyed strong growth from the Miu Miu brand.

Brands

In 2013, the Prada brand contributed net sales of Euro 2,943.6 million or 83% of consolidated net sales, recording 11.1% growth compared to the Euro 2,649.6 million reported for the twelve months ended January 31, 2013 (+15.6% at constant exchange rates). Sales growth was driven by both SSSG and new openings and was strong in all geographical areas, except for Italy where sales only recorded a single-digit increase.

The net sales of the Miu Miu brand totaled Euro 519.1 million, a moderate 1.2% increase on the Euro 512.8 million reported for the previous year (+6.5% at constant exchange rates). The increase was achieved thanks to the retail channel which, essentially thanks to new openings during the year, grew by 3.9% compared to the previous year (+10.1% at constant exchange rates).

In 2013, the Church's brand recorded net sales of Euro 68.6 million, remaining almost in line with the results achieved in 2012 (+3.2% at constant exchange rates). In Europe, where the brand realized 59.5% of its net sales, performance was still affected by generally disappointing domestic consumption levels due to the ongoing negative economic situation. Specific retail and wholesale dynamics did not differ greatly from the overall growth figures of the brand.

The Car Shoe brand generated net sales of Euro 13.4 million. The decrease compared to 2012 when sales totaled Euro 19.7 million was influenced by the prevailing dependence from the European wholesale. A new store was opened in Italy in 2013.

Royalties

In the twelve months ended January 31, 2014, licensing agreements generated royalties income of Euro 39.1 million, 4% less than the Euro 40.8 million recorded in 2012. In the previous year, the launch of the Prada phone LG 3.0 cellphone generated royalties of Euro 5.4 million, essentially concentrated in the first half of the year. Excluding this component, licensed products, essentially eyewear and cosmetics, generated a 9.3% increase in royalties compared to the twelve months ended January 31, 2013.

Number of stores

	January 31, 2014		January 31, 2013	
	Owned	Franchises	Owned	Franchises
Prada	330	24	283	19
Miu Miu	150	8	126	6
Church's	52	-	45	-
Car Shoe	8	-	7	-
Total	540	32	461	25

	January 31, 2014		January 31, 2013	
	Owned	Franchises	Owned	Franchises
Italy	51	6	48	5
Europe	150	6	137	6
Americas	91	-	61	-
Asia Pacific	157	20	130	14
Japan	72	-	71	-
Middle East	16	-	11	-
Africa	3	-	3	-
Total	540	32	461	25

Operating results

Gross margin – net revenue less cost of goods sold – was Euro 2,648.6 million for the twelve months ended January 31, 2014, up by 11.4% compared to the Euro 2,376.5 million reported for 2012. As a percentage of net sales, gross margin improved from 72.1% in 2012 to 73.8%, thanks to a better contribution – almost evenly distributed – from the usual drivers: product, distribution and market.

EBITDA for the year totaled Euro 1,143.2 million, 8.6% more than the Euro 1,052.5 million reported for 2012. EBITDA for 2013 represented 31.9% of net revenues, in line with the 2012 results. The improvement achieved at gross margin level was absorbed by the greater burden of operating expenses, especially labor costs and lease costs in relation to retail network expansion and greater investment on promotional and communications activities. The operating expenses for the year were affected by an extraordinary expense that is the decision not to go ahead with the planned opening of a large new Prada store in Ginza, Tokyo, as it was no longer considered compatible with proper positioning on the market. Termination of the lease agreement was agreed subject to payment of an all-inclusive penalty of Japanese Yen 1.7 billion (Euro 13.1 million) which was recorded under operating costs for the period. Without this penalty, EBITDA for the year would have totaled Euro 1,156.3 million or 32.2% of net revenues.

EBIT for the year totaled Euro 939.2 million, increasing by 5.6% compared to 2012 and representing 26.2% of net revenues. EBIT as well was affected by the above mentioned extraordinary expense: without such penalty it would have been equal to Euro 952.3 million, or 26.5% on net revenues. Writedowns adjustments for the year totaled Euro 5.1 million (Euro 7.8 million in 2012) and, as in prior year, were recognized solely in relation to projects no longer considered strategic. In both years, impairment test results did not identify any impairment of value.

The Group's net income totaled Euro 627.8 million, slightly more in absolute terms than the net income of Euro 625.7 million achieved in 2012. As a percentage of net revenues, net income decreased from 19% to 17.5%. The reduction in profitability below EBIT level was generated by the heavier tax burden because of tax charges of Euro 22 million relating to prior tax years and a general geographical mix of taxable incomes and, to a lesser extent, to the impact of foreign exchange differences.

EBITDA by brand

twelve months ended January 31, 2014 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	3,548,207	2,943,633	519,142	68,609	13,427	3,396
Royalties	39,140	37,127	1,997	16	-	-
Net revenues	3,587,347	2,980,760	521,139	68,625	13,427	3,396
EBITDA	1,143,186	1,054,126	89,322	4,368	(4,795)	165
EBITDA %	31.9%	35.4%	17.1%	6.4%	-	-

twelve months ended January 31, 2013 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	3,256,428	2,649,559	512,762	68,447	19,660	6,000
Royalties	40,791	39,453	1,248	90	-	-
Net revenues	3,297,219	2,689,012	514,010	68,537	19,660	6,000
EBITDA	1,052,469	948,729	100,270	7,099	(2,707)	(922)
EBITDA %	31.9%	35.3%	19.5%	10.4%	-	-
Change in Net revenues	290,128	291,748	7,129	88	(6,233)	(2,604)
Percentage change in Net Revenues	8.8%	10.8%	1.4%	0.1%	-31.7%	-43.4%
Change in EBITDA	90,717	105,397	(10,948)	(2,731)	(2,088)	1,087
% change in EBITDA	8.6%	11.1%	-10.9%	-38.5%	-77.1%	-

The PRADA brand generated EBITDA of Euro 1,054.1 million (35.4% of net revenues) for the twelve months ended January 31, 2014, 11.1% more than the Euro 948.7 million recorded in 2012 (35.3% of net revenues). Excluding the aforementioned penalty for termination of the property lease in Ginza, Tokyo, the brand's EBITDA margin would have been 35.8%, confirming a positive operating trend. The additional expenses resulting from retail network expansion only partially absorbed the additional profits created through sales growth. Sales growth was achieved thanks to the 59 net new stores opened in 2013, the full year contribution of DOS opened in 2012 and, above all, the SSSG performance which was the main driver of sales growth for the year. In line with Group strategy, the retail expansion was accompanied by increased communications activity to strengthen the global brand image.

Miu Miu generated EBITDA of Euro 89.3 million, 10.9% less than the Euro 100.3 million reported for 2012. Meanwhile, EBITDA margin decreased from 19.5% to 17.1% essentially because of the increase in operating expenses triggered by rapid expansion of the DOS network (up from 71 at January 31, 2011, a few months before the listing, to 150 at January 31, 2014, with a net of 24 new openings in the last year alone). Another factor was investment in DOS restyling and in communications, also in order to strengthen international brand awareness. Beyond the short-term impact, the Group Management believes that these measures are necessary with a view to achieving long-term sustainable growth for the brand.

Church's recorded EBITDA of Euro 4.4 million, 38.5% down on the Euro 7.1 million reported in 2012. The lower profitability is partly due to a less impressive performance by several traditional markets and partly to the greater burden of selling costs, again as a result of retail network expansion in new countries. During the year, Church's opened 7 new DOS including its first ever stores in China, Japan, Sweden and the Netherlands.

The Car Shoe brand reported negative EBITDA of Euro 4.8 million, a deterioration on prior year because of the decline in wholesale sales.

Analysis of the statement of financial position

Net invested capital

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013	January 31 2012
Non-current assets (excluding deferred tax assets)	2,225,451	1,821,773	1,650,329
Trade receivables, net	308,405	304,525	266,404
Inventories, net	449,903	343,802	374,782
Trade payables	(348,534)	(330,613)	(283,538)
Net operating working capital	409,774	317,714	357,648
Other current assets (excluding items of financial position)	132,866	165,962	112,623
Other current liabilities (excluding items of financial position)	(291,378)	(230,285)	(262,534)
Other current assets/(liabilities), net	(158,512)	(64,323)	(149,911)
Provision for risks	(52,660)	(46,914)	(56,921)
Post-employment benefits	(63,279)	(45,538)	(35,898)
Other long-term liabilities	(113,698)	(85,289)	(75,991)
Deferred taxation, net	158,574	120,421	128,071
Other non-current assets/(liabilities)	(71,063)	(57,320)	(40,739)
Net invested capital	2,405,650	2,017,844	1,817,327
Shareholder's equity – Group	(2,687,554)	(2,320,022)	(1,822,743)
Shareholder's equity – Non-controlling interests	(13,986)	(10,470)	(8,224)
Total consolidated shareholders' equity	(2,701,540)	(2,330,492)	(1,830,967)
Long term financial payables	(207,969)	(79,348)	(179,542)
Short term financial, net surplus/(deficit)	503,859	391,996	193,182
Net financial position surplus/(deficit)	295,890	312,648	13,640
Shareholders' equity deducted the positive Net financial position	(2,405,650)	(2,017,844)	(1,817,327)
Debt to Equity ratio	n.a.	n.a.	n.a.

At January 31, 2014, Net invested capital stood at Euro 2,405.7 million, Euro 387.8 million more than the Euro 2,017.8 million reported at January 31, 2013. The increase mainly regarded non-current assets, especially investments.

Indeed, during 2013, capital expenditure totaled Euro 611.2 million, including Euro 521.5 million in the retail area and comprising the purchase cost of prestigious retail premises in London and St Petersburg for some Euro 182 million. Intangible assets at January 31, 2014, include assets with an indefinite useful life i.e. goodwill totaling Euro 504.4 million. As required by "IAS 36 Impairment of assets", these assets were subjected to an impairment test at the reporting date. The value in use of the goodwill, essentially determined using methods based on discounted future cash flows, did not reveal any impairment of value. The results of the impairment tests were further supported by sensitivity tests. More information is provided in the Notes to the consolidated financial statements under Note 16.

Net operating working capital increased by Euro 92.1 million from Euro 317.7 million at January 31, 2013, to Euro 409.8 million at January 31, 2014. The increase is due to the higher value of retail inventories mainly because of the number of stores opened during the 2013.

Total other current liabilities, net, increased from Euro 64.3 million at January 31, 2013, to Euro 158.5 million mainly because of the higher tax burden and a reduction in the reporting date fair value of derivative instruments used to hedge the exchange risk (forward contracts and options).

Other non-current liabilities, net, totaled Euro 71.1 million and increased by Euro 13.7 million compared to January 31, 2013, as a result of higher liabilities for long-term employee benefits and deferred lease income, net of an increase in deferred tax assets mainly because of higher temporary differences between the tax value and consolidated reported value of the stock of finished products.

Group shareholders' equity rose from Euro 2,320 million at January 31, 2013, to Euro 2,687.6 million at January 31, 2014. The increase generated by the Group's net income for the twelve months ended January 31, 2013, Euro 627.8 million, was partially offset by the dividends of Euro 230.3 million distributed to the PRADA spa shareholders (as approved by the Annual General Meeting on May 22, 2013, on the financial statements for the year ended January 31, 2013) and negative changes totaling Euro 30 million in the translation reserve and other IFRS reserves.

Net financial position

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013	January 31 2012
Long term debt	(207,950)	(78,830)	(178,442)
Obligations under finance leases	(19)	(518)	(1,100)
Long term financial payables	(207,969)	(79,348)	(179,542)
Short term financial payables and bank overdrafts	(61,909)	(175,570)	(165,485)
Payables to parent company and related parties	(4,130)	(5,018)	(3,574)
Receivables from parent company and related parties	2,008	1,413	1,410
Obligations under finance leases	(524)	(575)	(1,453)
Cash and cash equivalents	568,414	571,746	362,284
Short term financial (payables)/receivables, net of cash and cash equivalents	503,859	391,996	193,182
Net financial surplus/(deficit)	295,890	312,648	13,640
Net financial surplus/(deficit), excluding receivables/(payables) with parent company and related parties and other shareholders (NFP used to calculate covenants - note 25 Consolidated financial statements)	298,012	316,253	15,804
NFP/EBITDA ratioNFP/EBITDA ratio	n.a.	n.a.	n.a.

Cash flows from operating activities totaled Euro 769.4 million for the twelve months ended January 31, 2014 (Euro 759.3 million in 2012) after cash absorbed by investing activities of Euro 548.3 million (Euro 331.6 million in 2012). After the distribution of dividends of Euro 230.3 million (Euro 127.9 million in 2012), this enabled the Group to achieve a positive net financial position of Euro 295.9 million. At January 31, 2013, the net financial position was slightly higher and stood at Euro 312.6 million.

As far as liquidity concerns, the composition of bank borrowings at January 31, 2014, was more favorable than at January 31, 2013, because of a shift towards longer term borrowings: indeed, long-term financial payables have increased from Euro 78.8 million at January 31, 2013, to Euro 208 million, while short-term financial payables have decreased from Euro 175.6 million to Euro 61.9 million. In 2013, PRADA spa issued a five year bond listed on the Irish Stock Exchange with a nominal amount of Euro 130 million. During 2013, the Group also repaid the Euro 100 million installment due on a syndicated loan by PRADA spa while debt due for repayment by PRADA Japan co ltd was refinanced with a new line of credit totaling Japanese Yen 9 billion, used part in part to finance the investment plan in Japan; at January 31, 2014, the outstanding amount on this line of credit was Japanese Yen 8.8 billion. At January 31, 2014, the Group had a short-term net financial surplus of Euro 503.9 million (Euro 392 million at January 31, 2013), as well as other available lines of credit of Euro 454.3 million (Euro 473.1 million at January 31, 2013).

Risk factors

Risk factors regarding the international luxury goods market

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

The Group is exposed to several macroeconomic factors as a consequence of its operations on an international scale.

The current international economic environment could have a negative impact on demand for the Group's products and reduce access to credit, causing financial problems for customers and other parties with which the Group operates. Overall, these factors could have a negative impact on the business, results, cash flows and the financial condition of the Group.

A significant portion of the Group's sales is made to customers who purchase goods during trips abroad. Consequently, unfavorable economic conditions (e.g. the global financial crisis of 2008 and 2009), global political developments (e.g. the war in Iraq in the spring of 2003), other social or geopolitical factors resulting in unrest, instability, disorder, civil war or military conflict, natural disasters like fires, flooding and earthquakes, or other events (e.g. the events of September 11, 2001 in the United States or travel advice issued by the World Health Organization in response to *Severe Acute Respiratory Syndrome, "SARS"*) which lead to changes in the flow of travelers or a reduction in the volume of travel have in the past and could in future have a negative impact on the Group's business and results.

Risks regarding the protection of intellectual property rights

The Group believes that its trademarks and other intellectual property rights are fundamental to its success and market position. Consequently, the Group's business is strongly dependent on its ability to protect and defend its trademarks and other intellectual property rights.

The Group is constantly committed to the international registration and protection of its trademarks and other intellectual property. It maintains that its trademarks and other intellectual property rights are adequately protected on major markets by registration applications, existing registrations and other legal safeguards.

Risks regarding brand image and recognition

The success of the Group on the international luxury goods market is linked to the image and distinctiveness of its brands. These features depend on many factors, like the style and design of products, the quality of materials and production techniques used, the image and location of the Group's directly operated stores, the careful selection of licensees for certain product categories and the communications activities in terms of public relations, advertising, marketing and Group profile in general.

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

Risks regarding ability to anticipate trends and respond to changing customer preferences

The Group's success depends on its ability to create and drive market and product trends while anticipating changes in customer preferences and in the dynamics of the luxury goods market.

The Group pursues its objective of driving the luxury goods market by stimulating consumer markets and setting trends thanks to the creative efforts of its Design and Product Development department. This area of the business includes around 900 persons divided between design – where creativity is boosted by a strong mix of nationalities, cultures and talents – and development – where craft skills combined with tried and tested industrial processes ensure that the Group continues to compete in order to keep up with consumer trends and emerging lifestyles.

Risk factors specific to PRADA Group

Risks regarding exchange rate fluctuations

The Group has a vast international presence and is, therefore, exposed to the foreign exchange risk which can negatively impact revenue, costs, margins and profit. In order to hedge the foreign exchange risk, the Group enters into hedging derivatives designed to guarantee the Euro (or other operating currency) amount of identified future cash flows. These future cash flows mainly regard the collection of trade and financial receivables and the settlement of trade payables. They are mainly concentrated in PRADA spa, Group holding company and worldwide distributor of Prada and Miu Miu brand products.

Exchange rate risk management is described in the Notes to the consolidated financial statements.

Risks regarding interest rate fluctuations

The interest rate risk is the risk that cash outflows might vary as a result of interest rate fluctuation. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa, the Group uses interest rate swaps and collars. These instruments convert variable rate loans into fixed rate loans or loans at rates within a negotiated range of rates.

Interest rate risk management is described in more detail in the Notes to the consolidated financial statements.

Risks regarding the importance of key personnel

The Group's results depend both on the contribution of certain key figures who have played an essential role in the development of the Group and who have great experience of the fashion and luxury goods industry and on Prada's ability to attract and retain personnel who are highly capable in terms of the design, marketing and merchandising of products.

The Group believes it has a management structure capable of guaranteeing the ongoing success of the business and has recently implemented a long-term incentive plan in order to retain key figures so that they will continue to fulfil roles essential to achievement of the challenging objectives that the Group constantly sets itself.

Risks regarding the implementation of strategy

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

The Group is pursuing its objectives through gradual expansion in new geographical areas or in areas where its presence is not yet considered strong enough. In order to ensure the success of each new DOS, the Group carefully assesses market conditions and consumer trends in the new DOS location. In particular, when entering into new countries, the Group dedicates significant resources to ensuring that sales managers and personnel convey an image consistent with the identity of the Group brands and a level of service in keeping with the quality of the products. The utmost attention is also paid to the design and fitting out of the stores themselves so that brand identify is properly represented.

Risks regarding the outsourcing of manufacturing activities

The Group designs, checks and produces in-house most of its prototypes and samples while outsourcing production of most of its accessories and products to third parties with the right experience and skills.

The Group has implemented a rigorous inspection and quality control process for all outsourced production. Prada contractually requires its outsourcers to comply with rules and regulations on brand ownership and other intellectual property rights, with all the provisions of laws and national collective agreements on labor and social security rules and with laws and regulations on health and safety in the workplace. It also requires them to read the PRADA Group Code of Ethics and make an undertaking to respect the principles set out in it.

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction causes a financial loss for another entity through failure to fulfill its obligations. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements. The Group essentially believes that its credit risk mainly regards trade receivables generated in the wholesale channel and cash equivalents. The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy.

On the trade receivables side, credit risk management is performed by controlling and monitoring the reliability and solvency of customers. At the same time, the fact that the total receivables balance is not highly concentrated on individual customers, the fact that net sales are evenly spread geographically and the ongoing strategy of selective reduction of the wholesale customer base (for reasons including the prevention of parallel distribution) have led to a reduced credit risk.

On the cash equivalents side, the risk of default substantially relates to bank deposits which is the method most widely used by the Group, also considering its low-risk policy, to invest the surplus funds generated by operations. The default risk is mitigated by the allocation of the available funds among different bank deposits in terms of countries, currencies and banks as well as by the term profile of such investments which is always short-term. The residual significant portion of the line-item cash and cash equivalents is made up of bank accounts and cash. The Group maintains that there is no significant risk on these kinds of liquid assets as their use is strictly connected with the business operations and corporate processes and, as a result, the number of parties involved is highly fragmented.

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Corporate finance department, reporting to the CFO, is responsible for managing financial resources as well as possible. The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management, repayment of loans as they fall due and dividend payments as planned.

Legal and regulatory risks

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

- the risks associated with the failure to comply with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong and applicable to the Company following its listing on the Stock Exchange of Hong Kong Limited;
- the risks associated with the failure to comply with the laws and regulations applicable to the Company following the listing of the Notes issued on August 2013 on the Irish Stock Exchange;
- the risks associated with health and safety at work in compliance with Italian Legislative Decree 81/08 and equivalent regulations in other countries;
- possible legal sanctions for wrongful acts pursuant to Law 231/2001, as subsequently amended;
- the risks associated with antitrust rules in the areas where the Group operates;
- the possibility of events that adversely affect the reliability of annual financial reporting and the safeguarding of Group assets;
- changes in international tax rules applicable in the various countries where the Group operates that could expose the Group to the risk of non-compliance;
- possible industrial compliance risks regarding the conformity of the finished goods distributed and the raw materials and consumables used with Italian and international laws and regulations.

By involving all of its various divisions and using external specialist advisors when necessary, the Group ensures that its processes and procedures are updated to comply changes in rules and regulations, reducing the risk of non-compliance to an acceptable level. As well as by Divisional Managers and by audit activities, monitoring activities are also carried out by specific entities and committees such as the Supervisory Board, the Internal Control Committee and the Industrial Compliance Committee.

Risks regarding data processing

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

- data is adequately protected against the risk of unauthorized access and disclosure (including means for protecting personal privacy and propietary information), improper information modification or destruction (including accidental loss) and utilization inconsistent with assigned duties;
- data is processed in accordance with applicable laws and regulations.

Information on relationships and transactions with related parties

Information on the Group's relationships and transactions with related parties is provided in the Directors' Report and in the Notes to the consolidated financial statements.

Non-IFRS measures

The Group uses certain financial measures (*"non-IFRS measures"*) to measure its operating performance and to help the reader to understand and analyze its statement of financial position. Although they are used by Group management, these measures are not universally or legally defined and are not regulated by IFRS based on which the Consolidated financial statements are prepared. As other companies operating in the luxury goods segment might utilize the same measures, but based on different calculation criteria, it is worth noting the fact that said non-IFRS measures should always be read together with the related notes and may not be suitable for a direct comparison between different companies.

In this Annual Report, the PRADA Group has used the following non-IFRS measures:

EBITDA: Earnings Before Interests, Taxation, Depreciation and Amortization, i.e. "Consolidated net income for the year" adjusted to exclude "Interest and other financial income/(expense) and dividends from investments", "Taxes on income" and "Depreciation, amortization and impairment".

EBIT: Earnings Before Interest and Taxation, i.e. "Consolidated net income for the year" adjusted to exclude "Interest and other financial income/(expense) and dividends from investments" and "Taxes on income".

SSSG: Same Store Sales Growth, i.e. same store sales growth comparing constant exchange rate results of all DOS operational for more than a year and utilizing the effective number of days of operations for each DOS in the previous year (i.e. only the number of days in which the DOS were open in both reporting periods).

Net financial position: Short term and long term financial payables towards third parties, towards related parties and under finance leases less Cash and cash equivalents, short term and long term financial receivables from third parties and related parties.

DOS (Directly Operated Store): store operated directly by PRADA Group.

Free cash flows: net cash flows generated by operating activities less cash flows utilized in investing activities.

The following table shows the calculation of EBITDA and EBIT for the last three reporting periods.

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013	twelve months ended January 31 2012
Consolidated net income for the period	637,805	633,277	436,425
Taxes on income	285,091	250,339	166,483
Interest and other financial income/(expense) and dividends from investments	16,341	6,165	26,027
EBIT (Earnings Before Interest and Taxation)	939,237	889,781	628,935
Depreciation, amortization and impairment	203,949	162,688	130,317
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization)	1,143,186	1,052,469	759,252

Outlook

In 2013, the Group continued its program of development centered on growth and, once again, achieved encouraging growth figures. However, the macroeconomic environment, especially in Europe, remains difficult and the recovery is struggling to take hold also because of the ongoing strength of the Euro which does not help exports. The Group will balance its attempts to achieve growth and development with careful management of its operations in order to ensure that the results achieved to date are built upon in future

Milan, April 2, 2014

Directors and Senior Management

Directors

Our Board consists of nine Directors, of whom five are executive Directors, one is non-executive Director and three are independent non-executive Directors. The Board of Director is appointed for a term of three years.

Chairperson

MAZZI, Carlo, aged 67, was appointed as Chairperson of the Board on February 14, 2014 and was the former Deputy Chairman since 2007. He was first appointed to the Board in 2004 and was re-elected as Executive Director on May 22, 2012. Mr. Mazzi holds directorships in subsidiaries of the Company. He was appointed on November 21, 2013 to be director of Prada Holding B.V. and Gipafin S.àr.I., which are substantial shareholders of the Company. Mr. Mazzi obtained a degree "cum laude" (with praise) in Mechanical Engineering from the Bologna University of Italy in 1971 and obtained a Master's degree in Business Administration from Bocconi University of Milan in 1976. Mr. Mazzi worked as a Manager of the Large Corporate department of IMI and San Paolo IMI Bank from 1994 to 2000. He was a board member of IBI International Business Advisors Investment N.V. - Amsterdam; Vice Chairman and Executive Committee Member of IBI Bank AG - Zurich; Board Member of IBI Corporate Finance B.V. - Amsterdam; Managing Director of IBI S.p.A. - Milan (financial intermediation ex art. 106 TUB) from 2000 to 2004. He is currently a board member of SECVA S.r.I. - Arezzo (a service company).He was previously a board member of ABN AMRO S.p.A. - Milan (focused on merchant banking), SAGO S.p.A. - Florence (an IT research company responsible for the management of health facilities), IMILEASE S.p.A. - Rome (a leasing company), Banca di Intermediazione Mobiliare IMI S.p.A. - Milan (now Banca IMI S.p.A.) (focused on investment banking), Tecnofarmaci S.p.A. - Pomezia (a research company in the pharmaceuticals industry), SIM S.p.A. - Rome (focused on project management) and Paros International Insurance Brokers S.r.I. - Milan (in the insurance brokerage sector). He is currently a member of the Remuneration Committee and Nomination Committee. Mr. Mazzi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Executive Directors

PRADA BIANCHI, Miuccia, aged 65, was appointed as Chief Executive Officer of the Company on February 14, 2014. Prior to that Ms. Prada was the Chairperson of the Board. She was first appointed to the Board on November 20, 2003 and she was re-elected as Executive Director on May 22, 2012. Ms. Prada holds a directorship in Ludo S.A., which is a substantial shareholder of the Company. Ms. Prada received an Honorary Doctorate from the Royal College of Art (London) in 2000. Ms. Prada is a co-founder of our Group along with Mr. Bertelli. Ms. Prada is the wife of Mr. Bertelli, one of our Chief Executive Officers. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, Patrizio, aged 67, is a Chief Executive Officer of the Company. He was first appointed to the Board on November 20, 2003 and was re-elected as Executive Director on May 22, 2012. Mr. Bertelli holds directorships in subsidiaries of the Company. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in October, 2000. Mr. Bertelli is a co-founder of our Group along with Ms. Prada. Mr. Bertelli is the husband of Ms. Prada, one of our Chief Executive Officers. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GALLI, Donatello, aged 52, is Chief Financial Officer of the Company. He was appointed to our Board first on January 21, 2005 and was re-elected as Executive Director on May 22, 2012. Mr. Galli holds directorships in subsidiaries of the Company. Mr. Galli received a degree "cum laude" (with praise) in Economics and Banking from the University of

Siena in Italy in July, 1986. He started his career as business controller at Faricerca S.p.A. (now the Angelini Group) (pharmaceutical laboratories and Lines consumer products business), from 1987 to 1990. Mr. Galli was a financial analyst at Istituto Mobiliare Italiano S.p.A. from 1990 to 1999 and then Head of the Large Corporate Division central assessment office of San Paolo IMI S.p.A. until 2000. He was also the Administration and Finance Director of IBI S.p.A. (now Alerion Clean Power S.p.A., a renewable energy company) from 2000 to 2004 and later joined Enertad S.p.A. (now ERG Renewable S.p.A., a renewable energies company) - both are listed companies on the Italian Stock Exchange. Mr. Galli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

COZZANI, Alessandra, aged 51, was appointed to the Board as Executive Director on December 20, 2013. She has been our Investor Relations Director since July 2010, responsible for managing financial communication and relationships with investment community. She holds directorships in subsidiaries of the Company. Ms. Cozzani joined our Group in 2000 and has covered different managerial roles within the Finance department. In 2003, she was appointed as Group Financial Reports Director. Ms. Cozzani obtained a degree "cum laude" (with praise) in Business Administration from the University of Genoa in 1988. She started her career as an auditor at Coopers & Lybrand (1989 to 1995). Prior to joining our Group, she worked in Castelletti International Transports, the Italian subsidiary of an international logistic company (now Schenker Group) for five years, most of the time as Finance and Control Director. Ms. Cozzani is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-Executive Directors

MICCICHÈ, Gaetano, aged 63, was appointed as Non-Executive Director first on May 9, 2011 and was re-elected on May 22, 2012. Mr. Miccichè obtained a degree in Law from Università degli Studi di Palermo (Italy) in 1984 and a master's degree in Business Administration from SDA Bocconi University (Italy) in 1985. Mr. Miccichè began his career in Cassa Centrale di Risparmio delle Provincie Siciliane in 1971 and became Head of Corporate Clients. In 1989 he joined Rodriquez S.p.A., the luxury yachting group, as Chief Financial Officer. Mr. Miccichè also worked as General Manager of Gerolimich-Unione Manifatture (holding company with business in various industries), as General Manager of Santa Valeria S.p.A. (chemical company) and as Managing Director and General Manager of Olcese S.p.A. (yarn and thread mill company), all of which were listed on the Italian Stock Exchange. Since June 2002, he has been with the Intesa Sanpaolo Group (formerly Banca Intesa) and currently serves as the General Manager and Head of Corporate and Investment Banking Division and Chief Executive Officer of Banca IMI. Furthermore on May 9, 2013, he was appointed to be a member of the Management Board of Intesa Sanpaolo S.p.A.. Mr. Miccichè is also a board member of Telecom Italia S.p.A., a major Italian telecom group whose shares are listed on the Italian Stock Exchange, a board member of Pirelli & C. S.p.A., a major Italian group which operates in the tyre sector, whose shares a are listed on the Italian Stock Exchange, a board member of ABI Associazione Bancaria Italiana, and a member of the Supervisory Board of Fondazione Ricerca e Imprenditorialità (Foundation of Research and Entrepreneurship). On May 31, 2013 he was granted the honorary title of *"Cavaliere del Lavoro"* by the President of the Republic of Italy. Save as disclosed herein, Mr. Miccichè is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent Non-Executive Directors

MATTEI, Gian Franco Oliviero, aged 68, was appointed as Independent Non-Executive Director first on May 28, 2009 and was re-elected on May 22, 2012. Mr. Mattei obtained a Degree in Economics from the University La Sapienza of Rome in 1970 and became a Public Chartered Accountant (member of the Registro dei Revisori Contabili) with the

Italian Ministry of Justice in 1995. He has worked as Managing Director (Investment Banking) in Credit Suisse, Managing Director (Global Banking & Markets) in The Royal Bank of Scotland, Head of Investment Banking at Sanpaolo IMI and Chairman of Banca IMI and was previously Head of the Finance Department at the Istituto Mobiliare Italiano IMI. Mr. Mattei has also been a Board Member of Borsa Italiana. He is Chairman of Officine CST - Consulting Services & Technology - S.p.A.. Mr. Mattei is currently the Chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Mattei is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

FORESTIERI, Giancarlo, aged 67, was appointed to our Board first on May 31, 2007 and was re-elected as Independent Non-Executive Director on May 22, 2012. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena in 1970 and obtained a Specialization in Corporate Finance from the Scuola Mattei - ENI in 1971. From 1988 to the present, Mr. Forestieri has been a Full Professor of Financial Markets and Institutions at the Bocconi University in Milan. Mr. Forestieri's professional experience includes serving as a member of the boards of directors of INA and Assitalia (from 1993 to 1994), Mediofactoring (from 1997 to 1999), Cassa di Risparmio di Parma e Piacenza (from 1996 to 1999 and then from 2003 to 2007 as the chairman of the board), Banca Intesa (from 1999 to 2006) and as a member of its executive committee (from 2000 to 2006), Alleanza Assicurazioni (from 2001 to 2007), Centrosim (from 1998 to 2003 where he was the chairman of the board) and Crédit Agricole Vita (from 2007 to present as the chairman of the board). Mr. Forestieri is a member of the Italian Scientific Societies in the Fields of Finance and Management. Mr. Forestieri is currently a member of the Audit Committee and the Remuneration Committee. Mr. Forestieri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIU, Sing Cheong, JP, aged 58, was appointed as Independent Non-Executive Director first on May 9, 2011 and was re-elected on May 22, 2012. He has been the Chairman of My Top Home (China) Holdings Limited (a Guangzhou-based property agency and consultancy) since 2005, the Vice Chairman of Guangzhou Pearl River - Hang Cheong Real Estate Consultants Limited (from 1993 to 2008), Chairman of Evergreen Real Estate Consultants Limited since 2001, Director of HKS Education Fund Limited ("HKSEF") since 2005 (HKSEF is a charitable institution which holds certain % of shares in Hongkong Sales (International) Limited ("HKSI"), an investment holding, knitwear manufacturing company), and Non-executive Director of HKSI since 2005 and its Vice Chairman since April 1, 2012 all of which are private companies. He has been an independent non-executive director of Swire Properties Limited since 2010 (Swire Properties Limited was listed on the Stock Exchange of Hong Kong on January 18, 2012). Mr. Liu graduated from The Hong Kong Polytechnic in 1979 with an Advanced Higher Diploma in Surveying and from The Hong Kong University of Science and Technology in 1994 with a Master of Business Administration degree. He has been a fellow of the Royal Institution of Chartered Surveyors since 1994 and the Hong Kong Institute of Surveyors since 1993. Mr. Liu is currently a member of the Audit Committee and the Nomination Committee. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Senior Management

Our senior management is responsible for the day-to-day management of our business of the Group.

ANDREANI, Alessandra, aged 43, has been Regional Director for the Iberian Peninsula and Africa since 2013. She is primarily responsible for overseeing the commercial operations of the Group in Spain, Portugal and Morocco, where she covers several managerial roles at the Company's subsidiaries. She obtained a degree in Oriental Languages and Literature from the University of Venice. Ms. Andreani joined our Group in 2003 as Retail Operations Manager in Japan. Prior to joining our Group, she worked for Mauboussin Group and for Furla Group (1998 – 2002), covering different managerial roles in Japan and Taiwan. Ms. Andreani is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ANTONACCI, Nicola, aged 50, has been Senior Vice President Prada Retail/Wholesale of Prada USA Corp. since 2012. Mr. Antonacci is primarily responsible for overseeing the commercial operations of the Group in the USA and Canada. Mr. Antonacci joined our Group in 1996 and covered, until 2010, different managerial roles within the commercial and the collections development areas. From 2010 to 2011 he worked in Paris, as Men's RTW Director for Givenchy. Prior to joining our Group, he worked for Giorgio Armani S.p.A. and Hermes as store manager and visual merchandiser. Mr. Antonacci is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTOLI, Franco, aged 55, has been Group Internal Auditing Director since 2007. He is primarily responsible for the management of the Group internal control system and to oversee and verify the correct application of procedures within the Group. Mr. Bertoli obtained a master degree in Economics and Business, from the University of Torino. He started his career as CFO in Multimedia Pubblicità S.p.A. (1994 – 1998). Then he worked for almost ten years for the Telecom Group (1998 – 2007), covering different managerial roles within the Group in Italy and abroad. Mr. Bertoli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BESIO, Paolo, aged 51, has been Group Tax Director since 2002. He is primarily responsible for the management of the Group strategic tax policy. Mr. Besio obtained a master degree in Economics and Business, from the University of Genova. Before joining the Group he worked for Pirola Pennuto Zei & Associati, where he acquired extensive knowledge in corporate tax for domestic and multinational companies with specialization in international tax, business restructuring and M&A (1998 - 2001). He is currently member of various tax committees. Mr. Besio is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BOZZI, Bruno, aged 52, has been Prada Woman's Ready to Wear Industrial Division Director since 2010. Mr. Bozzi is primarily responsible for the manufacturing of the woman's ready to wear collection of the Prada brand. He joined our Group in 1996 and undertook managerial roles in the planning and production of ready to wear for both Prada and Miu Miu brands. In 2009 he was appointed as Knitwear Division Director, role he is still covering. Prior to joining the Group he covered different roles in the production departments of a number of manufacturing companies. Mr. Bozzi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BRINI, Giulio, aged 46, has been Retail Director for Prada brand since 2011. He is primarily responsible for overseeing worldwide the retail strategy and operations of the Prada brand. Mr. Brini obtained a degree in Economics and Banking from the University of Siena, in 1993. Mr. Brini joined the Group in 1995 and before being appointed to his current position he covered different managerial roles in the merchandising planning and product development of leather goods for the Prada, Miu Miu and Car Shoe brands. Mr. Brini is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BUSO, Daniele, aged 46, has been our Prada Man's Ready to Wear Industrial Division Director since 2009. Mr. Buso is primarily responsible for the manufacturing of the man's ready to wear collection of the Prada brand. He obtained a high school diploma at Giulio Natta Technical High School in Padova in 1986. Mr. Buso joined our Group in 2004 as Operations Director for Jil Sander brand and in 2008 was appointed as Linea Rossa Ready to Wear Operations Director. He started his career in a Venetian fashion company before joining Gilmar in 1988. In 2001 he joined the Ferrè Group as Industrial Director. Mr. Buso is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CANTINO, Stefano, aged 47, has been Group Communication and External Relations Director since June 2009. He is primarily responsible for the Group's communication strategy and global marketing functions. Mr. Cantino obtained a degree in Political Science from the University of Turin in 1993. Mr. Cantino joined our Group in 1996 and held several managerial roles in the commercial and marketing areas with Prada, Church's and Car Shoe, including Alaïa Operations Director, Car Shoe Commercial Director and Church's Brand and Retail Director. He was Prada's Marketing Director from 2005 to 2009 until he was appointed to his current position. Mr. Cantino is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CARETTA, Fabrizio, aged 48, has been Group Legal Director since 2004. He is primarily responsible for overseeing and assuring legal protection of the Group mainly concerning contracts, litigation and real estate. He obtained a degree in Law from the University of Torino in 1993 and he is admitted to the Italian Bar since 1996. Mr. Caretta joined our Group in 2000 as Legal Director of Prada Industrial. Prior to joining our Group, he started his career cooperating with the Italian law firm Studio Tucci. From 1995 to 2000 he worked for Fila Sport S.p.A. as Senior Legal Counsel. Mr. Caretta is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CAROLA, Pablo, aged 46, has been Regional Director for Central America and Caribbean since 2013. Mr. Carola is primarily responsible for overseeing the commercial operations of the Group in the Central America area, where he covers several managerial roles at the Company's subsidiaries. Mr. Carola obtained a University Degree in Business Administration at Universidad de Politecnica de Catalunya (Spain). He joined the Group in 2011 to manage human resources of both Miu Miu and Prada stores worldwide. Prior to joining our Group he worked for almost twelve years as human resources Director at Louis Vuitton. Mr. Carola is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CARRARO, Luca, aged 47, has been Miu Miu Ready to Wear Industrial Division Director since 2003 and Leatherwear/Furs Ready to Wear Industrial Division Director since 2010. He obtained a textile expert high school diploma in Padova at Giulio Natta Technical High School in 1986. He joined our Group in 1999 and undertook several managerial roles in the planning and production of leatherwear for the Prada brand. Prior to joining Prada he worked for various ready to wear manufacturing companies in Italy as production and sample collection manager. Mr. Carraro is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CATERINI, Ruggero, aged 52, has been Chief Operating Officer and Chief Financial Officer of Prada USA since 2006. Mr. Caterini is primarily responsible for planning, developing and implementing strategy for operational management of the USA and Canadian area. Before joining our Group, Mr. Caterini covered different Finance & Administration Executive roles within several multinational companies operating in the telecommunication sector, in Brasil, Greece and Austria. He obtained a University Degree in Mechanical Engineering at "La Sapienza" University of Rome. Mr. Caterini is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CHOI, Moonyoung, aged 51, has been General Manager of Prada Korea since 2007. She is primarily responsible for overseeing the commercial operations of the Group in Korea. She started her carrier at Louis Vuitton, as the first Louis Viutton Store Manager in Korea (1991 – 1999). From 1999 to 2002 Ms. Choi worked at Celine Korea, LVMH Group, as Retail Manager, subsequently becoming Country Manager for Korea. Ms. Choi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

CIABATTI, Maurizio, aged 48, has been Group Engineering Director since 2006. He is primarily responsible for real estate development, equipment and maintenance of retail stores, corporate offices and production sites. Mr. Ciabatti joined our Group in 1989 and has covered different managerial roles in the maintenance and real estate area and, starting from 2005, in Corporate Engineering. Mr. Ciabatti is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

D'IPPOLITO, Andrea, aged 46, is Purchasing and Research Ready to Wear Industrial Division Director. He joined our Group in 1989, and since 1996 he had been responsible for purchases for the sample collection within the ready to wear Division and then he was promoted as ready to wear Purchasing Director for all Group brands. Since 2010 he has also overseen the research fabrics, the raw material warehouses (as well as the finished product quality control and repairs Departments). Mr. D'Ippolito is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ETHERIDGE, Stephen, aged 55, has been Chief Executive Officer of Church & Co Ltd. since 2001. He is primarily responsible for the industrial operations of the Church Group. Prior to this he has covered the role of Chief Executive at Cheaney & Son Footwear (1995 to 2001), a company which belonged to the Church Group. He started his career in the Sales Department at John White Footwear Limited UK and increased his responsibility up to the role of Managing Director (1986 to 1990). From 1990 to 1994 he was Managing Director of SE Marketing for Epic Fashion Footwear Limited, a company specialized in production and distribution of men's footwear. Mr. Etheridge is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

FAYARD, Pierre, aged 52, has been Regional Director for Middle East since he joined our Group in 2011. He is responsible for overseeing the commercial operations of the Group in the Middle East area, where he covers several managerial roles at the Company's subsidiaries. Mr. Fayard obtained a degree in Business Administration from Paris Business School, in 1984. Prior to joining our Group he worked for almost twelve years for the LVMH Group, covering different managerial roles at Sephora International, Sephora Middle East, Sephora UK and Sephora Europe. Mr. Fayard is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GALANTE, Ivano, aged 50, has been Footwear Division Director since 2010. He is primarily responsible for the manufacturing of the Group's footwear collections. Mr. Galante obtained a master degree for the development of three-dimensional landscape cad and, before that, he graduated as Electronic Engineer at Politecnico of Turin in 1989. Mr. Galante joined our Group in 1997 where he held several managerial roles in the collection purchasing and purchasing of leather goods and footwear. Prior to joining the Group, he worked for the Fiat Group (1992-1997). Mr. Galante is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GIANNESSI, Giuliano, aged 50, has been Group Corporate Finance Director since March 1999. He is primarily responsible for finance and bank relationships, cash management and interest and exchange rates hedging activities. Mr. Giannessi obtained a degree "cum laude" (with praise) in Business Administration from the University of Pisa in 1987 and obtained the chartered accountant qualification in 1988. He started his career in Banca Commerciale Italiana. Prior to joining our Group he worked at the Piaggio Group as Treasurer (1991 to 1993) and Financial Planning Manager (1994 to 1995) and later in Salov Group as Treasurer and Credit Manager (1995 to 1999). Mr. Giannessi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GOTTI, Camillo Aldo, aged 49, has been Regional Director for France, Belgium and the Principality of Monaco since 2014. He is responsible for overseeing the commercial operations of the Group in France, Belgium and the Principality of Monaco area, where he covers several managerial roles at the Company's subsidiaries. Mr. Gotti joined our Group in 1990 and before being appointed to his current position, he held several managerial roles in the wholesale, marketing and communication areas of the Prada and Miu Miu brands, including Miu Miu General Manager. Mr. Gotti is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LAM, Janice, aged 43, has been General Manager of Prada China since 2013. She is primarily responsible for overseeing the commercial operations of the Group in China, where she covers several managerial roles at the Company's subsidiaries. Ms. Lam obtained a master in BA, Sociology from the University of Hong Kong. She started her carrier at Jusco Store HK Ltd. (1993–1995); then she was worked at Chickeeduck Distribution HK Ltd. in China (1999–2003). Before joining our Group she was Managing Director at Alfred Dunhill China (2006 -2012). Ms. Lam is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LANIA, Lanfranco Fabio, aged 47, has been General Manager of Prada Far East B.V. since 2012. He is primarily responsible for overseeing the financial operations of the main Company sub-holding. Mr. Lania joined our Group in 2008 as Administration, Finance and Control Manager for European retail subsidiaries. Mr. Lania obtained a master degree in Accounting, Financial Statements and Financial Control at Consorzio Pavese per gli Studi Post Universitari in 1995, and graduated in Business Administration at the Luigi Bocconi University of Milan in 1994. He started his career at KPMG Advisory S.p.A. covering different advisory roles (2001 – 2008). Mr. Lania is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LOMANTO, Maria Cristina, aged 39, has been Retail Director for Miu Miu brand since 2013. She is primaly responsible for overseeing worldwide the retail strategy and operations of the Miu Miu brand. Ms. Lomanto obtained a degree in Law from the University of Milano in 1998. She joined our Group in 1994 and before being appointed to her current position she covered different managerial roles in wholesale, retail and collection merchandising areas. Prior to joining Prada, she worked in Yves Saint Laurent as Commercial Director Italy and Switzerland. Ms. Lomanto is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LUPAS, Domnica Alexandra, aged 41, has been Regional Director for Central Europe since 2012. She is primarily responsible for overseeing the commercial operations of the Group in Germany, Austria, Switzerland and Czech Republic area, where she covers several managerial roles at the Company's subsidiaries. Ms. Lupas joined our Group in 1997 and has covered different managerial roles within the Group. In 2005, she was appointed as Administration, Finance and Control European Retail Subsidiaries Director. Ms. Lupas obtained a degree in International Business Administration from the European Business School in London in 1996. Ms. Lupas is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

MECHERI, Fabrizio, aged 47, has been General Manager of Prada Singapore pte. Ltd. since July 2012. He is primarily responsible for overseeing the commercial operations of the Group in the South Asia area. Mr. Mecheri joined our Group in 1999 and covered different managerial roles within the industrial area. Prior to joining our Group, he worked for Salvatore Ferragamo S.p.A. as production manager for ladies' footwear. Mr. Mecheri obtained an executive master degree in Business Administration from Kellogg – HKUST of Hong Kong in 2012, and graduated in Electronic Engineering at the University of Florence, in 1992. He started his career at Andersen Consulting S.p.A. as top senior consultant (1993-1996). Mr. Mecheri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

MITCHELL, Mishelle Sandra aged 40, has been General Manager of Prada Australia since 2010. She is primarily responsible for overseeing the Group commercial operations in Australia and New Zealand, where she covers several managerial roles at the Company's subsidiaries. Ms. Mitchell joined our Group in 2006 and covered different managerial roles within Retail Department. Prior to joining our Group, she worked at Origins (Estee Lauder) as National Sales & Education Manager and Marcs as Regional Manager. Ms. Mitchell is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

NOSCHESE, Marcelo, aged 49, has been Regional Director for South America, since December 2011, when he joined our Group. He is primarily responsible for overseeing the commercial operations of our Group in Brazil. Mr. Noschese obtained a master degree in Business Administration from INSEAD, Fontainebleau, France, in 1992 and graduated in Business Administration in Getúlio Vargas Foundation São Paulo, Brazil. He started his career at L'Oréal, as International Development Manager for the Fine Fragrances Division, and then was appointed as General Manager for the Travel Retail Division in North and South America (1992 – 1998). Prior to joining our Group, he worked for LVMH – Moët Hennessy Louis Vuitton as Country Manager for Brazil (2001 – 2004) and for Salvatore Ferragamo S.p.A., as Regional Development Director for South America (2007 – 2011). Mr. Noschese is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

PANERAI, Lorenzo, aged 46, has been Leather Goods Industrial Division Director since July 2008. He is primarily responsible for the manufacturing of the leather goods collections of the Group brands. Mr. Panerai joined our Group in 2001 and undertook managerial roles in the planning and production of leather goods for the Prada and Miu Miu brands. Mr. Panerai obtained a degree in Electronic Engineering from the University of Florence in 1996. In 1996 he joined the Marketing and Commercial Division of Fiat Group Automobiles S.p.A., where he also worked in the Purchasing Department. His last role at Fiat Group Automobiles S.p.A. was Plant Operational Manager of the body assembly unit. Mr. Panerai is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

RASTRELLI, Stefano, aged 51, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He joined the Prada Group in 2007 to manage the human resources first of the Industrial Departments subsequently extended also to the Commercial Departments. Prior to joining our Group he worked for almost twenty years for the Fiat Group, covering different managerial roles within the Fiat Group for different branches in Italy and abroad (Argentina, Brasil). From 2005 to 2007 Mr. Rastrelli was in Spain as Human Resources Director for GKN

Driveline. Mr. Rastrelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ROMANO, Anthony, aged 47, has been Regional Director for the South East Mediterranean area since 2013. Mr. Romano is primarily responsible for overseeing the Group operations in the South East Mediterranean area, where he covers several managerial roles at the Company's subsidiaries. After the bachelor degree in Economics in New Zealand, he worked for almost ten years for Calvın Kleın Europe (1995 – 2004) where he became C.E.O. and Managing Director. From 2004 to 2007, he was the General Manager and Company Director of Luna Rossa Challenge for the 2007 America's Cup. He was partner of ADR – fashion and sport strategic consultancy company, from 2008 to 2013. Mr. Romano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SESIA, Davide, aged 46, has been President of Prada Japan since February 2004. He is primarily responsible for overseeing the Group operations in Japan, Guam, Saipan and Hawaii area, where he covers several managerial roles at the Company's subsidiaries. Mr. Sesia obtained a degree in Business Administration from the University Cattolica del Sacro Cuore of Milan in 1991. He joined our Group in 2000 as Representative Director and Chief Financial Officer of Prada Japan. Prior to that, he was Chief Financial Officer and Director of Benetton Japan and Managing Director of Benetton Korea Ltd (1997 - 2000). He started his career in Japan working for several companies from 1992. Mr. Sesia is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SHIH, Louis, aged 44, has been General Manager of Taiwan since February, 2011. He is primarily responsible for overseeing the commercial operations of the Group in Taiwan. Mr. Shih joined our Group in 2006 and covered different managerial roles within Retail Department. He obtained a University Degree in Science, Major in Environmental Design. Prior to joining our Group, Mr. Shih worked five years for Fendi Taiwan Ltd. covering different managerial roles within the commercial area. Mr. Shih is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SUTTER, Stefano, aged 40, has been Regional Director for North Europe since December 2010, when he joined our Group. Mr. Sutter is primarily responsible for overseeing the Group operations in United Kingdom, Ireland and Sweden, where he covers several managerial roles at the Company's subsidiaries. Mr. Sutter obtained a master in Business Administration from Columbia Business School, New York, in 2005 and graduated "cum laude" (with praise) in Business Administration at University of Genoa in 1998. Prior to joining our Group, he worked for INDITEX Group covering different managerial roles including as General Manager of Zara Canada (2006 to 2007), Managing Director of Inditex UK and Ireland (2007 to 2009) and, then, Managing Director of Inditex Austria, Hungary, Czech Republic and Slovakia. Prior to that, he spent five years working for Bain & Company Inc.. Mr. Sutter is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

TOLOMELLI, Armando, aged 48, has been Chief Executive Officer of Prada Asia Pacific since 2012. Mr. Tolomelli is primarily responsible for overseeing the Group operations in the Asia Pacific region, where he covers several managerial roles at the Company's subsidiaries. Prior to this appointment Mr. Tolomelli has been our Group Controlling Director since joining our Group in July 2005. Prior to joining our Group, he spent fourteen years working for the Barilla Group, covering various roles including Financing Office Manager, Divisional Business Controller, Business Controller for South Eastern Europe, Group Controller of Wasa in Stockholm, Sweden (1999 to 2001), Finance Manager International Business Development of the Bakery Division (2001 to 2001) and Corporate Controlling Director of Kamps in Düsseldorf, Germany (2002 to 2005). Mr. Tolomelli is not and has not been a director of any other listed companies in Hong Kong

Kong or overseas in the past three years.

ZAMBERNARDI, Fabio, aged 51, has been Design Director for the Prada and Miu Miu brands since November 2002. He is responsible for the collection concept development, overseeing all the strategic activities related to the coherence between image and product development of the collection, as well as supporting the strategic brands image communication. He has been collaborating with the Group since 1981. He was promoted Shoe Design Director in 1997 and Design Fashion Coordinator in 1999. Mr. Zambernardi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ZENKOVSKAYA, Vera, aged 37, has been Regional Director for the Russian area since 2013. Ms Zenkovskaya is primarily responsible for overseeing the commercial operations of the Group in Russia, Kazahstan and Ukraine, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazahstan. Prior to joining our Group in 2011 as Russia Country Manager, she worked within the beauty sector (L'Oreal, Temtrade) in marketing and retail areas. From 2006 to 2011, she covered several managerial roles in Russia and Ukraine for Louis Vuitton. Mrs Zenkovskaya is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Company Secretary

ALBANO, Patrizia, aged 60, is the joint company secretary of the Company. Ms. Patrizia Albano has been the Head of Group Corporate Affairs since September 2008 and is responsible for monitoring general legal compliance. Ms. Albano obtained a degree in Law from the University La Sapienza of Rome in 1979 and was admitted to the Bar Association (Ordine degli Avvocati di Roma) in 2006. She started her career as an in-house legal advisor at the Istituto Mobiliare Italiano S.p.A. from 1981 to 1999 and then worked as Head of the Large Corporate Division central legal office of San Paolo IMI S.p.A. until 2000. She has also worked as General Counsel of IBI (now Alerion Clean Power S.p.A.), and as Company Secretary of Risanamento Napoli S.p.A. and Fincasa S.p.A., both of which are listed companies on the Italian Stock Exchange. In 2002, Ms. Albano became the General Counsel and Company Secretary of a private company active in services provision, property and facility management and renewable energy. She then worked at an Italian law firm, Studio Legale Carbonetti, from 2003 to 2007, and also founded her own private practice law firm, Albano Baldassari, in 2007 before joining our Company in 2008. Ms. Albano is the wife of Mr. Carlo Mazzi, the Chairperson of the Board of our Company. Ms. Albano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YUEN, Ying-kwai, aged 47, is the joint company secretary of the Company. She is responsible for corporate secretarial duties. Ms. Yuen joined our Group and was appointed joint company secretary in May 2011. Ms. Yuen has over 20 years of working experience in the corporate secretariat and compliance areas of sizeable organizations and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now known as Lingnan University) in 1988. Ms. Yuen holds a Master degree in Business Administration (Executive) from City University of Hong Kong, awarded in 2003. Ms. Yuen has been a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, UK since 2001. Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three yea

Directors' Report

Principal activities

PRADA S.p.A. (the "Company"), together with its subsidiaries (the "Group"), is a leading global luxury group in the design, production and distribution of high-end leather goods, handbags, footwear, apparel, accessories, eyewear and fragrances. Through its Directly Operated Stores network (DOS) and a selected number of wholesalers, the Group operates in all major international markets.

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

An analysis of the Group's performance for the year ended January 31, 2014 by operating segments is set out in the Financial review and note 8 to the Consolidated financial statements.

Results and dividends

The results of the Group for the year ended January 31, 2014 are set out in the Consolidated income statements.

The Board recommends, for the twelve month period ended January 31, 2014, a final dividend of Euro 281,470,640 (or 11 Euro/cents per share). The payments shall be made:

(i) in Euro to the shareholders recorded in the section of the Company's shareholders register kept by the Company at its registered office in Milan (Italy), and

(ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong. The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of approval of the final dividend by the shareholders.

The final dividend will be subject to approval by the shareholders at the forthcoming shareholders' general meeting of the Company to be held on Thursday, May 22, 2014.

The shareholders recorded on the Company's shareholders register on Thursday, May 22, 2014, opening of business, will be allowed to attend and vote at the shareholders' general meeting of the Company. In order to qualify for attending and voting at the shareholders' general meeting of the Company, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself, or

(ii) with the Company's registered office in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself,

in any case, not later than 4:30 p.m. (Hong Kong time) on Monday, May 19, 2014. The Company's shareholders register will be closed from Tuesday, May 20, 2014 to Thursday, May 22, 2014, both days inclusive, during which no share transfer can be registered.

Subject to the shareholders' approving the recommended final dividend, such dividend will be payable on or about Friday, June 20, 2014.

The final dividend will be paid to shareholders recorded on the Company's shareholders register on Friday, May 30, 2014. In order to qualify for the payment of the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself, or

(ii) the Company's registered office in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself,

in any case, not later than 4:30 p.m. (Hong Kong time) on Wednesday, May 28, 2014. The Company's shareholders register will be closed from Thursday, May 29, 2014 to Friday, May 30, 2014, both days inclusive, during which no share transfer can be registered.

The dividend will be paid net of Italian withholding tax. The current rate of Italian withholding tax applicable to dividend payment is 20%. Further details on withholding tax have been already reported in the Tax Booklet available on the Company's website at www.pradagroup.com. Should there be any change of the withholding tax rate applicable to dividend payment, the Company will inform the shareholders by way of announcement at the websites of the Stock Exchange and the Company.

Five-year financial summary

The five-year financial summary of the Group is set out in Note 42 to the Consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in PRADA S.p.A. Equity.

Distributable reserves

As at January 31, 2014, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to Euro 814,313 thousand.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended January 31, 2014, are set out in Note 15 to the Consolidated financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's by-laws.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended January 31, 2014 (the "Reviewed Period").

Capital gain tax in Italy

Capital gains realized on disposals of the Company's shares may be subject to tax in Italy. Further details on Italian capital gains taxation have been already reported in the Tax Booklet available on the Company's website at www.pradagroup.com.

Subsidiaries

Details of the Company's subsidiaries as at January 31, 2014, are set out in Note 43 to the Consolidated financial statements.

Directors

The Directors of the Company during the Reviewed Period and up to the date of this annual report are:

Executive Directors

Mr. Carlo MAZZI (Chairperson of the Board, Mr. Carlo Mazzi has assumed the role with effect from February 14, 2014)
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer, Ms. Miuccia Prada Bianchi has assumed the role with effect from February 14, 2014)
Mr. Patrizio BERTELLI (Chief Executive Officer)
Mr. Donatello GALLI (Chief Financial Officer)
Ms. Alessandra COZZANI (Ms. Alessandra Cozzani has assumed the role with effect from December 20, 2013)

Non-Executive Directors

Mr. Gaetano MICCICHÉ
Mr. Marco SALOMONI (Mr. Marco Salomoni has resigned from the role with effect from December 19, 2013)

Independent Non-Executive Directors

Mr. Gian Franco Oliviero MATTEI
Mr. Giancarlo FORESTIERI
Mr. Sing Cheong LIU

In accordance with the by-laws of the Company, the Board of Directors is appointed by the shareholders' general meeting for a period of up to three financial years. The term lapses on the date of the shareholders' general meeting to be called to approve the financial statements for the last year of its office. The Directors may be reappointed.

At the shareholders' general meeting of the Company held on May 22, 2012, the Board of Directors has been appointed for a term of three financial years. The Board's mandate will therefore lapse on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending January 31, 2015.

On December 20, 2013 the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani as an Executive Director, to fill the casual vacancy caused by the resignation of Mr. Marco Salomoni as a Non-Executive Director rendered on December 19, 2013. Ms. Alessandra Cozzani's appointment as an Executive Director will be subject to election by the shareholders at the forthcoming shareholders' general meeting and in case of election her mandate as Executive Director shall lapse at the same time as the other current Directors (i.e. on the date of the shareholders' general meeting to be called to approve of the financial statements for the year ending January 31, 2015).

Biographical information of Directors

Brief biographical information of the Directors of the Company are set out in the "Directors and Senior Management" section of this annual report.

Directors' service contracts

None of the Directors of the Company has or is proposed to have a service contract with any member of the Group that is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in competing business

During the Reviewed Period, none of the current Directors of the Company, had any interests in a business which competes, either directly, or indirectly, with the business of the Company and the Group.

Prior to Mr. Marco Salomoni's resignation with effect from December 19, 2013, he was a director of GIVI Holding S.p.A. (holding company of the Gianni Versace S.p.A.) and Aeffe S.p.A., a company listed on the Italian Stock Exchange.

Directors' interests and short positions in securities

As at January 31, 2014, the Directors of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) Long positions in shares and underlying shares of the Company

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

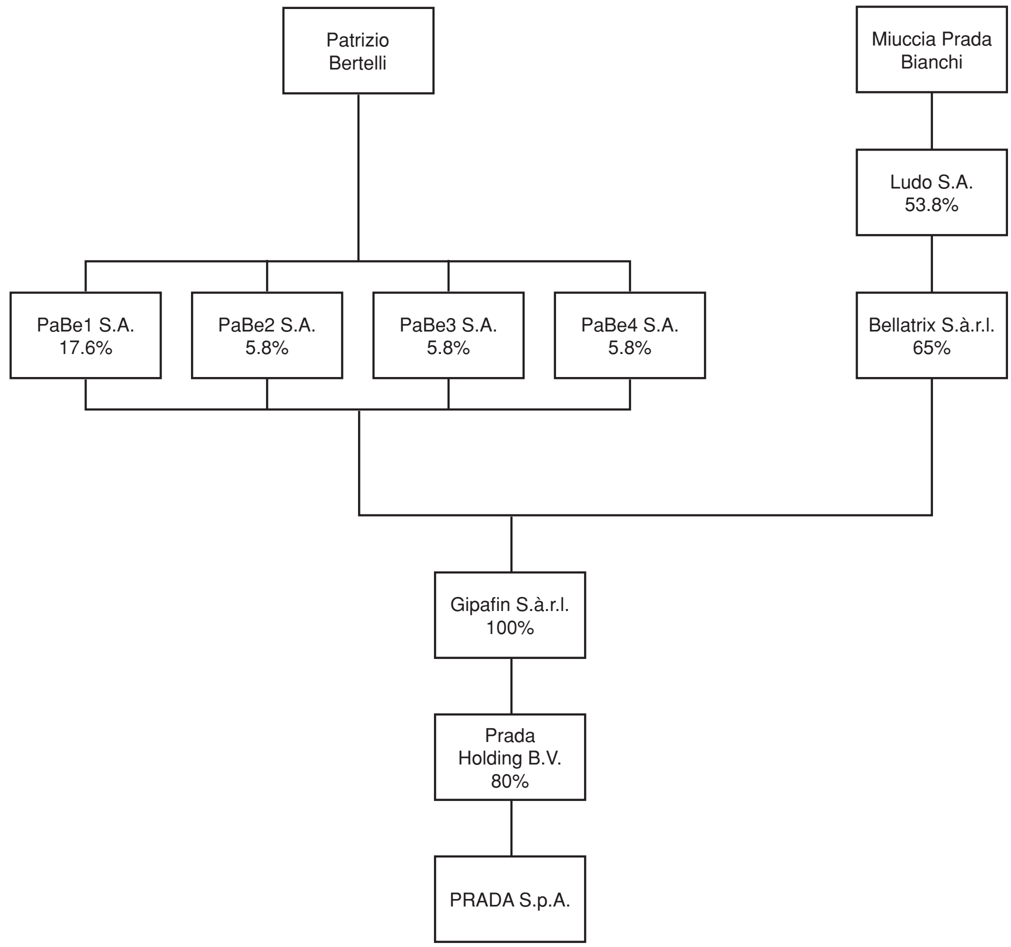
Notes

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

2. The entire issued share capital in Prada Holding B.V. is held by Gipafin S.à r.l.. Ms. Miuccia Prada Bianchi, owns, indirectly through Ludo S.A. 53.8% (which comprises 438,460 ordinary shares and 100,000 preference shares) of the capital in Bellatrix S.à r.l., which in turn owns 65% (which comprises 1,650 ordinary shares and 300 preference shares) of the capital in Gipafin S.à r.l.. Ms. Miuccia Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding B.V.. Ms. Miuccia Prada Bianchi is also a director of Ludo S.A..

3. Mr. Patrizio Bertelli owns, indirectly through companies owned by him (PaBe1 S.A., PaBe2 S.A., PaBe3 S.A. and PaBe4 S.A.), 35% (which comprises 750 ordinary shares and 300 preference shares) of the capital in Gipafin S.à r.l.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding B.V..

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at January 31, 2014 are summarized in the following chart:



(b) Long positions in shares and underlying shares of associated corporations:

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding B.V.	Common Shares	1,001	Controlled Corporation	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
	Gipafin S.à.r.l.	Ordinary Shares	1,650	As above	68.75%
	Gipafin S.a.r.l.	Preference Shares	300	As above	50%
	Bellatrix S.à.r.l.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.à.r.l.	Preference Shares	100,000	As above	83.34%
	Ludo S.A.	Ordinary Shares	100,310	Beneficial Owner	100%
	PRADA Arte B.V.	Registered Shares	180	Controlled Corporation	100%
	Arte One B.V.	Ordinary Shares	180	As above	100%
	PRA 1 S.r.l.	Participation Quotas (Euro)	10,000	As above	100%
Mr. Patrizio Bertelli	Prada Holding B.V.	Common Shares	1,001	Controlled corporation	100%
	Prapar Corporation	Common Shares	50	As above	100%
	EXHL Italia S.r.l.	Participation Quotas (Euro)	15,000	As above	100%
	I.P.I. (21) UK Ltd	Ordinary Shares	750,000	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
	Gipafin S.à.r.l.	Ordinary Shares	750	As above	31.25%
	Gipafin S.a.r.l.	Preference Shares	300	As above	50%

Save as disclosed above, as at January 31, 2014, none of the Directors of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at January 31, 2014, other than the interests of the Directors of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

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

Note:

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

Share capital

Details of the movements in the share capital of the Company during the year ended January 31, 2014 are set out in the Consolidated Statement of Changes in Shareholders' Equity and Note 30 to the Consolidated financial statements.

Directors' interests in contracts

Save for those contracts disclosed under the section on Connected Transactions below and in Note 40 Transactions with Related Parties and in Note 39 Remuneration of the Board of Directors to the Consolidated financial statements, in the opinion of the Directors, no contract of significance with the Company or the Group subsists at the end of the year ended January 31, 2014, or subsisted during the Reviewed Period in relation to the Company and the Group business and in which a Director's interest is or was material.

During the Reviewed Period, there were no arrangements to which the Company or any of the Company's subsidiaries or holding companies or a subsidiary of any of the Company's holding companies is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Issuance of debt securities

As announced on August 1, 2013, the Company issued Euro 130 million 2.75 per cent Notes due on August 1, 2018 (the "Notes"). The Notes were subscribed by professional and institutional investors and the settlement occurred on August 1, 2013. The Notes were admitted to the official list of the Irish Stock Exchange and to trading on its regulated market. The Company may, at its option, redeem all, but not some only, of the Notes at any time after their issuance at an amount equal to their principal amount plus (if applicable) a premium, together with any accrued interest or at par plus accrued interest, in the event that certain tax changes occur. The Notes are not rated.

Save as disclosed above, neither the Company nor any of its subsidiaries issued any debt securities during the Reviewed Period.

Connected transactions

(A) Continuing Connected Transactions

During the Reviewed Period, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Prospectus of the Company dated June 13, 2011 and in the Company's announcements dated April 27, 2012, January 29, 2013 and April 5, 2013:

(a) *Franchise Agreement – Prada Milan Stores*

As disclosed in the Prospectus dated June 13, 2011, the Company originated as a family business in 1913 in Milan and has continued as such since Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli began their cooperation in the late 1970s. Therefore, the Prada stores in Milan have historically been operated by companies that are connected to the Prada family.

The Company's subsidiary, Prada S.A., currently owns the rights to the Prada trademark and, as a licensor, licenses the use of the Prada trademark to the Company as a licensee.

Against this historical background, on January 28, 2009, the Company entered into a franchise agreement in relation to the Prada stores based in Milan (the "Franchise Agreement") with five companies that operated the stores and their controlling entity, which all subsequently merged with Fratelli Prada S.p.A. (the "Franchisee"). The Franchisee is a company indirectly controlled by Ms. Miuccia Prada Bianchi, a Chief Executive Officer, an executive director and a substantial shareholder of the Company. The Franchise Agreement will expire on January 31, 2024 and will be automatically extended for a further 15-year term provided that (i) the Franchisee has met the minimum annual budget for the initial 15-year term; or (ii) the cumulative amount of the purchases made by the Franchisee for the entire initial 15-year term is at least equal to the sum of the minimum annual budget for each of the 15 years.

The table below sets out the annual caps relating to the Franchise Agreement for the Reviewed Period:

Franchise Agreement – Prada Milan Stores	€ million
Revenues from sales of goods	58.1
Revenues from services	4.3
Royalties income	1.6
Purchase of goods by the Group	(4.0)
Net transaction amount	60.0

(b) *Consulting Agreement with Ms. Miuccia Prada Bianchi*

On April 26, 2012, the Company renewed its consultancy agreement with Ms. Miuccia Prada Bianchi, the Chief Executive Officer, an executive director and a substantial shareholder of the Company, which took effect from February 1, 2012, for a term of three years, under which Ms. Miuccia Prada Bianchi continues to act as a strategic consultant of the Company for: (i) identifying and elaborating creative design concepts and styles; (ii) coordinating and supervising collections development and all of the dedicated structures and functions; (iii) defining concepts for fashion shows and supervising their execution and (iv) setting guidelines for brands communication and advertising campaigns and supervising related activities.

On April 5, 2013, the Company and Ms. Miuccia Prada Bianchi entered into a supplemental agreement to amend the consultancy agreement to include a variable incentive component in the consideration to be paid to Ms. Miuccia Prada Bianchi which is conditional upon the further renewal of the consultancy agreement upon its expiry. This is aimed at strengthening the consultancy relationship between the parties.

The revised annual cap for the remuneration payable to Ms. Miuccia Prada Bianchi, or accruable by the Company in accordance with applicable accounting rules, under the consultancy agreement as supplemented on April 5, 2013, for the Reviewed Period is Euro 16 million.

(c) *Consulting Agreement with Mr. Patrizio Bertelli*

On April 26, 2012, the Company renewed its consultancy agreement with Mr. Patrizio Bertelli, the Chief Executive Officer, an executive director and a substantial shareholder of the Company, which took effect from February 1, 2012, for a term of three years under which Mr. Patrizio Bertelli continues to act as a strategic consultant of the Company for: (i) defining the collections development and industrialization processes; (ii) developing the leather goods and shoes collection concept and supervising the related structures and (iii) selecting locations for the new DOS and refurbishment of existing stores, conceiving store concepts and defining guidelines and coordination of related project development activities.

On April 5, 2013, the Company and Mr. Patrizio Bertelli entered into a supplemental agreement to amend the consultancy agreement to include a variable incentive component in the consideration to be paid to Mr. Patrizio Bertelli which is conditional upon the further renewal of the consultancy agreement upon its expiry. This is aimed at strengthening the consultancy relationship between the parties.

The revised annual cap for the remuneration payable to Mr. Patrizio Bertelli, or accruable by the Company in accordance with applicable accounting rules, under the consultancy agreement as supplemented on April 5, 2013, for the Reviewed Period is Euro 16 million.

(d) *Galleria Transaction*

The Company was granted the right to use the prestigious premises in the Galleria Vittorio Emanuele II in Milan, Italy (the "Galleria Property") by the Municipality of Milan under a concession agreement for an 18-year term (the "Concession Agreement"), in its own capacity and as the representative of Progetto Prada Arte S.r.l. ("PPA"). In this context, the Company entered into two continuing connected transactions.

On January 29, 2013, the Company entered into a business combination agreement with PPA (the "PPA Business Combination Agreement") for an 18-year term. PPA is a company indirectly controlled by Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (both Chief Executive Officers, executive directors and substantial shareholders of the Company). Under the Business Combination Agreement, the Company is granted the right to represent on an exclusive basis the business cooperation between the Company and PPA *vis-à-vis* the Municipality of Milan in all aspects relating to the Concession Agreement and PPA is bound to pay to the Company the portion of the annual concession fee allocated to PPA, based on the portion of the Galleria Property used by PPA to carry on the activites, particularly the cultural activities, in the premises.

On November 29, 2013, the Company entered into a business management agreement with Fratelli Prada S.p.A., as the franchisee of the Prada retail business in Milan, to allow the latter to manage the retail activity of the Prada brand in the Galleria Property (the "Fratelli Prada Business Management Agreement"). Fratelli Prada S.p.A. is a company indirectly controlled by Ms. Miuccia Prada Bianchi (a Chief Executive Officer, an executive director and a substantial shareholder of the

Company). The Fratelli Prada Business Management Agreement will expire on January 31, 2024, provided that, upon the renewal of the Franchise Agreement, this agreement will be automatically extended until the expiration of the Concession Agreement.

Given that the duration of each of the PPA Business Combination Agreement and the Fratelli Prada Business Management Agreement is, or will be, longer than three years, pursuant to Rule 14A.35(1) of the Listing Rules, an independent financial advisor, namely Somerley Limited, was appointed by the Company and it has confirmed that the duration of each of the above two agreements is required and is in accordance with normal business practice for contracts of this type.

The annual cap for the rent to be paid by PPA to the Company under the PPA Business Combination Agreement for the Reviewed Period is Euro 1.1 million.

The annual cap for the business management fee to be paid by Fratelli Prada S.p.A. to the Company under the Fratelli Prada Business Management Agreement for the Reviewed Period is Euro 3.3 million.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the Reviewed Period:

	Continuing Connected Transaction ("CCT")	Accounting adjustment to the CCT following the application of "IAS 17 Leases"	Total impact on the income statements for the twelve months ended January 31, 2014
(a) Franchise Agreement – Prada Milan Stores	**Euro million**	**Euro million**	**Euro million**
Revenues from sales of goods	48.0	-	48.0
Revenues from services, net	3.6	-	3.6
Royalties income	1.4	-	1.4
Purchase of goods by the Group	(1.0)	-	(1.0)
Net transaction amount	52	-	52
(b) Consulting Agreement with Ms. Miuccia Prada Bianchi			
Annual amount paid to Ms. Miuccia Prada Bianchi or accrued by the Company	13.8	-	13.8
(c) Consulting Agreement with Mr. Patrizio Bertelli			
Annual amount paid to Mr. Patrizio Bertelli or accrued by the Company	14.0	-	14.0
(d) PPA Business Combination Agreement			
Rental income	0.9	0.6	1.5
(e) Fratelli Prada Business Management Agreement			
Business management income	1.3	0.9	2.2

The Independent Non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that these have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditor to review the above non-exempt continuing connected transactions. The auditor has, based on the work performed, provided a letter to the Directors of the Company (with a copy provided to the Stock Exchange) to confirm that the above continuing connected transactions:

(i) have been approved by the Company's Board of Directors;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have not exceeded the relevant annual limits set out in the Prospectus of the Company dated June 13, 2011 and in the Company's announcements dated April 27, 2012, January 29, 2013 and April 5, 2013, as applicable.

(B) Connected Transactions

During the Reviewed Period, the Group had the following non-exempt connected transactions, details of which were disclosed in the Company's announcements dated January 10, 2012, April 16, 2013 and June 28, 2013.

(a) Luna Rossa sponsorship agreement

On January 10, 2012, Prada S.A. a wholly-owned subsidiary of the Company, entered into a sponsorship agreement with certain companies which are indirectly owned by Mr. Patrizio Bertelli, a Chief Executive Officer, an executive director and a substantial shareholder of the Company, in relation to the sponsorship for the participation of the Luna Rossa yacht in the XXXIV edition of the America's Cup (the "Luna Rossa Sponsorship Agreement").

The total amount of the sponsorship under the Luna Rossa Sponsorship Agreement is Euro 40 million which was paid in installments over the period from January 2012 to September 2013.

On April 16, 2013, the parties to the Luna Rossa Sponsorship Agreement entered into a supplemental agreement to grant to the Luna Rossa sailing team an additional sponsorship contribution the maximum amount being Euro 10 million to support its participation in an additional international race hosted by Naples, Italy from April 16 to April 21, 2013.

The nature and reasons for the above connected transaction have been disclosed in the Company's announcements dated January 10, 2012 and April 16, 2013.

(b) Sponsorship Agreement with Progetto Prada Arte S.r.l.

On June 27, 2013, the Company's wholly-owned subsidiary, Prada S.A., entered into an agreement to grant a sponsorship to Progetto Prada Arte S.r.l. ("PPA") for, amongst others, arranging various art exhibitions. PPA is indirectly controlled by Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (both Chief Executive Officers, executive directors and substantial shareholders of the Company). The total maximum amount of sponsorship is Euro 5.65 million which was paid by January 31, 2014.

The nature and reasons for the above connected transaction have been disclosed in the Company's announcement dated June 28, 2013.

Other than the above non-exempt continuing connected transactions and non-exempt connected transactions, no other transaction disclosed in the Consolidated financial statements falls under the definition of "connected transactions" or "continuing connected transaction" contained in Chapter 14A of the Listing Rules or, where it falls under the definition of "connected transactions" or "continuing connected transaction" contained in Chapter 14A of the Listing Rules, it is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements governing "connected transactions" or "continuing connected transactions" in accordance with Chapter 14A of the Listing Rules.

Bank loans and other borrowings

Details of the Group's bank loans and other borrowings as at January 31, 2014 are set out in Notes 19 and 25 to the Consolidated financial statements.

Major customers and suppliers

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

Retirement benefit schemes

Details of the retirement benefit schemes of the Group are set out in Note 26 to the Consolidated financial statements.

Model Code for securities transactions

The Company has adopted the Model Code. Having made specific enquiries of all Directors, all Directors have confirmed that they have complied with the required standard of the Model Code throughout the Reviewed Period.

Events after the reporting period - if applicable

Details of significant events occurring after the reporting date are set out in Note 44 to the Consolidated financial statements.

Commitments and contingencies

Details of capital commitments and contingent liabilities of the Group as at January 31, 2014 are set out in Notes 41 and 27 respectively to the Consolidated financial statements.

Sufficiency of public float

The Stock Exchange granted to the Company at the time of its listing a waiver from strict compliance with Rule 8.08(1) of the Listing Rules ("Public Float Waiver"). Pursuant to the Public Float Waiver, the Company must at all times maintain a minimum public float of 20%. Based on the information that is available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

Directors' responsibilities for the Consolidated financial statements

The Directors are responsible for the preparation of Consolidated financial statements for the year ended January 31, 2014, with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the Consolidated financial statements 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. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

Auditor

The Consolidated financial statements and the Separate financial statements of the Company were audited by Deloitte & Touche S.p.A.. Under Italian company law, the auditor is appointed and its remuneration is resolved every three years by the shareholders in a general meeting of the Company, on the basis of a proposal from the Board of statutory auditors.

On April 13, 2012, the Stock Exchange granted to the Company a waiver from strict compliance with Rule 13.88 of the Listing Rules, which requires the appointment of an auditor at each annual general meeting to hold office until the next annual general meeting. As a consequence, the Company's auditor will be appointed and its remuneration determined every three years at the shareholders' general meeting of the Company under the applicable Italian laws.

On April 5, 2013, the Board had resolved, in accordance with the recommendation received from the Board of statutory auditors and the Audit Committee, to propose a resolution at the shareholders' general meeting of the Company held on May 23, 2013 to appoint Deloitte & Touche S.p.A. as the auditor of the Company for the relevant three year-term and to fix its remuneration.

At the shareholders' general meeting of the Company held on May 23, 2013, it was resolved to appoint Deloitte & Touche S.p.A. as the auditor of the Company for a term of three financial years and to fix its remuneration at Euro 472,000 for each financial year of its three-year term, for the provision to the Company of the audit of the Separate financial statements and the Consolidated financial statements, which is included in the overall annual remuneration of Euro 1,605,000 for Deloitte & Touche S.p.A. and its network in respect of provision of audit services to the Group as a whole. The auditor's annual remuneration shall be subject to adjustment in accordance with changes in relevant applicable laws or additional requirements for the audit services as well as the annual upward adjustment linked to index of ISTAT – the Italian National Institute for Statistics. The auditor's mandate lapses on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending January 31, 2016.

By order of the Board

Carlo Mazzi
Chairperson

April 2, 2014

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 at 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 Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, during the Reviewed Period (i.e. the year ended January 31, 2014). This Corporate Governance Report summarizes 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. Specific written acknowledgments have been obtained from each Director to confirm compliance with the Model Code throughout the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

Directors' interests as at January 31, 2014, in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out in the Directors' Report.

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which five are Executive Directors, one is Non-Executive Director 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. Biographical details of the Directors and their relationships, where applicable, are set out in the Directors and Senior Management section. The Company has maintained on its website and on the website of the Stock Exchange an updated list of its Directors, identifying their respective roles and functions and whether they are Independent Non-Executive Directors.

With a view to achieving a sustainable and balanced development, the Company has viewed diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its development. The Board diversity policy has been considered and adopted by the Board. All Board appointments are based on meritocracy and candidates are proposed and selected on an objective basis, with due regard for the benefits of diversity of the Board. A range of diversity perspectives is considered, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The final selection is based on merit and the contribution that the candidates can bring to the Board.

At the Board meeting approving the change of director on December 20, 2013, Board diversity was one of the key aspects that were discussed. Out of the total number of nine Directors, the number of female Directors has increased to two.

The Nomination Committee has been delegated with the overall responsibility for implementing and monitoring the application of the Board diversity policy. The Nomination Committee will discuss any revisions that may be required to ensure the effectiveness of the Board diversity policy and will recommend any such revisions to the Board for consideration and approval. The Board will review its composition on a regular basis to assess its optimal structure.

b. Board Meetings

During the Reviewed Period, the Board held five meetings to discuss the Group's overall corporate strategic direction and objectives, to assess its operational and financial performance (including the annual budget, annual, interim and quarterly results), to issue Euro 130 million Notes listed on the Irish Stock Exchange, to appoint a new Director and new members of Committees, to approve connected transactions and the Group's investments plan. The average attendance rate of the Directors for these five meetings either in person or through electronic means of communication was 85%.

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

c. Board Attendance

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

Directors	Board	Audit Committee	Remunera-tion Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairperson) 1	5/5			1/1	1/1
Ms. Miuccia PRADA BIANCHI 2 (Chief Executive Officer)	2/5				1/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	4/5				1/1
Mr. Donatello GALLI (Chief Financial Officer)	4/5				1/1
Ms. Alessandra COZZANI 3	1/1				
Non-Executive Directors					
Mr. Marco SALOMONI 4	4/4		1/1	2/2	1/1
Mr. Gaetano MICCICHÉ	3/5				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 5	5/5	6/6	1/1	3/3	1/1
Mr. Giancarlo FORESTIERI 6	5/5	5/6	1/1		1/1
Mr. Sing Cheong LIU 7	5/5	6/6		3/3	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	5/5	5/6			1/1
Mr. Roberto SPADA	4/5	4/6			1/1
Mr. David TERRACINA	5/5	6/6			1/1
Date(s) of Meeting	April 5, 2013	April 3, 2013	April 3, 2013	April 3, 2013	May 23, 2013
	June 11, 2013	May 23, 2013		Sept. 17, 2013	
	July 30, 2013	June 11, 2013		Dec. 20, 2013	
	Sept. 17, 2013	Sept. 17, 2013			
	Dec. 20, 2013	Nov. 13, 2013			
		Dec. 20, 2013			
Average Attendance Rate of Directors	85%	94.4%	100%	100%	88.9%

Notes:
1: Former Deputy Chairman, has assumed the role of Chairperson on February 14, 2014;
appointed as member of Remuneration Committee and Nomination Committee on December 20, 2013
2: Former Chairperson, has assumed the role of Chief Executive Officer on February 14, 2014
3: Appointed as Executive Director on December 20, 2013
4: Resigned as Non-Executive Director and ceased to be member of Remuneration Committee and Nomination Committee on December 19, 2013
5: Chairman of Audit Committee, Remuneration Committee and Nomination Committee
6: Member of Audit Committee and Remuneration Committee
7: Member of Audit Committee and Nomination Committee

Ms. Miuccia Prada Bianchi, the former Chairperson of the Board and current Chief Executive Officer of the Company, was absent for three of the Board meetings due to prior commitments concerning fashion shows. Attendance at such events was important for the discharge of her duties to the Company. Prior to the relevant Board meeting being held, she rendered her views and comments to Mr. Carlo Mazzi, the former 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 purposes, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' general meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual, interim and quarterly results, approval of major transactions and connected transactions and other significant operational and financial matters.

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

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

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

e. Non-Executive Directors

The Non-Executive Directors, including the Independent Non-executive Directors, provide the Company with diversified skills, expertise and varied backgrounds and qualifications. They participate in the Board and Board Committees (including Audit Committee, Remuneration Committee and Nomination Committee) meetings to bring independent and objective views, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend the annual general meetings of the Company to understand the views of the shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

f. Independent Non-executive Directors

The independence of the Independent Non-executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 1, 2014. 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.

g. 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.

h. Directors' Training

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

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes and developments of the Group's business and on the latest development of the laws, rules and regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering mainly the topic of inside information disclosure requirements. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

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

Chairperson and Chief Executive Officers

As published in the announcement dated February 14, 2014, the current Chairperson is Mr. Carlo Mazzi and the current Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairperson is separate from that of the Chief Executive Officers. 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 Officers, supported by the other Executive Directors and senior management, are responsible for managing the Company's business, including the implementation of major strategies and other initiatives adopted by the Board. The Chief Executive Officers are husband and wife.

Appointment of Directors

At the shareholders' general meeting of the Company held on May 22, 2012, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of the current Board of Director lapses on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending January 31, 2015.

The Board is empowered under the Company's by-laws to appoint any person as a Director to fill a casual vacancy. On December 20, 2013, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani as an Executive Director, to fill the casual vacancy caused by Mr. Marco Salomoni's resignation as Non-Executive Director on December 19, 2013. Ms. Alessandra Cozzani's appointment as Executive Director will be subject to election by the shareholders at the forthcoming shareholders' general meeting and her mandate as Executive Director if so elected shall lapse at the same time as the other current Directors.

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

Corporate Governance Functions of the Board

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

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

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

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

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

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

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

During the Reviewed Period, the Board considered the following corporate governance matters:

(i) adopted the Board diversity policy;

(ii) reviewed connected transactions of the Company;

(iii) reviewed the compliance with the Code;

(iv) approved the issuance and the listing of Euro 130 million 2.75 per cent Notes on the Irish Stock Exchange; and

(v) reviewed the effectiveness of the internal controls and risk management systems of the Company through the Internal Control Department and the Audit Committee.

Board Committees

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

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

a. Audit Committee

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

During the Reviewed Period, the Audit Committee held six meetings (with an attendance rate of 94.4%) mainly to review with senior management and the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference. The Audit Committee's review covers the recommendation to the Board on the selection and appointment of external auditor, the audit plans and findings of internal and external auditors, internal controls, risk assessment, annual review of the continuing connected transaction of the Group, tax update and financial reporting matters (including the annual results for the year ended January 31, 2013, the first quarterly results as of April 30, 2013, interim financial results as of July 31, 2013 and third quarterly results as of October 31, 2013, before recommending them to the Board for approval).

The Audit Committee has also held a meeting on April 1, 2014 to review the annual results for the year ended January 31, 2014 before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued to Deloitte & Touche S.p.A. and its network for the audit of the Consolidated financial statements for the year ending January 31, 2014, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Provided to	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	PRADA spa	473
Audit services	Deloitte & Touche spa	Subsidiaries	209
Audit services	Deloitte Network	Subsidiaries	1,047
Total audit fees accruing for the twelve months ended January 31, 2014			1,729
Comfort letter on Euro 130 million Notes	Deloitte & Touche spa/ Deloitte Network	PRADA spa	175
Tax advisory	Deloitte & Touche spa/ Deloitte Network	PRADA spa and Subsidiaries	26
Certificates of sale	Deloitte & Touche spa/ Deloitte Network	Subsidiaries	9
Tax advisory	Deloitte Network	Subsidiaries	235
Other	Deloitte Network	PRADA spa and Subsidiaries	30
Total non-audit fees accruing for the twelve months ended January 31, 2014			475
Out of pocket expenses			74
Total independent auditors' compensation accruing for twelve months ended January 31, 2014			2,278

The total of the audit services provided to the Group increased from Euro 1,605 thousand, as approved by the shareholders' general meeting held on May 23, 2013, to Euro 1,729 thousand because of the new engagements committed to the Deloitte network by the subsidiaries incorporated during the year.

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Executive Director, Mr. Carlo Mazzi. Mr. Mazzi was appointed as a member of the Remuneration Committee on December 20, 2013 to replace Mr. Marco Salomoni who ceased to be a member of the Remuneration Committee on December 19, 2013.

During the Reviewed Period, the Remuneration Committee held one meeting (with attendance rate of 100%) mainly to review the long-term incentive plan connected to the Group's results and suggest its application to certain strategic consultants of the Company and to recommend the supplementation of the consultancy agreements with Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli to include the variable incentive components in their remuneration. On April 1, 2014, the Remuneration Committee held one meeting to recommend the additional Directors' fee to be approved at the forthcoming shareholders' general meeting.

Remuneration Policy

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

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

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

c. Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-Executive Directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and adoption, where appropriate. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one Executive Director, Mr. Carlo Mazzi. Mr. Mazzi was appointed as a member of the Nomination Committee on December 20, 2013, to replace Mr. Marco Salomoni who ceased to be a member of the Nomination Committee on December 19, 2013.

During the Reviewed Period, the Nomination Committee held three meetings on April 3, 2013, September 17, 2013, and December 20, 2013 (with all members attending) to review the adequacy of the structure and composition of the Board, to perform the annual review of the independence of the Independent Non-Executive Directors, to propose to the Board the adoption of the Board diversity policy, the appointment of a new Director and the substitution of the members of the Board Committees. In addition, the Nomination Committee held two meetings, on February 14, 2014, to recommend to the Board the appointement of the new Chairperson and of an additional Chief Executive Officer, and on April 1, 2014, to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period and to recommend to the shareholders the election of Ms. Alessandra Cozzani as an Executive Director at the forthcoming shareholders' general meeting.

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 Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Franco Bertoli and Mr. Gian Franco Oliviero Mattei.

Board of statutory auditors

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

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

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

Directors' responsibility and auditors' responsibility for Consolidated financial statements

The Directors are responsible for preparing the Consolidated financial statements of the Company for the year ended January 31, 2014 with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

As regards the auditor of the Company, its responsibilities are stated in the auditor's report on the Consolidated 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 including financial, operational and compliance controls and risk management functions. On December 6, 2012, the Board approved a revision of the risk assessment model adopted by the Company, aiming to cover developments since the first adoption of the risk assessment model.

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

The Group's internal control system has mainly been designed to safeguard the assets of the Group itself, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with relevant laws and regulations. During the Reviewed Period, no significant control failings or weaknesses was identified. 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.

Joint Company Secretaries

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

Ms. Patrizia Albano, who is qualified as a lawyer admitted to the Bar Association of Rome (*Ordine degli Avvocati di Roma*) has attended continuous professional training sessions in Italy and Hong Kong for approximately 88 hours in the past three years, on a range of topics including directors' duties and responsibilities and other corporate activities, liabilities and damages, compliance on safety at work, administrative sanctions, professional ethics and the board and shareholders in European listed companies, to update her skills and knowledge. During the Reviewed Period Ms. Yuen Ying Kwai undertook over 15 hours of relevant professional training to update her skills and knowledge. In addition, both Ms. Albano and Ms. Yuen have attended a training session held by the Company's legal advisors (Slaughter and May) relating to the Listing Rules and Securities and Futures Ordinance of Hong Kong (Cap.571) for three hours.

Their biographies are set out in the Directors and Senior Management section.

Shareholders' Rights

a. Convening shareholders' general meeting by shareholders

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

b. Putting forward proposals at shareholders' general meeting

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days as of the notice of call of a shareholders' general meeting, by setting out the proposed additions (five days in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy.

c. Making enquiry to the Board

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

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

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

Constitutional Documents

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

Communication with Shareholders

a. Investor relations and communications

The Company endeavors to maintain a high level of transparency in communication with shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), investor conferences, site visits, results briefing are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Company strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will review regularly the arrangements to ensure its effectiveness.

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, presentations, announcements, circulars to shareholders and notices of general meetings, etc.

b. Shareholders' Meetings

The Company strives to maintain an on-going dialogue with its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis.

The Company uses shareholders' general meeting as one of the principal channels for communicating with the shareholders and to ensure that shareholders' views are communicated to the Board. At the shareholders' general meeting, each substantially separate issue is proposed and considered by a separate resolution (including the election of individual directors).

The last shareholders' general meeting of the Company was held on May 23, 2013 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with the video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (the "2013 Shareholders' General Meeting"). The Directors, including the Chairperson of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2013 Shareholders' General Meeting.

Separate resolutions were proposed at the 2013 Shareholders' General Meeting on each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 23, 2013. The numbers of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Ordinary Resolutions proposed at the 2013 Shareholders' General Meeting	Number of Votes cast in favour (%)
1. (a) To approve the Audited Separate Financial Statements, which show a net income of Euro 288,296,583, and the Audited Consolidated financial statements of the Company for the year ended January 31, 2013	2,412,926,752 (99.969855%)
1. (b) To approve the allocation of the net income for the year ended January 31, 2013 as follows: (i) Euro 4,786,769 to the legal reserve of the Company; (ii) Euro 230,294,160 to Shareholders as a final dividend, in particular to declare and distribute a final dividend of Euro/cents 9 per share to be paid on or about Thursday, June 20, 2013; (iii) Euro 53,215,654 to retained earnings	2,412,926,852 (99.969859%)
2. To appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years (financial year ending January 31, 2014 to financial year ending January 31, 2016), ending on the date of the shareholders' general meeting called to approve the financial statements for the last year of the auditor's appointment and to approve its remuneration of Euro 472,000, for each financial year of its three-year term, for the provision to the Company of the audit of the Separate Financial Statements and the Consolidated financial statements, which is included in the overall annual remuneration of Euro 1,605,000 for Deloitte & Touche S.p.A. and its network in respect of provision of audit services to the Prada Group as a whole. The auditor's annual remuneration shall be subject to adjustment in accordance with changes in relevant applicable laws or additional requirements for the audit services as well as the annual upward adjustment linked to index of ISTAT – the Italian National Institute for Statistics	2,412,926,752 (99.969855%)

All resolutions put to the shareholders at the 2013 Shareholders' General Meeting were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2013 Shareholders' General Meeting.

c. Corporate Communications

In order to increase efficiency in communication with shareholders and to contribute to environmental protection, the Company has made arrangements since September 2011 to ascertain how its shareholders wish to receive corporate communications. Shareholders have the right to choose the language, either in English or Chinese, or both, and means of receipt of the corporate communications, in printed form or by electronic means through the Company's website at www.pradagroup.com.

Consolidated Financial Statements

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	January 31 2014	January 31 2013
Assets			
Current assets			
Cash and cash equivalents	9	568,414	571,746
Trade receivables, net	10	308,405	304,525
Inventories	11	449,903	343,802
Derivative financial instruments - current	12	13,984	43,060
Receivables from, and prepayments to, parent company and other related parties - current	13	5,993	19,493
Other current assets	14	114,897	104,823
Total current assets		1,461,596	1,387,449
Non-current assets			
Property, plant and equipment	15	1,230,192	857,299
Intangible assets	16	901,289	878,750
Associated undertakings	17	21,186	23,024
Deferred tax assets	36	201,245	176,057
Other non-current assets	18	69,867	61,569
Derivative financial instruments - non current	12	1,430	1,018
Receivables from, and prepayments to, parent company and other related parties – non current	13	1,487	113
Total non-current assets		2,426,696	1,997,830
Total Assets		3,888,292	3,385,279
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	19	61,909	175,570
Payables to parent company and other related parties - current	20	4,894	5,599
Trade payables	21	348,534	330,613
Current tax liabilities	22	132,145	97,148
Derivative financial instruments - current	12	3,803	912
Obligations under finance leases - current	23	524	575
Other current liabilities	24	154,666	131,645
Total current liabilities		706,475	742,062
Non-current liabilities			
Long-term financial payables	25	207,950	78,830
Obligations under finance leases non-current	23	19	518
Long-term employee benefits	26	63,279	45,538
Provision for contingencies and commitments	27	52,660	46,914
Deferred tax liabilities	36	42,671	55,636
Other non-current liabilities	28	98,982	84,905
Derivative financial instruments non-current	12	1,469	384
Payables to parent company and other related parties – non current	20	13,247	-
Total non-current liabilities		480,277	312,725
Total Liabilities		1,186,752	1,054,787
Share capital		255,882	255,882
Other reserves		1,853,325	1,480,747
Translation reserve		(49,438)	(42,288)
Net profit for the year		627,785	625,681
Total Shareholders' Equity – Group	29	2,687,554	2,320,022
Shareholders' Equity – Non-controlling interests	30	13,986	10,470
Total Liabilities and Shareholders' Equity		3,888,292	3,385,279
Net current assets		755,121	645,387
Total assets less current liabilities		3,181,817	2,643,217

Consolidated income statement

(amounts in thousands of Euro)	Note	twelve months ended January 31 2014	%	twelve months ended January 31 2013	%
Net revenues	31	3,587,347	100.0%	3,297,219	100.0%
Cost of goods sold	32	(938,698)	-26.2%	(920,678)	-27.9%
Gross margin		2,648,649	73.8%	2,376,541	72.1%
Operating expenses	33	(1,709,412)	-47.7%	(1,486,760)	-45.1%
EBIT		939,237	26.2%	889,781	27.0%
Interest and other financial income/(expenses), net	34	(17,357)	-0.5%	(7,131)	-0.2%
Dividends from investments	35	1,016	-	966	-
Income before taxes		922,896	25.7%	883,616	26.8%
Taxation	36	(285,091)	-7.9%	(250,339)	-7.6%
Net income for the year from continuing operations		637,805	17.8%	633,277	19.2%
Net income for the year		637,805	17.8%	633,277	19.2%
Net income – Non-controlling interests	30	10,020	0.3%	7,596	0.2%
Net income – Group		627,785	17.5%	625,681	19.0%
Basic and diluted earnings per share (in Euro per share)	37	0.245		0.245	

Consolidated statement of cash flows

(amounts in thousands of Euro)	twelve months ended January31 2014	twelve months ended January 31 2013
Income before taxation	922,896	883,616
Income Statement adjustments		
Depreciation and amortization from continuing operations	198,857	154,839
Impairment of property, plant and equipment and intangible assets	5,093	7,849
Non-monetary financial (income) expenses	22,015	(15,327)
Other non-monetary charges	36,918	2,226
Balance Sheet changes		
Other non-current assets and liabilities	(16,285)	(18,206)
Trade receivables, net	(5,857)	(44,511)
Inventories, net	(103,550)	18,317
Trade payables	20,443	56,130
Other current assets and liabilities	(17,934)	30,920
Cash flows from operating activities	1,062,596	1,075,852
Interest paid, net – third parties	(10,740)	(10,417)
Interest paid, net – related parties	-	(154)
Taxes paid	(282,419)	(306,009)
Net cash flows from operating activities	769,437	759,272
Purchases of property, plant and equipment and intangible assets	(549,364)	(350,243)
Disposals of property, plant and equipment and intangible assets	-	17,632
Dividends from investments	1,016	966
Net cash flows utilized by investing activities	(548,348)	(331,645)
Dividends paid to shareholders of PRADA spa	(230,294)	(127,941)
Dividends paid to non-controlling shareholders	(6,634)	(5,576)
Repayment of loans to related companies	(899)	(546)
Repayment of loans by related companies	1,397	-
New loans from related companies	-	2,276
New loans to related companies	(2,000)	-
Repayment of short term portion of long term borrowings - third parties	(162,479)	(128,762)
Arrangement of long-term borrowings – third parties	176,773	70,627
Change in short-term borrowings – third parties	4,299	(9,209)
Share capital increases by subsidiaries	40	1,166
Cash flows generated / (utilized) by financing activities	(219,797)	(197,965)
Change in cash and cash equivalents, net of bank overdrafts	1,292	229,662
Foreign exchange differences	(4,714)	(11,494)
Opening cash and cash equivalents, net of bank overdraft	571,722	353,554
Closing cash and cash equivalents, net of bank overdraft	568,300	571,722
Cash and cash equivalents	568,414	571,746
Bank overdraft	(114)	(24)
Closing cash and cash equivalents, net of bank overdraft finale	568,300	571,722

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

(amounts in thousands of Euro)	Number of shares	Share Capital	Share premium reserve	Translation reserve	Cash flow hedge reserve	Actuarial reserve	Fair value reserve	Other reserves	Net income for year	Equity attributable to owners of the Group	Non-controlling interests	Total Equity
Balance at January 31, 2012	2,558,824,000	255,882	410,047	(17,239)	(4,173)	(1,192)	(58)	747,548	431,929	1,822,744	8,224	1,830,968
Allocation of 2011 net income	-	-	-	-	-	-	-	431,929	(431,929)	-	-	-
Dividends	-	-	-	-	-	-	-	(127,941)	-	(127,941)	(5,576)	(133,517)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	1,166	1,166
Comprehensive income for the year (recycled to P&L)	-	-	-	(25,049)	24,321	-	5,544	-	625,681	630,497	6,656	637,153
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(5,278)	-	-	-	(5,278)	-	(5,278)
Balance at January 31, 2013	2,558,824,000	255,882	410,047	(42,288)	20,148	(6,470)	5,486	1,051,536	625,681	2,320,022	10,470	2,330,492
Allocation of 2012 net income	-	-	-	-	-	-	-	625,681	(625,681)	-	-	-
Dividends	-	-	-	-	-	-	-	(230,294)	-	(230,294)	(6,634)	(236,928)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	40	40
Comprehensive income for the year (recycled to P&L)	-	-	-	(7,150)	(16,449)	-	(1,378)	-	627,785	602,808	10,110	612,918
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(4,982)	-	-	-	(4,982)	-	(4,982)
Balance at January 31, 2014	2,558,824,000	255,882	410,047	(49,438)	3,699	(11,452)	4,108	1,446,923	627,785	2,687,554	13,986	2,701,540

Under Italian law, the Company is required to allocate a portion of its net profit to non-distributable reserves and to provide additional information on the distribution of earnings for the period, Note 38.

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Net income for the period – Consolidated	637,805	633,277
A) Items recycled to P&L:		
Change in Translation reserve	(7,057)	(25,989)
Tax impact	-	-
Change in Translation reserve less tax impact	(7,057)	(25,989)
Change in Cash Flow Hedge reserve	(22,755)	33,530
Tax impact	6,306	(9,209)
Change in Cash Flow Hedge reserve less tax impact	(16,449)	24,321
Change in Fair Value reserve	(1,837)	7,391
Tax impact	459	(1,847)
Change in Fair Value reserve less tax impact	(1,378)	5,544
B) Item not recycled to P&L:		
Change in Actuarial reserve	(6,403)	(6,369)
Tax impact	1,418	1,091
Change in Actuarial reserve less tax impact	(4,985)	(5,278)
Consolidated comprehensive income for the period	607,936	631,875
Comprehensive income for the period – Non-controlling Interests	10,110	6,656
Comprehensive income for the period – Group	597,826	625,219

The accounting policies and the following notes constitute an integral part of the Consolidated financial statements.

Financial Statements of PRADA spa

PRADA spa Statement of financial position

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Assets		
Current assets		
Cash and cash equivalents	126,124	140,414
Trade receivables, net	621,096	488,559
Inventories	187,067	153,640
Derivative financial instruments	12,105	34,503
Receivables from parent company, subsidiaries, associates and related parties	258,226	224,111
Other current assets	60,893	57,653
Total current assets	1,265,511	1,098,880
Non-current assets		
Property, plant and equipment	317,996	279,164
Intangible assets	114,188	93,547
Associated undertakings	908,287	884,909
Deferred tax assets	33,009	33,815
Other non-current assets	5,988	4,589
Derivative financial instruments - non current	1,430	1,018
Total non-current assets	18,853	-
Non-current assets	1,399,750	1,297,042
Total assets	2,665,262	2,395,922
Liabilities and Shareholders' equity		
Current liabilities		
Bank overdrafts and short-term loans	14,483	118,410
Payables to parent company, subsidiaries, associates and related parties	349,100	317,871
Trade payables	436,357	393,545
Current tax liabilities	20,086	15,894
Derivative financial instruments	3,312	903
Obligations under financial leases	498	571
Other current liabilities	75,208	71,039
Total current liabilities	899,044	918,232
Non-current liabilities		
Long-term debt, net of current portion	134,799	18,277
Obligations under financial leases	-	503
Long-term employee benefits	40,114	25,760
Provisions	23,266	23,726
Deferred tax liabilities	8,027	15,476
Other non-current liabilities	3,134	681
Derivative financial instruments - non current	2,490	32
Financial payables and other payables to parent company, subsidiaries, associates and related parties	13,247	-
Total non-current liabilities	225,077	84,456
Total Liabilities	1,124,121	1,002,688
Share capital	255,882	255,882
Other reserves	889,685	849,055
Net income of the year	395,574	288,297
Shareholders' equity	1,541,141	1,393,234
Total Liabilities & Shareholders’ Equity	2,665,262	2,395,922

PRADA spa Income statement

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Net revenues	2,004,115	1,732,111
Cost of goods sold	(898,150)	(836,417)
Gross Margin	1,105,965	895,694
Selling, general and administrative expenses	(541,635)	(488,765)
Interest and other financial income (expenses), net	27,605	49,219
Income before tax	591,935	456,148
Income taxes	(196,361)	(167,851)
Net income for the year	395,574	288,297

PRADA spa Statement of comprehensive income

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Net income for the year	395,574	288,297
Items recycled to P&L:		
Change in cash flow hedge reserve	(22,930)	33,651
Tax effect	6,305	(9,254)
Change in Cash Flow Hedge reserve after tax effect	(16,625)	24,397
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	(894)	(4,208)
Tax effect	146	440
Change in actuarial reserve after tax effect	(748)	(3,768)
Net gains (losses) recognized directly in equity	(17,373)	20,628
Total comprehensive income	378,201	308,925

PRADA spa Statement of cash flows

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Income before taxation	591,935	456,147
Adjustments for:		
Depreciation and amortization	25,911	22,494
Impairment of fixed assets	-	3,475
Losses/(gains) on disposal of fixed assets	(69)	336
Impairment of investments	-	536
Non-monetary financial (income) expenses	(44,367)	(40,151)
Provisions and other non-monetary expenses	21,321	1,358
Balance sheet adjustments for:		
Trade receivables, net	(157,831)	41,793
Inventories, net	(33,423)	32,194
Trade payables	42,817	49,175
Other current assets and liabilities	3,097	(2,911)
Other non-current assets and liabilities	(3,474)	(6,021)
Cash flows generated from operations	445,917	558,425
Interest paid	(4,482)	(5,273)
Income taxes paid	(189,909)	(207,215)
Net cash flows generated from operations	251,526	345,937
Purchase of property, plant and equipment	(60,375)	(82,968)
Disposal of property, plant and equipment	142	3,968
Purchase of intangible assets	(11,757)	(5,280)
Disposal of intangible assets	-	80
Investments in subsidiaries	(20,336)	(39,262)
Dividends received	46,515	46,002
Cash flows generated (used) by investing activities	(45,811)	(77,460)
Dividends paid	(230,294)	(127,941)
Change in short term intercompany loans	18,951	(2,179)
Change in long term intercompany loans	(19,529)	-
Repayment of current portion of long term borrowings	(119,136)	(100,722)
New long term borrowings	130,000	1,617
Cash flows generated (used) by financing activities	(220,008)	(229,225)
Change in cash and cash equivalents net of bank overdraft	(14,293)	39,251
Exchange differences	(2)	(3)
Opening cash and cash equivalents, net of bank overdraft	140,411	101,163
Closing cash and cash equivalents, net of bank overdraft	126,115	140,411
Cash and bank balances	126,124	140,414
Bank overdraft	(8)	(3)
Closing cash and cash equivalents, net of bank overdraft	126,115	140,411

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

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income	Share-holders' equity
Balance at January 31 2012	2,558,824,000	255,882	410,047	34,440	182,899	94,076	(4,093)	238,999	1,212,250
Allocation of 2011 net income	-	-	-	11,950	-	227,049	-	(238,999)	-
Dividends paid	-	-	-	-	-	(127,941)	-	-	(127,941)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	24,397	288,297	312,694
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(3,768)	-	-	(3,768)
Balance at January 31 2013	2,558,824,000	255,882	410,047	46,390	182,899	189,416	20,304	288,297	1,393,235
Allocation of 2012 net income	-	-	-	4,787	-	283,510	-	(288,297)	-
Dividends paid	-	-	-	-	-	(230,294)	-	-	(230,294)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(16,625)	395,574	378,949
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(749)	-	-	(749)
Balance at January 31 2014	2,558,824,000	255,882	410,047	51,177	182,899	241,883	3,679	395,574	1,541,141

Notes to the Consolidated Financial Statements

1. General information

PRADA spa (the "Company"), together with its subsidiaries (jointly the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates, under licensing agreements, in the eyewear, fragrances and mobile telephone sectors. Its products are sold in 70 countries worldwide through a network that included 540 Directly Operated Stores (DOS) at January 31, 2014, and a select network of luxury department stores, independent retailers and franchise stores.

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At January 31, 2014, 79.98% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, while the remaining shares were floating on the Main Board of the Hong Kong Stock Exchange.

The Consolidated financial statements were approved and authorized for issue by the Board of Directors of PRADA spa on April 2, 2014.

2. Basis of preparation

The Consolidated financial statements of the PRADA Group as at January 31, 2014, including the "Consolidated statement of financial position", the "Consolidated income statement", the "Statement of consolidated comprehensive income", the "Consolidated statement of cash flows", the "Statement of changes in consolidated shareholders' equity" and the "Notes to the consolidated financial statements" have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union.

At the date of presentation of these Consolidated financial statements, there were no differences between IFRS as endorsed by the European Union and applicable to the PRADA Group and those issued by the IASB.

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

The Group has prepared the Consolidated statement of financial position presenting separately current and non-current assets and liabilities. All the details needed for more complete information are provided in the Notes to the consolidated financial statements. The Consolidated income statement is classified by destination. The cash flow information is provided in the Consolidated Statement of cash flows which has been prepared under the indirect method.

The Consolidated financial statements have been prepared on a going concern basis and are presented in Euro which is also the functional currency of PRADA spa.

3. Amendments to IFRS

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the PRADA Group from February 1, 2013

The following amendments to IFRS have been endorsed by the European Union and are applicable to the PRADA Group effective from February 1, 2013. These changes do not have any significant impact to the Group as of the date of these Consolidated financial statements:

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

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

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

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

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

– Annual improvements to IFRS (2009-2011 Cycle). The improvements adopted related to:

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

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

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

New standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the PRADA Group as effective from annual periods beginning on or after January 1, 2014

- Amendments to "IAS 39 Financial Instruments: Recognition and Measurement". Such amendments provides relief from discontinuing hedge accounting when novation to a central counterparty following the introduction of a new law or regulation of a derivative designated as a hedging instrument meets certain criteria. Such amendments are required to apply for annual periods beginning on or after January 1, 2014.

- Amendments to "IAS 36 Impairment of Assets". The objective of the amendments made to this standard, effective from annual periods beginning on or after January 1, 2014, is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

- "Investment Entities", meant as a group of amendments to IFRS 10, IFRS 12 and IAS 27. "IFRS 10 Consolidated Financial Statements" has been amended in order to better reflect the business model of investment entities. It requires that investment entities measure their subsidiaries at fair value through profit or loss account rather than consolidate them. "IFRS 12 Disclosure of Interests in Other Entities" has been amended in order to require specific disclosure about such subsidiaries of investment entities. The amendments to IAS 27 Separate Financial Statements also removed the option for investment entities to measure investments in certain subsidiaries either at cost or at fair value in their separate financial statements. The Amendments are effective from annual period beginning on or after January 1, 2014.

- Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12). The objective of the amendments is to clarify the IASB's intention when first issuing the transition guidance in "IFRS 10 Consolidated Financial Statements". The amendments also provide additional transition relief in IFRS 10, "IFRS 11 Joint Arrangements" and "IFRS 12 Disclosure of Interests in Other Entities", limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

- "IFRS 10 Consolidated Financial Statements". This new Standard, applicable to the PRADA Group at the latest as from the commencement date of a financial year starting on January 1, 2014, grounds on previous version of "IAS 27 Consolidated and Separate Financial Statements" and provide more guidance for the presentation and preparation of consolidated financial statements. It enforces the definition of control as basis for determining which entities have to be consolidated. It also supersedes "IAS 27 Consolidated and Separate Financial Statements" and "SIC 12 Consolidation – Special Purpose Entities".

- "IFRS 11 Joint Arrangements". This new Standard, applicable to the PRADA Group at the latest as from the commencement date of a financial year starting on January 1, 2014, establishes principles for financial reporting to entities that are parties to a joint arrangement and supersedes "IAS 31 Interests in Joint Ventures" and "SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Ventures'". The

IFRS provides guidelines to determine the type of joint arrangement in which an entity is involved (joint operation or joint venture) by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

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

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

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

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

As requested by the Hong Kong Stock exchange the Group assessed the financial effects of IFRS 10 on its consolidated financial statement and did not raise any detailed disclosure to be provided as the application of this new standard would not have any impact on the PRADA Group Consolidated financial statements at January 31, 2014. As far as all of the others new IFRS and amendments above mentioned concern (i.e. the IFRS and amendments endorsed by the European Union and applicable from periods commencing on or after January 1, 2014), the Group doesn't expect any significant impact from their adoption.

New standards and amendments issued by the IASB, but not yet endorsed by the European Union

– "IFRS 9 Financial instruments". This Standard will replace "IAS 39 Financial Instruments: Recognition and Measurement" in its entirety and currently, there is no mandatory effective date to adopt IFRS 9, but entities may however still choose to early apply it. Such replacement project has been divided into three main phases.

  The first phase relates to the classification and the measurement of financial assets and financial liabilities. In November 2009 the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets requiring all financial assets to be classified on the basis of the entity's business model for managing the financial assets and of the contractual cash flow characteristics of the financial asset. Financial asset are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs. Financial assets are subsequently measured at amortized cost or fair value. In October 2010 the IASB added to IFRS 9 the requirements related to the classification and measurement of financial liabilities whereas most of the requirements in IAS 39 for the classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. In November 2011 the IASB decided to consider limited modifications to the classification and measurement requirements. The IASB published in November 2012 the "Exposure Draft Classification and Measurement: Limited Amendments to IFRS 9" (Proposed amendments to IFRS 9 (2010)).

With respect to the second phase, the impairment methodology, the IASB published in 2009 a Request for Information on the feasibility of an expected loss model for the impairment of financial assets. This formed the basis of the "Exposure Draft Financial Instruments: Amortized Cost and Impairment", published in November 2009 and the supplement to the "Exposure Draft, Financial Instruments: Impairment", published in January 2011. As the result of considering the feedback received on those documents, the IASB published in March 2013 the "Exposure Draft Financial Instruments: Expected Credit Losses". The IASB is re-deliberating the proposals in that Exposure Draft to address the comments received from respondents and the suggestions received from other outreach activities.

With the third phase, hedge accounting, the IASB added to IFRS 9 requirements related to hedge accounting: i) the IASB comprehensively reviewed the hedge accounting requirements in IAS 39 and replaced them with the requirements in IFRS 9; ii) the hedge accounting requirements in IFRS 9 align hedge accounting more closely with risk management, resulting in more useful information to users of financial statements. The requirements also establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39; iii) the IASB did not address specific accounting for open portfolios or macro hedging as part of the general hedge accounting requirements in IFRS 9.

- "IFRIC Interpretation 21 Levies". This interpretation, effective from annual periods beginning on or after January 1, 2014, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with "IAS37 Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain.
- Recoverable amount disclosures for non-financial assets (amendments to "IAS 36 Impairment of Assets"). The amendment requires more disclosure about the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. Such amendments are required to apply for annual periods beginning on or after January 1, 2014. Earlier application is permitted. An entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.
- Amendments to "IAS 19 Employee Benefits". IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to a service. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction

in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. If the amount of the contributions is dependent on the number of years of service, an entity is required to attribute those contributions to periods of service using the same attribution method required by paragraph 70 of IAS 19 for the gross benefit (ie either using the plan's contribution formula or on a straight-line basis). An entity shall apply those amendments for annual periods beginning on or after 1 July 2014 retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

– Annual improvements to IFRS (2010–2012 Cycle). Such improvements impacted:
  "IFRS 2 Share-based Payment", amending the definition of vesting condition;
  "IFRS 3 Business Combinations", amending the accounting for contingent consideration in a business combination;
  "IFRS 8 Operating Segments", requesting more disclosure when aggregating operating segments and requiring the reconciliation of the total of the reportable segments' assets to the entity's assets;
  "IFRS 13 Fair Value Measurement", clarifying the impact of the standard on the measurement of short-term receivables and payables;
  "IAS 16 Property, Plant and Equipment", amending the revaluation method;
  "IAS 24 Related Party Disclosure", amending the definition of key management personnel;
  "IAS 38 Intangible Assets", amending the revaluation method.

– Annual improvements to IFRS (2011–2013 Cycle). Such improvements impacted:
  "IFRS 1 First-time Adoption of IFRS", meaning of "effective IFRS";
  "IFRS 3 Business Combinations", clarifying that the IFRS does not apply to the accounting for the formation of a joint arrangement;
  "IFRS 13 Fair Value Measurement", clarifying the application of the IFRS to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk;
  "IAS 40 Investment Property", clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

– "IFRS 14 Regulatory Deferral Accounts". This new IFRS describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other Standards, but that qualify to be deferred in accordance with this Standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

As at the date these Consolidated financial statements were prepared, the European Union has not completed yet the endorsement of the new standards and amendments as described above.

4. Scope of consolidation

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

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

Joint ventures and associated undertakings are consolidated using the equity method. Associated undertakings are those in which the Group has a significant influence but does not exercise effective control.

Influence is considered significant when the Group owns between 20% and 50% of the company's rights vote or when significant influence can be exercised through existing agreements.

A list of the companies included in the Consolidated financial statements is provided in Note 43.

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2014, and January 31, 2013, in accordance with IFRS, are as follows:

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

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

– for companies consolidated on a line-by-line basis that are not 100% owned by shareholders of the holding company, the share of the net equity and net results for the year of non-controlling interests are disclosed as "Shareholders' equity - Non-controlling interests" in the consolidated statement of financial position and "Net income - Non-controlling interests" in the consolidated income statement. When the equity pertaining to non-controlling interests is negative, it is shown under other receivables whereas the Non-controlling shareholder has made a binding commitment towards the Group to cover the losses;

– the difference between the acquisition cost of investments acquired after the date of first-time application of IFRS (January 1, 2004) and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to assets, liabilities and contingent liabilities based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the income statement immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity;

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

– profits and losses, assets and liabilities of joint ventures and associated undertakings are accounted for using the equity method. According to this method, investments in joint ventures and associated undertakings are recorded in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post acquisition, less any impairment of the investment value. Losses exceeding the interest of the shareholders of the holding company are recorded only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the interest of the holding company shareholders in the net fair value of identifiable assets and liabilities acquired and contingent liabilities is recorded as goodwill. Goodwill is included in the book value of the investment and tested for impairment. If the cost is lower than the holding company shareholders' interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recorded in the income statement for the year of acquisition;

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

6. Main accounting policies

Cash and cash equivalents

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

Trade receivables and payables

Trade accounts receivable are carried at nominal amount less the provision for doubtful accounts, estimated based on an assessment of all disputed and doubtful balances at the reporting date. Bad debts are written off when identified.

Trade accounts payable are recorded at nominal amount.

Transactions denominated in foreign currency 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, obsolete inventories and if the estimated selling price is lower than cost.

Assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be mainly recovered through sale rather than through its continued usage. Assets held for sale are valued at the lower of net book value and fair value less any costs to sell.

Property, plant and equipment

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

Ordinary maintenance expenses are charged in full to the income statement for the year they are incurred.

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

The costs included under leasehold improvements relate to refurbishment work carried out on assets not owned by the Group.

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

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

The depreciation rates representing the useful lives are listed below:

Category of Property, plant and equipment	Depreciation rate or period
Buildings	3% - 10%
Production plant and equipment	7.5% - 25%
Improvements to leasehold retail properties	shorter of lease term and 10 years
Improvements to leasehold industrial properties	lease term
Furniture and fittings	10% - 20%
Other equipment	6% - 33%

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

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

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

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

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

Impairment losses are recorded immediately in the income statement.

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

Intangible assets

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets. Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.

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

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

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

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

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

Development costs include expenses incurred to strengthen the brand image through the implementation of retail projects with a high technological or stylistic content.

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

Category of intangible assets	Amortization rate or period
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term and 10 years
Software	10% - 33%
Development costs	10% - 33%

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

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

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

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.

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

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

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

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

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

Investments

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

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

The carrying amount is later increased or decreased to reflect the parent company's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee. Any goodwill included in the historical cost of the investment is tested annually for impairment.

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

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

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

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

Other investments and marketable securities

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

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

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

Deferred tax assets

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

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

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

Deferred tax assets are not discounted.

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

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

Derivative financial instruments

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

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is allowed if derivative financial instruments are 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 the hedged transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the income statement.

Obligations under finance leases

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

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

Non-current financial liabilities

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

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

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

Post-employment benefits

Post-employment benefits mainly consist of Italian Trattamento Fine Rapporto, a staff leaving indemnity qualified as defined benefit plan.

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

The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.

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

The cost of defined benefit plans, accrued during the year and recorded in the income statement under labor costs, is equal to the average present value of rights accrued in favor of employees for service during the current period. The annual interest accrued on the present value of the Group's obligation at the beginning of the year, as calculated adopting the previous year discount rate of future outflows used to estimate the liability at the reporting date, is recorded under interest and other financial income /(expenses).

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

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

Deferred tax liabilities

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

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

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

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

Deferred tax liabilities are not discounted.

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

The deferred tax provision is only offset against deferred tax assets 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 significant risks and rewards of ownership are transferred to the buyer;

– the value of the revenues can be reliably measured;

– all 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. Cash discounts are recognized as financial charges.

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

– an expense does not generate any future economic benefit;

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

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

Operating leases

Operating leases are recorded in the income statement on a straight-line basis for the whole lease term. When calculating the lease term, renewal periods are also considered if provided for by the agreement and the amount due is known or can be estimated.

Store opening costs

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

Interest expenses

Interest expenses 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 consolidated entity, in accordance with the tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

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

Earnings per share

Basic earnings per share are calculated by dividing net profit pertaining to the holding company shareholders by the weighted average number of ordinary shares.

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

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

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

Financial risk management

The Group is exposed to financial risks such as interest rate risk and exchange rate risk as a result of the international scale of its operations. The Group's overall risk management policy takes account of the volatility of financial markets and seeks to minimize uncertainty regarding cash flows and the resulting potential adverse effects on its results.

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

Financial instruments are accounted for based on hedge accounting rules set by "IAS 39 Financial instruments: recognition and measurement". At the inception of the hedge contract, the Group formally documents the hedging relationship assuming that the hedging is effective during the different accounting periods it is designated for.

Use of estimates

In accordance with IFRS, the preparation of these consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses as well as 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 is immediately charged to the income statement.

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

The fair value of derivatives and securities available for sale is based on market prices at the reporting date. The fair value of derivative instruments used to hedge interest rate risks (IRS) and those used to hedge the exchange rate risk (forward contracts and options) is determined using one of the valuation platforms most widely accepted on the market and is based on interest rate curves and on spot and forward exchange rates at the reporting date.

7. Acquisitions, disinvestments and incorporation of companies

On February 3, 2013, the Group incorporated PRADA Retail spc in Doha to develop the retail business in Qatar.

On February 7, 2013, the Group incorporated Kenon ltd, a real estate company with its registered office in London.

On June 24, 2013, the Group incorporated PRADA Kazakhstan llp in Almaty to develop the retail business in Kazakhstan.

On July 5, 2013, the Group incorporated PRADA New Zealand Limited in Wellington to develop the retail business in New Zealand.

On July 10, 2013, PRADA spa and third party company Fin-Reta srl incorporated Pellettieri d'Italia srl in Italy – with respective interests of 60% and 40% - to develop manufacturing activities.

On September 1, 2013, the Group acquired Epoca srl from third parties to develop the retail business in Italy. On December 31, 2013, Epoca srl was merged through incorporation into PRADA Stores srl.

On September 30, 2013, the Group became the sole owner of India Fashion Private Limited of Mumbai with the objective of developing the retail business in India.

On January 1, 2014, Erfico sa was merged through incorporation into PRADA Switzerland sa.

Epoca srl

On September 1, 2013, the Group acquired from third parties 100% of the quota capital of Epoca srl for a total amount of Euro 4.6 million. The acquisition enabled the Group to take over a lease agreement for prestigious commercial property in Florence, Italy.

For IFRS purposes, the acquisition of this company was treated as an asset not constituting a business. In fact, the retail business conducted by the company until the date of acquisition was immediately terminated. As a result of the acquisition of an asset rather than a business, the allocation of the acquisition cost led to recognition, at the date of acquisition, of Euro 4.9 million recorded under intangible assets as key money paid to take over the lease agreements. The following table summarizes how the consideration paid (Euro 4.6 million) was allocated to the fair value of the net assets acquired.

(amounts in thousands of Euro)	fair value of net assets acquired
Cash and cash equivalents	57
Net working capital	(310)
Key money	4, 892
Consideration paid	4, 639

8. Operating segments

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

The Group's matrix-based organizational structure - whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas, together with the complementary nature of the production processes of the various brands and the many relationships between the different business segments – means that operating segments that meet the IFRS 8 definition cannot be identified, as top management is only provided with income statement results on a Group-wide level. For this reason, the business has been considered as a single operating segment as this better represents the specific characteristics of the PRADA Group business model.

Detailed information on net revenues by brand, geographical area, product and distribution channel, as well as EBITDA by brand and non-current assets by geographical area are provided below. Information on net revenues is also reported in the Financial review where it is accompanied by further comments.

Net sales analysis

(amounts in thousands of Euro)	twelve months ended January 31, 2014		twelve months ended January 31, 2013		% change
Net sales by geographical area					
Italy	552,897	15.6%	528,302	16.2%	4.7%
Europe	776,494	21.9%	739,634	22.7%	5.0%
Americas	487,990	13.8%	440,035	13.5%	10.9%
Asia Pacific	1,292,753	36.4%	1,160,166	35.6%	11.4%
Japan (including Hawaii)	340,784	9.6%	337,313	10.4%	1.0%
Middle East	91,114	2.6%	44,803	1.4%	103.4%
Other countries	6,175	0.1%	6,175	0.2%	0.0%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by brand					
Prada	2,943,633	83.0%	2,649,559	81.4%	11.1%
Miu Miu	519,142	14.6%	512,762	15.7%	1.2%
Church's	68,609	1.9%	68,447	2.1%	0.2%
Car Shoe	13,427	0.4%	19,660	0.6%	-31.7%
Other	3,396	0.1%	6,000	0.2%	-43.4%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by product line					
Clothing	581,594	16.4%	563,322	17.3%	3.2%
Leather goods	2,332,518	65.7%	2,038,043	62.6%	14.4%
Footwear	594,586	16.8%	625,390	19.2%	-4.9%
Other	39,509	1.1%	29,673	0.9%	33.1%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales by distribution channel					
DOS	2,996,637	84.5%	2,664,238	81.8%	12.5%
Independent customers and franchises	551,570	15.5%	592,190	18.2%	-6.9%
Total	3,548,207	100.0%	3,256,428	100.0%	9.0%
Net sales	3,548,207	98.9%	3,256,428	98.8%	9.0%
Royalties	39,140	1.1%	40,791	1.2%	-4.0%
Total net revenues	3,587,347	100.0%	3,297,219	100.0%	8.8%

EBITDA by brand

twelve months ended January 31, 2014 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	3,548,207	2,943,633	519,142	68,609	13,427	3,396
Royalties	39,140	37,127	1,997	16	-	-
Net revenues	3,587,347	2,980,760	521,139	68,625	13,427	3,396
EBITDA	1,143,186	1,054,126	89,322	4,368	(4,795)	165
EBITDA %	31.9%	35.4%	17.1%	6.4%	-	-

twelve months ended January 31, 2013 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	3,256,428	2,649,559	512,762	68,447	19,660	6,000
Royalties	40,791	39,453	1,248	90	-	-
Net revenues	3,297,219	2,689,012	514,010	68,537	19,660	6,000
EBITDA	1,052,469	948,729	100,270	7,099	(2,707)	(922)
EBITDA %	31.9%	35.3%	19.5%	10.4%	-	-
Change in Net revenues	290,128	291,748	7,129	88	(6,233)	(2,604)
Percentage change in Net Revenues	8.8%	10.8%	1.4%	0.1%	-31.7%	-43.4%
Change in EBITDA	90,717	105,397	(10,948)	(2,731)	(2,088)	1,087
% change in EBITDA	8.6%	11.1%	-10.9%	-38.5%	-77.1%	-

The PRADA brand generated EBITDA of Euro 1,054.1 million (35.4% of net revenues) for the twelve months ended January 31, 2014, 11.1% more than the Euro 948.7 million recorded in 2012 (35.3% of net revenues). Excluding the aforementioned penalty for termination of the property lease in Ginza, Tokyo, the brand's EBITDA margin would have been 35.8%, confirming a positive operating trend. The additional expenses resulting from retail network expansion only partially absorbed the additional profits created through sales growth. Sales growth was achieved thanks to the 59 net new stores opened in 2013, the full year contribution of DOS opened in 2012 and, above all, the SSSG performance which was the main driver of sales growth for the year. In line with Group strategy, the retail expansion was accompanied by increased communications activity to strengthen the global brand image.

Miu Miu generated EBITDA of Euro 89.3 million, 10.9% less than the Euro 100.3 million reported for 2012. Meanwhile, EBITDA margin decreased from 19.5% to 17.1% essentially because of the increase in operating expenses triggered by rapid expansion of the DOS network (up from 71 at January 31, 2011, a few months before the listing, to 150 at January 31, 2014, with a net of 24 new openings in the last year alone). Another factor was investment in DOS restyling and in communications, also in order to strengthen international brand awareness. Beyond the short-term impact, the Group Management believes that these measures are necessary with a view to achieving long-term sustainable growth for the brand.

Church's recorded EBITDA of Euro 4.4 million, 38.5% down on the Euro 7.1 million reported in 2012. The lower profitability is partly due to a less impressive performance by several traditional markets and partly to the greater burden of selling costs, again as a result of retail network expansion in new countries. During the year, Church's opened 7 new DOS including its first ever stores in China, Japan, Sweden and the Netherlands.

The Car Shoe brand reported negative EBITDA of Euro 4.8 million, a deterioration on prior year because of the decline in wholesale sales.

Geographical information

The following table reports the carrying amount of most of the Group's non-current assets by geographical area, as requested by "IFRS 8 Operating Segments" for entities, like the PRADA Group, that have a single reportable segment.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Italy	569,176	484,945
Europe	1,054,397	842,289
Americas	198,453	185,688
Asia Pacific	260,175	175,674
Japan	102,628	93,156
Middle East	33,873	28,715
Other countries	5,319	6,137
Total	2,224,021	1,816,604

The total amount of Euro 2,224 million (Euro 1,816.6 million at January 31, 2013) relates to the Group's non-current assets excluding, as requested by IFRS 8, those relating to financial instruments, deferred tax assets and, at January 31, 2013 only, surplus arising from a pension benefit scheme (at January 31, 2014, said surplus was zero).

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Cash on hand	35,541	24,188
Bank deposit accounts	342,399	306,898
Bank current accounts	190,474	240,660
Total	568,414	571,746

At January 31, 2014, bank current accounts and deposit accounts generated interest income of between 0.0% and 2.50% per annum (between 0.0% and 2.83% at January 31, 2013).

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade receivables – third parties	288,504	286,390
Allowance for bad and doubtful debts	(10,432)	(11,547)
Trade receivables – related parties	30,333	29,682
Total	308,405	304,525

Trade receivables from third parties did not vary significantly compared to January 31, 2013, as the value of shipments to independent retail customers for Spring/Summer collections remained almost unchanged between 2012 and 2013.

Trade receivables from related parties includes an amount of Euro 25.5 million (Euro 28.4 million at January 31, 2013) essentially arising from sales of finished products and royalties, as provided by the franchising agreement with Fratelli Prada spa, a retail company owned by the majority shareholders of parent company PRADA Holding bv. Trade receivables from related parties also includes a total of Euro 2.2 million due from Fratelli Prada spa and Progetto Prada Arte srl in respect of their utilization of premises in Galleria Vittoria Emanuele II which PRADA spa holds under a concession agreement with the Municipality of Milan. More details of related party transactions are provided in Note 40.

The allowance for doubtful debts was determined on a specific basis considering all information available at the date the financial statements were prepared. It is revised periodically to bring receivables as close as possible to the fair value.

Movements during the period were as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Opening balance	11,547	11,681
Exchange differences	55	(67)
Increase	830	805
Uses	(1,922)	(754)
Reversals	(78)	(118)
Closing balance	10,432	11,547

11. Inventories, net

Inventories are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Raw materials	85,333	79,559
Work in progress	28,424	24,620
Finished products	403,473	314,244
Allowance for obsolete and slow moving inventories	(67,327)	(74,621)
Total	449,903	343,802

The increase in finished products is mainly due to the greater value of retail stock as a result of the number of stores opened during 2013.

Materials being worked upon by third parties are included in raw materials. Work in progress includes materials at the production stage with PRADA spa, subsidiaries Artisans Shoes srl and Church & Co ltd and third party sub-contractors.

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, 2013	29,754	44,867	74,621
Exchange differences	2	14	16
Increases	24	83	107
Reversals	-	(7,000)	(7,000)
Decrease for use	-	(417)	(417)
Balance at January 31, 2014	29,780	37,547	67,327

The allowance for obsolete and slow moving inventories has been adjusted to bring the value of inventories into line with their realizable amount.

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current portion

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial assets regarding derivative instruments	13,984	43,060
Financial liabilities regarding derivative instruments	(3,803)	(912)
Net carrying amount – current	10,181	42,148

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial assets regarding derivative instruments	1,430	1,018
Financial liabilities regarding derivative instruments	(1,469)	(384)
Net carrying amount – non current	(39)	634

The net carrying amount of derivative financial instruments, current and non-current taken together, consists of the following:

(amounts in thousands of Euro)	January 31 2014	January 31 2013	IFRS7 Category
Forward contracts	8,582	20,983	Level II
Options	5,402	23,095	Level II
Interest rate swaps	1,430	-	Level II
Positive fair value	15,414	44,078	
Forward contracts	(1,990)	(138)	Level II
Options	(1,364)	-	Level II
Interest rate swaps	(1,918)	(1,158)	Level II
Negative fair value	(5,272)	(1,296)	
Net carrying amount – current and non-current	10,142	42,782	

All of the above derivative instruments are qualified as Level II of the fair value hierarchy proposed by IFRS 7. Except as reported under commitments in Note 41 in relation to the call and put options on shares in subsidiary Prada Middle East fzco and the impossibility of determining their fair value at the reporting date, the Group has not entered into any derivative contracts that may be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (IRS) and of derivatives arranged to hedge exchange rate risks (forward contracts and options) have been determined utilizing one of the valuation platforms in most widespread use on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

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

Foreign exchange rate transactions

The cash flows resulting from the Group's international activities are exposed to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements so as to guarantee the value in Euro (or in other currencies of the various Group companies) of identified cash flows. Expected future cash flows mainly regard the collection of trade receivables, settlement of trade payables and financial cash flows. The most important currencies in terms of hedged amounts are: Hong Kong Dollar, US Dollar, Japanese Yen, GB Pound, Korean Won and Chinese Renminbi.

At the reporting date, 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, 2014) were as stated below.

Contracts in place at January 31, 2014, to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2014
Currency				
US Dollar	115,789	37,733	(51,050)	102,472
Hong Kong Dollar	59,541	111,938	-	171,479
Japanese Yen	40,976	43,799	(18,099)	66,676
GB Pound	58,903	36,282	-	95,185
Korean Won	-	60,346	-	60,346
Chinese Renminbi	39,672	9,533	-	49,205
Other	4,167	84,642	(4,920)	83,889
Total	319,048	384,273	(74,069)	629,252

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

Contracts in place as at January 31, 2014, to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2014
Currency				
GB Pound	-	79,138	-	79,138
US Dollar	-	48,387	-	48,387
Japanese Yen	-	29,248	-	29,248
Other	-	15,989	-	15,989
Total	-	172,762	-	172,762

All of the contracts in place as at January 31, 2014, will mature within twelve months.

Contracts in place at January 31, 2013, to hedge projected future trade cash flow.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts (*)	January 31 2013
Currency				
US Dollar	154,539	7,380	(32,472)	129,447
GB Pound	70,525	2,684	(1,167)	72,042
Japanese Yen	52,960	32,663	(32,436)	53,187
Hong Kong Dollar	109,033	76,114	(4,757)	180,390
Korean Won	-	49,249	(577)	48,672
Chinese Renminbi	-	56,962	-	56,962
Other	41,236	34,185	(4,924)	70,497
Total	428,293	259,237	(76,333)	611,197

(*) Positive figures represent forward sales, negative figures represent forward purchases of currency

Contracts in place as at January 31, 2013, to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2013
Currency				
Japanese Yen	-	47,356	-	47,356
Other	-	15,256	-	15,256
Total		62,612		62,612

The contracts in place at January 31, 2013, expired during the year, except for forward sale contracts and options with a maturity date after January 31, 2014, whose notional amount was Euro 15.5 million at the reporting date of these financial statements.

All contracts in place at the reporting date were entered into with leading financial institutions and the Group does not expect any default by these institution. A liquidity analysis on the maturity dates of these derivative contracts is included in these Notes in the Information on financial risks section.

Interest rate transactions

The Group enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations in relation to several bank loans. The key features of the IRS agreements in place as at January 31, 2014, and January 31, 2013, are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2014	Currency	Hedged loan – lending institution	Amount	Expiry
					fair value €.000				
IRS	Euro/000	1,800	2.210%	01/07/2015	(33)	Euro/000	MPS	1,800	07/2015
IRS	Euro/000	3,750	1.545%	02/06/2014	(23)	Euro/000	Intesa-Sanpaolo	3,750	06/2014
IRS	GBP/000	60,000	2.778%	31/01/2029	(198)	GBP/000	Unicredit	60,000	01/2029
IRS	Yen/000	1,750,000	1.875%	31/03/2017	(194)	Yen/000	Mizuho	1,750,000	03/2017

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2013	Currency	Hedged loan – lending institution	Amount	Expiry
					fair value €.000				
IRS	Euro/000	100,000	1.511%	26/07/2013	(588)	Euro/000	Pool loan	100,000	07/2013
IRS	Euro/000	11,250	1.545%	02/06/2014	(141)	Euro/000	Intesa-Sanpaolo	11,250	06/2014
IRS	Euro/000	3,000	2.210%	01/07/2015	(77)	Euro/000	MPS	3,000	07/2015
IRS	Yen/000	2,000,000	1.875%	31/03/2017	(352)	Yen/000	Mizuho	2,000,000	03/2017

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

The loan of GBP 60 million from Unicredit is not reported in the financial statements at January 31, 2014 as it was arranged after the reporting date (February 26, 2014). Nonetheless, in accordance with IAS 39, hedge accounting has been used to show the fair value of the related derivative instrument given that the loan transaction was a highly probable forecasted transaction at the reporting date, as confirmed by events after the reporting date.

Movements on the cash flow hedge reserve included in Group shareholders' equity, before tax effects, since February 1, 2012, may be analyzed as follows:

(amounts in thousands of Euro)	
Opening balance at February 1, 2012	**(5,645)**
Change in the translation reserve	19
Change in fair value, recognized in Equity	24,840
Change in fair value, charged to Income Statement	8,690
Closing balance at January 31, 2013	**27,904**
Change in the translation reserve	5
Change in fair value, recognized in Equity	9,148
Change in fair value, charged to Income Statement	(31,902)
Closing balance at January 31, 2014	**5,155**

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 Group's capital management strategy is intended to safeguard its 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

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	568,414	-	568,414	9
Trade receivables, net	308,405	-	308,405	10
Derivative financial instruments	-	15,414	15,414	12
Financial receivables	2,008	-	2,008	13
Total at January 31, 2014	878,827	15,414	894,241	

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	571,746	-	571,746	9
Trade receivables, net	304,525	-	304,525	10
Derivative financial instruments	-	44,078	44,078	12
Financial receivables	1,413	-	1,413	13
Total at January 31, 2013	877,684	44,078	921,762	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	143,992	-	143,992	19, 20, 25
Trade payables	348,534	-	348,534	21
Obligations under finance leases	543	-	543	23
Derivative financial instruments	-	5,272	5,272	12
Total at January 31, 2014	493,069	5,272	498,341	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	259,418	-	259,418	19, 20, 25
Trade payables	330,613	-	330,613	21
Obligations under finance leases	1,093	-	1,093	23
Derivative financial instruments	-	1,296	1,296	12
Total at January 31, 2013	591,124	1,296	592,420	

Fair Value

The reported amount of derivative instruments, whether they are assets or liabilities, reflects their fair value, as explained in Note 12.

The carrying amount of financial assets is a reasonable approximation of their fair value, as detailed below.

The carrying amount of financial liabilities, except for the bond issued in 2013 and listed on the Irish Stock Exchange, is a reasonable approximation of fair value.

The Bond, reported at an amount of Euro 129 million (nominal amount of Euro 130 million as adjusted by Euro 1 million following application of the amortized cost method), is included in the financial liabilities reported above at nominal amount i.e. Euro 130 million. Its fair value, as determined based on the official listed price on the Irish Stock Exchange at January 31, 2014, is Euro 131.3 million.

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. However, the Group essentially believes that its credit risk mainly regards trade receivables generated in the wholesale channel and in the cash equivalents. The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy, as also explained under the Information on Risk factors included in the Financial review of this 2013 Annual Report.

Trade receivables

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

(amounts in thousands of Euro)	January 31 2014	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade receivables	318,837	262,213	20,331	9,817	6,446	3,633	16,397
Total	318,837	262,213	20,331	9,817	6,446	3,633	16,397

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade receivables	316,072	263,079	27,328	7,708	5,852	1,607	10,498
Total	316,072	263,079	27,328	7,708	5,852	1,607	10,498

The following table contains a summary, by due date, of trade receivables less the allowance for doubtful accounts at the reporting date:

(amounts in thousands of Euro)	January 31 2014	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade receivables less allowance for doubtful accounts	308,405	261,862	20,331	9,817	6,213	3,633	6,549
Total	308,405	261,862	20,331	9,817	6,213	3,633	6,549

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade receivables less allowance for doubtful accounts	304,525	262,799	27,141	7,708	5,804	634	439
Total	304,525	262,799	27,141	7,708	5,804	634	439

At the reporting date, the expected loss on doubtful receivables was fully covered by the allowance for doubtful receivables. Movements on the allowance for doubtful receivables are shown in Note 10.

Bank deposit accounts and bank current accounts

Bank deposit accounts are broken down by currency as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Euro	40,000	110,300
US Dollar	31,992	23,793
Korean Won	50,880	36,003
Hong Kong Dollar	190,458	90,798
Other currencies	29,069	46,004
Total bank deposit accounts	342,399	306,898

The Group seeks to mitigate the default risk on bank deposit accounts by allocating available funds to several accounts that differ in terms of currency, country and bank; these investments are always short-term in nature.

Bank current accounts

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Euro	93,690	42,755
US Dollar	46,532	75,690
Korean Won	3,083	1,994
Hong Kong Dollar	5,112	10,751
GB Pound	5,934	59,369
Other currencies	36,123	50,101
Total bank current accounts	190,474	240,660

The Group maintains that there is no significant risk regarding bank current accounts as their use is strictly connected with the business operations and corporate processes and, as result, the number of parties involved is fragmented.

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Corporate finance department, reporting to the CFO, is responsible for managing financial resources as well as possible. The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. At January 31, 2014, the Group had a total of Euro 454.3 million of available unused credit facilities (Euro 473.1 million at January 31, 2013).

The following table summarizes trade payables by maturity date:

(amounts in thousands of Euro)	January 31 2014	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade payables	348,534	314,375	17,261	8,524	2,099	1,086	5,189
Total	348,534	314,375	17,261	8,524	2,099	1,086	5,189

(amounts in thousands of Euro)	January 31 2013	Current	Overdue (days)				
			1 < 30	31 < 60	61 < 90	91 < 120	≥ 120
Trade payables	330,613	301,940	14,991	3,859	3,119	1,180	5,524
Total	330,613	301,940	14,991	3,859	3,119	1,180	5,524

The following table details the maturity of derivative and non-derivative financial liabilities showing earliest date on which the Group 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, 2014	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Forward contracts designated as cash flow hedges							
Cash outflows	(138,507)	(98,211)	(40,296)	-	-	-	-
Cash inflows	135,754	96,437	39,317	-	-	-	-
Other contracts designated as cash flow hedges							
Cash outflows	(6,235)	(1,795)	(4,440)	-	-	-	-
Cash inflows	(5,740)	(1,649)	(4,091)	-	-	-	-
Interest rate swap cash flow hedge	66	(953)	(842)	(1,275)	(603)	(150)	3,889
Net value	(14,662)	(6,171)	(10,352)	(1,275)	(603)	(150)	3,889

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2013	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Forward contracts designated as cash flow hedges							
Cash outflows	(5,422)	(5,387)	(35)	-	-	-	-
Cash inflows	5,340	5,340	-	-	-	-	-
Other contracts designated as cash flow hedges							
Cash outflows	-	-	-	-	-	-	-
Cash inflows	-	-	-	-	-	-	-
Interest rate swap cash flow hedge	(1,125)	(671)	(130)	(183)	(80)	(52)	(9)
Net value	(1,207)	(718)	(165)	(183)	(80)	(52)	(9)

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2014	Future contractual cash flows at Jan. 31, 2014	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Obligations under finance leases	543	551	-	103	429	19	-	-	-
Financial liabilities – third parties	272,180	292,566	103	44,690	21,441	40,101	23,156	26,519	136,556
Financial liabilities – related parties	4,130	4,130	-	-	4,130	-	-	-	-
Total	276,853	297,247	103	44,793	26,000	40,120	23,156	26,519	136,556

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2013	Future contractual cash flows at Jan. 31, 2013	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Obligations under finance leases	1,093	1,105	-	488	95	510	4	8	-
Financial liabilities – third parties	255,054	262,690	21	161,286	19,035	37,027	29,664	13,620	2,037
Financial liabilities – related parties	5,018	5,018	5,018	-	-	-	-	-	-
Total	261,165	268,813	5,039	161,774	19,130	37,537	29,668	13,628	2,037

Some financial liabilities are subject to compliance with covenants as described in Note 25.

Exchange rate risk

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

For PRADA spa, the exchange rate risk mainly involves the risk that the cash flows from retail and distribution activities will fluctuate as a result of changes in exchange rates. According to the Group's exposition, the most important currencies are: the U.S. Dollar, Hong Kong Dollar, Japanese Yen, GB Pound and Chinese Renminbi. Exchange rate risk exposure for subsidiary companies is generated by cash flows in currencies other than their reporting currency.

The following table shows the sensitivity of the consolidated Net income and the consolidated Shareholders' equity to a range of hypothetical fluctuation in the main foreign currencies against Euro, based on the Group statement of financial position at January 31, 2014.

(amounts in thousands of Euro)	Euro strengthens by 10%		Euro weakens by 10%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	(348)	4,913	1,555	(7,145)
Hong Kong Dollar	750	13,502	(483)	(16,423)
Japanese Yen	4,654	9,531	(454)	(5,151)
US Dollar	(9,103)	331	12,836	87
Chinese Renminbi	(8,067)	(5,745)	9,664	6,724
Other currencies	(3,542)	8,265	4,473	(9,383)
Total	(15,656)	30,797	27,591	(31,291)

The total impact on shareholders' equity (Euro 30.8 million positive and Euro 31.3 million negative) is the sum of the theoretical effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies.

The effects on the above-mentioned items are recorded before the tax effect. The sensitivity analysis is based on the period end exposure which might not reflect the effects actually generated during the year and for this reason it must be considered merely indicative.

Interest rate risk

The PRADA Group is exposed to the risk of interest rate fluctuations mainly with regard to the interest expenses on the debt carried by parent company PRADA spa and some of its subsidiaries. Management of this risk falls within the scope of the risk management activities the Group carries out through its centralized Corporate Finance department.

The following table shows the sensitivity of the Group's net result and Shareholders' equity to a hypothetical shift in the interest rate curve in relation to the Group companies' financial position as at January 31, 2014.

(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%	(71)	(66)	- 0.50%	71	69
GB Pound	+ 0.50%	24	3,704	- 0.50%	(24)	(3,699)
Hong Kong Dollar	+ 0.50%	978	978	- 0.50%	(978)	(978)
Japanese Yen	+ 0.50%	(381)	(287)	- 0.50%	381	344
US Dollar	+ 0.50%	326	326	- 0.50%	(326)	(326)
Other currencies	+ 0.50%	448	448	- 0.50%	(448)	(448)
Total		1,324	5,103		(1,324)	(5,038)

The total impact on Shareholders' equity (positive impact of Euro 5.1 million and negative impact of Euro 5 million) should be considered as the sum of the theoretical 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 merely indicative.

13. Receivables from, and advance payments to, parent company and other related parties – current and non current

Receivables from, and advance payments to, parent company and other related parties are detailed below:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Financial receivables – other related parties	2,008	1,413
Other receivables – PRADA Holding bv	356	249
Other receivables – other companies controlled by PRADA Holding bv	36	3
Other receivables – other related parties	2,159	2,652
Advance payments – other related companies	1,434	15,176
Receivables from, and advance payments to, parent company and other related parties - current	5,993	19,493

The financial receivables from other related parties reported at January 31, 2013, were collected during the year and were due from PAC srl (in liquidation). The new receivables reported at January 31, 2014, are due from Luna Rossa Challenge 2013 srl and regard a loan made during the year which is repayable not later than July 30, 2014. At January 31, 2013, advance payments to other related companies included Euro 12.3 million paid to Luna Rossa Challenge NZ ltd and Luna Rossa Challenge srl in accordance with the contracts signed with subsidiary PRADA sa for sponsorship of the Luna Rossa yacht in relation to its participation on the XXXIV edition of the America's Cup. The competition was held in San Francisco in 2013 and the full amount of the advance was released to the income statement for the year. Advances to other related companies at January 31, 2014, amounted to Euro 1.4 million (Euro 2.9 million at January 31, 2013) and mainly regard advances paid to Progetto Prada Arte srl for cultural initiatives to be held during the following year. Details of receivables and advances with parent company and other related parties are provided in Note 40.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Deferred rental income – long term	1,487	-
Other	-	113
Receivables from, and advance payments to, parent company and other related parties – non current	1,487	113

Deferred rental income – long term - was recorded in relation to Fratelli Prada spa and Progetto Prada Arte srl in application of "IAS 17 Leases" which requires rental income to be recognized on a constant basis. Further information on related party transactions is provided in Note 40.

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
VAT	39,250	25,072
Income tax and other tax receivables	14,062	20,540
Other assets	13,470	16,731
Prepayments and accrued income	42,375	41,266
Deposits	5,740	1,214
Total	114,897	104,823

Other assets

Other assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Advertising contributions under license agreements	1,293	5,258
Advances to suppliers	3,184	1,478
Incentives for retail investments	3,645	1,318
Advances to employees	695	1,392
Other receivables	4,653	7,285
Total	13,470	16,731

Prepayments and accrued income

Prepayments and accrued income are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Rental charges	15,875	17,116
Insurance	1,931	1,472
Design costs	13,997	11,970
Fashion shows and advertising campaigns	2,585	4,021
Sponsorship	142	-
Consulting	498	1,233
Amortized costs on loans	973	197
Other	6,374	5,257
Total	42,375	41,266

Design costs mainly include costs incurred for the conception and realization of collections that will generate revenue the following year.

Deposits

Deposits mainly include guarantee deposits paid under commercial lease agreements.

15. Property, plant and equipment

Changes in the historical cost of Property, plant and equipment during the year ended January 31, 2014, 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 tangibles	Assets under construction	Total historical cost
Balance at January 31, 2012	215,587	104,023	641,136	210,796	103,076	82,620	1,357,238
Additions	35,371	8,977	136,368	48,655	24,347	73,617	327,335
Disposals	(3)	(810)	(823)	(1,633)	(32,347)	(1)	(35,617)
Exchange differences	(1,346)	(214)	(37,710)	(8,207)	(1,225)	(5,448)	(54,150)
Other movements	3,308	122	37,324	3,544	1,223	(44,583)	938
Impairment	-	-	(13,458)	(2,574)	(1,242)	(700)	(17,974)
Balance at January 31, 2013	252,917	112,098	762,837	250,581	93,832	105,505	1,577,770
Additions	175,197	10,710	215,784	70,427	32,179	55,499	559,796
Disposals	(15)	(789)	(1,060)	(789)	(857)	(130)	(3,640)
Exchange differences	4,574	346	(21,741)	(4,419)	(649)	(1,759)	(23,648)
Other movements	7,884	48	25,951	8,384	6,071	(49,113)	(775)
Impairment	-	(18)	(31,370)	(9,072)	(1,086)	(644)	(42,190)
Balance at January 31, 2014	440,557	122,395	950,401	315,112	129,490	109,358	2,067,313

Changes in accumulated depreciation of Property, plant and equipment during the year ended January 31, 2014, 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 tangibles	Total accum. Deprec.
Balance at January 31, 2012	32,503	88,547	336,812	122,412	63,094	643,368
Depreciation	5,977	7,087	84,272	25,324	6,932	129,592
Disposals	-	(793)	(115)	(777)	(14,693)	(16,378)
Exchange differences	(448)	(191)	(19,463)	(4,710)	(874)	(25,686)
Other movements	(26)	-	(446)	292	-	(180)
Impairment	3,331	-	(11,266)	(2,270)	(40)	(10,245)
Balance at January 31, 2013	41,337	94,650	389,794	140,271	54,419	720,471
Depreciation	7,931	7,926	112,932	31,900	8,064	168,753
Disposals	(10)	(754)	(977)	(231)	(775)	(2,747)
Exchange differences	100	312	(8,623)	(2,535)	(409)	(11,155)
Other movements	522	-	(846)	(41)	(6)	(371)
Impairment	-	(18)	(29,106)	(7,680)	(1,026)	(37,830)
Balance at January 31, 2014	49,880	102,116	463,174	161,684	60,267	837,121

Changes in the net book value of Property, plant and equipment in the year ended January 31, 2014, 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 tangibles	Assets under construction	Total net book value
Balance at January 31, 2012	183,084	15,476	304,324	88,384	39,982	82,620	713,870
Additions	35,371	8,977	136,368	48,655	24,347	73,617	327,335
Depreciation	(5,977)	(7,087)	(84,272)	(25,324)	(6,932)	-	(129,592)
Disposals	(3)	(17)	(708)	(856)	(17,654)	(1)	(19,239)
Exchange differences	(898)	(23)	(18,247)	(3,497)	(351)	(5,448)	(28,464)
Other movements	3,334	122	37,770	3,252	1,223	(44,583)	1,118
Impairment	(3,331)	-	(2,192)	(304)	(1,202)	(700)	(7,729)
Balance at January 31, 2013	211,580	17,448	373,043	110,310	39,413	105,505	857,299
Additions	175,197	10,710	215,784	70,427	32,179	55,499	559,796
Depreciation	(7,931)	(7,926)	(112,932)	(31,900)	(8,064)	-	(168,753)
Disposals	(5)	(35)	(83)	(558)	(82)	(130)	(893)
Exchange differences	4,474	34	(13,118)	(1,884)	(240)	(1,759)	(12,493)
Other movements	7,362	48	26,797	8,425	6,077	(49,113)	(404)
Impairment	-	-	(2,264)	(1,392)	(60)	(644)	(4,360)
Balance at January 31, 2014	390,677	20,279	487,227	153,428	69,223	109,358	1,230,192

Additions to land and buildings mainly regard the purchase of two commercial properties in prestigious locations: Old Bond Street in London and Bolshaya Konyushennaya Street in St Petersburg. Both properties were paid for during the year.

The additions to Production plant and machinery mainly relate to purchases of equipment for use in manufacturing processes.

The increases in leasehold improvements, furniture and fixture and Assets under construction were mostly explained by the Group's strategy of retail network expansion and renovation.

Total capital expenditure in the retail channel for the twelve months ended January 31, 2014, amounted to some Euro 522 million. This amount included Euro 242 million invested in newly opened stores (Euro 191 million for stores opened during the year and Euro 51 million for stores opening shortly) while Euro 280 million was invested in the purchase, refurbishment and relocation of existing stores.

The impairment adjustments recorded in 2013 essentially relate to some projects for the relocation and renewal of retail premises.

At January 31, 2014, and January 31, 2013, all of the Group's land outside Hong Kong was owned on a freehold basis.

Land and buildings includes capitalized interest expenses as follows:

(amounts in thousands of Euro)	Opening net book value	Increases during year	Exchange differences	Depreciation	Closing net book value
Land and buildings	7,116	35	(430)	(228)	6,493

16. Intangible assets

Changes in the historical cost of Intangible assets during the year ended January 31, 2014, and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangible assets	Assets in progress	Total historical cost
Balance at January 31, 2012	392,598	534,003	123,139	66,206	45,581	1,476	1,163,003
Change in scope of consolidation	-	-	15,694	-	-	-	15,694
Additions	286	-	17,476	1,909	9	7,740	27,420
Disposals	-	-	-	(84)	-	-	(84)
Exchange differences	(1,995)	(712)	(864)	(314)	-	(57)	(3,942)
Other movements	-	-	-	576	86	(819)	(157)
Impairment	-	-	-	27	(96)	(110)	(179)
Balance at January 31, 2013	390,889	533,291	155,445	68,320	45,580	8,230	1,201,755
Additions	616	-	21,816	3,927	20,129	4,943	51,431
Disposals	-	-	(380)	-	-	(14)	(394)
Exchange differences	3,301	1,179	(133)	(58)	-	(113)	4,176
Other movements	(121)	-	4,400	2,622	288	(7,386)	(197)
Impairment	-	-	(693)	(566)	(1,113)	(317)	(2,689)
Balance at January 31, 2014	394,685	534,470	180,455	74,245	64,884	5,343	1,254,082

Changes in the accumulated amortization of Intangible assets during the year ended January 31, 2014, and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangible assets	Total accumulated amortization
Balance at January 31, 2012	89,290	29,783	80,465	57,628	42,311	299,477
Change in scope of consolidation	-	-	-	-	-	-
Additions	11,137	-	9,471	2,963	1,677	25,248
Disposals	-	-	-	(3)	-	(3)
Exchange differences	(643)	(479)	(364)	(288)	-	(1,774)
Other movements	-	-	110	5	-	115
Impairment	-	-	-	27	(85)	(58)
Balance at January 31, 2013	99,784	29,304	89,682	60,332	43,903	323,005
Additions	11,060	-	12,614	3,505	2,925	30,104
Disposals	-	-	(291)	-	-	(291)
Exchange differences	1,031	793	40	(15)	-	1,849
Other movements	(103)	-	110	(28)	103	82
Impairment	-	-	(694)	(186)	(1,076)	(1,956)
Balance at January 31, 2014	111,772	30,097	101,461	63,608	45,855	352,793

Changes in the net book value of Intangible assets during the year ended January 31, 2014, and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangible assets	Assets in progress	Total net book value
Balance at January 31, 2012	303,308	504,220	42,674	8,578	3,270	1,476	863,526
Change in scope of consolidation	-	-	15,694	-	-	-	15,694
Additions	286	-	17,476	1,909	9	7,740	27,420
Amortization	(11,137)	-	(9,471)	(2,963)	(1,677)	-	(25,248)
Disposals	-	-	-	(81)	-	-	(81)
Exchange differences	(1,352)	(233)	(500)	(26)	-	(57)	(2,168)
Other movements	-	-	(110)	571	86	(819)	(272)
Impairment	-	-	-	-	(11)	(110)	(121)
Balance at January 31, 2013	291,105	503,987	65,763	7,988	1,677	8,230	878,750
Additions	616	-	21,816	3,927	20,129	4,943	51,431
Amortization	(11,060)	-	(12,614)	(3,505)	(2,925)	-	(30,104)
Disposals	-	-	(89)	-	-	(14)	(103)
Exchange differences	2,270	386	(173)	(43)	-	(113)	2,327
Other movements	(18)	-	4,290	2,650	185	(7,386)	(279)
Impairment	-	-	1	(380)	(37)	(317)	(733)
Balance at January 31, 2014	282,913	504,373	78,994	10,637	19,029	5,343	901,289

The net book value of Trademarks at January 31, 2014, and January 31, 2013, is broken down as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Miu Miu	165,386	170,961
Church's	101,480	103,087
Luna Rossa	5,150	6,132
Car Shoe	5,437	5,770
Prada	4,148	4,311
Other	1,313	844
Total	282,914	291,105

No impairment losses were recorded in relation to the Group's trademarks in the year ended January 31, 2014. Trademark registration costs are included in Other.

Additions to development costs and other intangible assets essentially relate to costs capitalized following the establishment of a ten year right of usufruct to a real estate property in Tuscany, Italy, and in relation to the business that was party to rental agreements for said property; the property is now used by the Group as part of its retail network.

Store lease acquisition costs (key-money) includes intangible assets recognized in respect of costs incurred by the Group to enter into, take over or extend lease agreements for retail premises in the most prestigious retail locations worldwide. The increases recorded during the period regard lease agreements signed in Europe (as described in Note 7).

Impairment adjustments recorded in 2013 essentially relate to a number of IT projects that were not completed.

The total capital expenditure on Property, plant and equipment and Intangible assets for the twelve months ended January 31, 2014, amounted to Euro 611.2 million.

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Retail	521,545	265,356
Production and logistics	33,482	42,767
Corporate	56,200	46,632
Total	611,227	354,755

Impairment test

As required by "IAS 36 Impairment of assets", goodwill with an indefinite useful life is not amortized. Instead, it is tested for impairment at least once a year. As at January 31, 2014, Goodwill amounted to Euro 504.4 million, detailed by Cash Generating Unit (CGU) as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Monte Carlo Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Production division	3,492	3,492
Church's	9,276	8,890
Total	504,373	503,987

The Group does not recognize other intangible assets with an indefinite useful life other than goodwill. At the same time, IAS 36 requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. At January 31, 2014, the Group performed an impairment test on the net book value of the Car Shoe trademark in light of the sales performance of said brand.

The method used to identify the recoverable value (value in use) is based on the Discounted expected free Cash-Flow (hereafter "DCF") generated by the assets directly attributable to the business to which the goodwill or the trademark subject to impairment have 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).

The business plans cover a period of five years and have been constructed on the basis of the 2014 budget, as prepared by the management. Prudently, no business development has been forecasted after 2014. This means that no new store openings have been included in the period from 2015 to 2018 and prudent trends in the wholesale channel have been applied.

The discount rate used to discount cash flows was calculated using the weighted average cost of capital approach (WACC). For the year ended January 31, 2014, the WACC used for discounting purposes was in a range between 6.0% and 14.3% (between 6.4% and 20.9% at January 31, 2013). The WACC has been calculated ad hoc for each CGU subject to impairment taking into account the country specific parameters: market risk premium and sovereign bond yield. A "g" growth rate equal to 1.5% has been used in the calculation of the WACC except in specific cases where a higher rate of 4% or a lower rate of 0% was used in light of the different inflation and growth outlooks in the relevant countries. In any case, a growth rate of 1.5% can still be considered prudent given the general average rate of growth expected for the luxury goods market and the specific rate of growth expected for PRADA Group at the reporting date.

Sensitivity analyses were carried out to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the coverage results. The outcome of these simulations did no highlight any indication that values in use could have been lower than the carrying amounts.

When the calculation of value in use through the DCF method did not lead to meaningful results, it was deemed appropriate to run the impairment test through the application of valuations methods based on the fair value (e.g. market multiples method or royalties method). The results of these valuations were anyway double-checked with sensitivity analyses so as to strengthen further the validity of the tests.

None of the impairment tests performed as at January 31, 2014, identified any impairment losses for the Group CGUs and other intangible assets for which the Group highlighted indicators of impairment. However, as value in use is measured based on estimates, the Group cannot guarantee that the value of goodwill or other intangible assets will not be impaired in future.

17. Investments

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Investment in associated undertaking	1,738	1,739
Investment available for sale	19,434	21,270
Other investments	14	15
Total	21,186	23,024

Investment in associated undertaking regards a 49% interest in Pac srl (in liquidation) which has been recorded under the equity method.

Investment available for sale regards the 4.88% stake in the share capital of Sitoy Group Holdings ltd, a company listed on Hong Kong Stock Exchange that operates on the Asian market in the production of leather bags and other products. In accordance with IAS 39 "Financial instruments: recognition and measurement", the investment was initially recognized at cost and subsequently restated at fair value in line with the official quoted share price on the Hong Kong Stock Exchange as at January 31, 2014 (Level I of the fair value hierarchy per "IFRS 7 Financial Instruments: Disclosures"). Changes to fair value compared to January 31, 2013 – negative by Euro 1.8 million – have been recognized in a specific equity reserve net of the taxation effect. In 2013, the Group received net dividends from Sitoy Group Holdings ltd totaling Hong Kong Dollar 10.6 million (Euro 1 million).

18. Other non-current assets

Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Guarantee deposits	57,158	50,785
Deferred rental income	6,923	2,410
Other receivables	5,786	8,374
Total	69,867	61,569

At January 31, 2013, Other receivables included Euro 4.2 million representing the actuarial valuation of the pension plans the Group had in the United Kingdom (Note 26).

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Nature:		
Stores	54,140	48,719
Offices	2,080	1,450
Warehouses	163	161
Other	775	455
Total	57,158	50,785

(amounts in thousands of Euro)	January 31 2014
Maturity:	
By 31.01.2016	15,492
By 31.01.2017	3,143
By 31.01.2018	3,896
By 31.01.2019	3,701
After 31.01.2020	30,926
Total	57,158

19. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Bank overdrafts and commercial lines of credit	114	24
Short-term bank loans	21,845	16,218
Current portion of long term loans	40,416	159,867
Deferred costs on loans	(466)	(539)
Total	61,909	175,570

At January 31, 2013, the current portion of long-term loans amounting to Euro 159.9 million included, among others, the final instalments of loans payable by PRADA spa and PRADA Japan co ltd; repayments made during the year totaled Euro 100 million for the pool loan arranged in Italy and Japanese Yen 3,500 million (Euro 25.2 million at the average exchange rate for the year) for the loan arranged with Mizuho Bank in Japan. The current portion of long-term loans at January 31, 2014, essentially includes loans arranged in Italy, China and Japan.

Short-term bank loans and the current portion of long-term borrowings by currency are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Euro	14,484	118,722
Japanese Yen	30,375	44,528
Chinese Renminbi	13,391	11,951
Other currencies	4,011	884
Total	62,261	176,085

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements as described in Note 12.

Considering hedges in place at the reporting date, some 23% of the current portion of medium/long-term loans consisted of fixed rate loans (70% at January 31, 2013) with variable rate loans making up the remaining 77% (30% at January 31, 2013).

Bank borrowings are stated net of amortized costs incurred to arrange the loans (Euro 0.5 million short-term and Euro 1.9 million medium/long term).

20. Payables to parent company and other related parties – current and non current

The current portion of payables to parent company and other related parties are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Other payables – PRADA Holding bv and other companies controlled by PRADA Holding bv	136	123
Financial payables – other related companies	4,130	5,018
Other payables – other related companies	628	458
Payables to parent company and other related parties – current	4,894	5,599

Financial payables towards other related parties, totaling Euro 4.1 million at January 31, 2014, include an interest-free loan contributed by Al Tayer, the non-controlling shareholder of PRADA Middle East fzco, according to its share in the said company. The loan was partially repaid during the year. Details of payables to parent company and other related parties are provided in Note 40.

The non current portion of payables to parent company and other related parties are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Other payables – other related companies	13,247	-
Payables to parent company and other related parties – non current	13,247	-

Other payables to other related companies includes the amount due to Fin-Reta srl in relation to the establishment of a ten year right of usufruct to a real estate property in Tuscany, Italy, and to a business party to the rental agreement for said property which the Group is using as part of its retail network expansion. The payable reported at January 31, 2014, represents the present value of future payments due after January 31, 2015. Details of payables to parent company and other related parties – non current are provided in Note 40.

21. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Trade payables – third parties	337,807	323,894
Trade payables – related parties	10,727	6,719
Total	348,534	330,613

The increase in Trade payables is due to the growth of the business in general. Details of trade payables to related parties are provided in Note 40.

22. Tax payables

Tax payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Current income taxes	101,018	68,505
VAT and other taxes	31,127	28,643
Total	132,145	97,148

Net of current income tax receivables, current income tax payables total Euro 87 million at January 31, 2014 (Euro 48 million at January 31, 2013).

23. Obligations under finance leases

At January 31, 2014, Obligations under finance leases included short-term payables of Euro 524 thousand (Euro 575 thousand at January 31, 2013) and long-term payables of Euro 19 thousand (Euro 518 thousand at January 31, 2013). They mainly related to leases of properties situated in Italy. Further information is provided in Note 41. The Group's obligations under finance leases are secured on the leased assets.

24. Other current liabilities

Other current liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Payables for capital expenditure	70,848	57,969
Accrued expenses and deferred income	10,842	9,810
Other payables	72,976	63,866
Total	154,666	131,645

Other payables are detailed below:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Short term benefits for employees and other personnel	57,817	52,018
Customer advances	5,298	3,340
Returns from customers	8,300	7,364
Other	1,561	1,144
Total	72,976	63,866

25. Long-term bank borrowings and bond

Long-term financial payables are analyzed below:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Long-term bank borrowings	79,805	78,945
Bond	130,000	-
Deferred costs on loans	(1,855)	(115)
Total	207,950	78,830

Long-term bank borrowings have remained almost unchanged in absolute terms compared to January 31, 2013, but the January 31, 2014, balance compares a lower amount of Euro borrowings and a higher amount of Japanese Yen borrowings.

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements as described in Note 12.

At the reporting date, some 67% of long-term loans consisted of fixed rate loans (7% at January 31, 2013) with variable rate loans making up the remaining 33% (93% at January 31, 2013).

Details of long-term borrowings at January 31, 2014, are provided below.

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	08/2018	2.750%
PRADA spa	600	Euro	Monte dei Paschi di Siena	07/2015	3.310%
PRADA spa	5,202	Euro	Cariparma	08/2015	1.290%
PRADA Middle East FZCO	9,254	US Dollar	ENBD	09/2016	3.811%
PRADA Japan. Co. Ltd	9,049	Japanese Yen	Mizhuo Bank	03/2017	1.875%
PRADA Japan Co. Ltd	5,068	Japanese Yen	Sumitomo Mitsui Trust	08/2016	0.708%
PRADA Japan Co. Ltd	12,162	Japanese Yen	Syndicated loan	07/2018	1.117%
PRADA Japan Co. Ltd	26,063	Japanese Yen	Syndicated loan	01/2018	1.117%
PRADA Fashion Commerce (Shanghai) co limited	9,155	Chinese Renminbi	Mizuho Bank	11/2015	6.150%
PRADA Fashion Commerce (Shanghai) co limited	2,034	Chinese Renminbi	Intesa SanPaolo	06/2015	6.027%
Church and co. ltd	1,218	GB Pound	HSBC	05/2018	2.020%
Total	209.805				

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

Details of long-term borrowing at January 31, 2013, are provided below:

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
PRADA spa	1,800	Euro	Monte dei Paschi di Siena	07/2015	3.310%
PRADA spa	3,750	Euro	Intesa SanPaolo	06/2014	2.145%
PRADA spa	2,400	Euro	Unicredit	05/2014	0.953%
PRADA spa	10,338	Euro	Cariparma	08/2015	1.575%
PRADA Middle East FZCO	15,433	US Dollar	ENBD	09/2016	3.811%
PRADA Japan. Co. Ltd	7,298	Japanese Yen	Sumitomo Mitsui Trust	08/2016	0.810%
PRADA Japan Co. Ltd	14,191	Japanese Yen	Mizhuo Bank	03/2017	1.055%
PRADA Fashion Commerce (Shanghai) co limited	17,801	Chinese Renminbi	Mizuho Bank	11/2015	6.150%
PRADA Fashion Commerce (Shanghai) co limited	5,934	Chinese Renminbi	Intesa SanPaolo	06/2015	6.027%
Total	78,945				

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

On March 29, 2013, PRADA Japan co ltd signed a syndicated loan agreement with a pool of Japanese banks for a total amount of Japanese Yen 9 billion, including: a) a five-year loan of Japanese Yen 2.4 billion repayable in 10 six-monthly instalments over five years, b) a Japanese Yen 3.6 billion loan, available for utilization until January 2015 and due after five years in five equal instalments of 1/12 of the amount utilized, commencing in July 2015, plus a final instalment for the remaining amount, c) a working capital loan of Japanese Yen 3 billion expiring in July 2014. The syndicated loan is subject to compliance with a number of parameters based on the Statutory financial statements of PRADA Japan co ltd – the parameters were respected in full at January 31, 2014. As at January 31, 2014, a total of Japanese Yen 8.76 billion of this loan facility had been utilized, including Japanese Yen 3.48 billion short-term and Japanese Yen 5.28 billion long-term.

On May 6, 2013, PRADA spa signed a contract with a pool of foreign banks for a revolving line of credit for a total amount of Euro 170 million. The loan will expire in May 2016. The line of credit is subject to compliance with a number of covenants calculated based on the Consolidated financial statements which were fully respected at January 31, 2014, albeit the line of credit was entirely unutilized.

On July 11, 2013, Church & co ltd signed a five year revolving loan with HSBC for an amount of GBP 3 million. The loan is repayable in six six-monthly installments from 2015. At January 31, 2014, the loan had been utilized to the amount of GBP 1 million.

On July 29, 2013, PRADA spa issued a bond totaling Euro 130 million which were listed on the Irish Stock Exchange and settled on August 1, 2013. The issue price was 99.641%. The bond matures in 2018 and the coupon rate has been set at 2.75% per annum. At January 31, 2014, the bond was disclosed entirely under long-term financial payables.

The loan from Sumitomo Mitsui Trust Bank is subject to compliance with certain covenants based on the Statutory financial statements of PRADA Japan co ltd. At January 31, 2014, the covenants were fully respected.

The long-term loan made by Banca Monte dei Paschi di Siena to PRADA spa in 2008 – outstanding amount of Euro 1.8 million reported at January 31, 2014 (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 10.3 million reported at January 31, 2014 (including current portion of Euro 5.1 million) - is secured by a mortgage on a building in Tuscany where the Group has been concentrating the logistics activities of the leather goods division.

All bank borrowings are analyzed by security profile as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Secured	12,137	18,396
Unsecured	260,043	236,658
Total	272,180	255,054

All of the loans are analyzed by maturity date in the section of Note 12 on Liquidity risk. Other than PRADA spa, no Group company had issued any debt securities at the end of the current year or previous year.

26. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Post-employment benefits	39,568	38,665
Other long term employee benefits	23,711	6,873
Total liabilities for long term benefits	63,279	45,538
Post-employment benefit (pension plan surplus)	-	(4,150)
Net liabilities for long term benefits	63,279	41,388

Post-employment benefits

Liabilities and assets for post-employment benefits reported at January 31, 2014, totaled a net amount of Euro 39.6 million (Euro 34.5 million at January 31, 2013) and all were qualified as defined benefit plans. The pension plan surplus relates to Group companies operating in the United Kingdom. It amounted to zero at January 31, 2014, against Euro 4.2 million at January 31, 2013. This item is included in Other non-current assets, Note 18.

The balance includes Euro 23.9 million of liabilities recorded in the financial statements of Italian companies and Euro 15.7 million reported by non-Italian companies. The Italian liabilities for post-employment benefits regard the "*Trattamento di Fine Rapporto*" (hereinafter "TFR" i.e. staff leaving indemnity), a deferred employee benefit that must be paid by Italian businesses and is linked to length of working life and remuneration received. The fair value of the liability as reported was determined projecting the benefit, accruing under Italian law at the reporting date, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method (PUCM)".

The following table shows movements on liabilities for post-employment benefits in the year ended January 31, 2014.

	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans abroad (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Balance at January 31, 2013	23,794	14,871	(4,150)	6,873	41,388
Acquisitions	171	-	-	-	171
Current service cost	200	3,042	457	17,616	21,315
Interest expenses (income)	110	61	(246)	76	1
Actuarial (gains)/losses	1,035	515	4,855	911	7,316
Actuarial adjustments due to					
(a) Changes in financial assumptions	*1,109*	*(1,584)*	*1,896*	-	*1,421*
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	*29*	*2,247*	*1,477*	-	*3,753*
(c) Other	*(103)*	*(148)*	*1,482*	-	*1,231*
Benefits paid	(1,418)	(1,145)	-	(1,679)	(4,242)
Contributions	-	-	(875)	-	(875)
Exchange differences	-	(1,668)	(41)	(86)	(1,795)
Balance at January 31, 2014	23,892	15,676	-	23,711	63,279

The current service cost and the interest cost/(revenue) were recognized through income statement. For Other long-term employee benefits only, actuarial differences were also recognized through the income statement. The TFR liability was determined based on an independent appraisal by Federica Zappari, an Italian registered actuary (no 1134) of Ordine Nazionale degli Attuari. The technical part of the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as the likelihood of death, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered.

Post-employment benefits of non-Italian companies are stated net of the surplus on pension plans relating to Group companies operating in the United Kingdom which provide pension services for their employees. As at January 31, 2014, these pension plans had a fair value of zero (a positive fair value of Euro 4.2 million as at January 31, 2013). The fair value of the assets was determined based on the appraisal provided by independent actuary Scottish Widows. They are analyzed as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Fair value of plan assets	54,060	52,987
Fair value of plan liabilities	(50,454)	(46,844)
Pension plan surplus	3,606	6,143
Restrictions on recognition of surplus applied during actuarial valuation of the plan	(3,606)	(1,993)
Net surplus	-	4,150

At the reporting date pension plan assets were as follows:

(amounts in thousands of Euro)	January 31 2014 Assets	January 31 2013 Assets
Equities	24,179	14,221
Alternatives	5,406	13,550
Bonds	21,714	21,588
Cash	2,761	3,628
Total	54,060	52,987

The main actuarial assumptions utilized at January 31, 2014, are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.23	16.0	15.8
Discount rate	2.50%	4.50%	1.39%
Average increase in remuneration	1.86%	2.40%	3.01%
Rate of inflation	1.50%	2.20%	N/A

The main actuarial assumptions utilized at January 31, 2013, are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.94	17.0	9.54
Discount rate	2.80%	4.80%	0.45%
Average increase in remuneration	1.83%	2.50%	2.00%
Rate of inflation	1.50%	2.30%	N/A

The discount rate used to value the defined benefit plans was determined on the basis of the yield on bonds with an AA rating and a maturity date similar to that of the plans in question.

The sensitivity analysis performed on the main actuarial assumptions applied at January 31, 2014, highlighted that an increase or decrease of 50 basis points would have an impact of less than 5% on the total amount of the obligations. Consequently, the result of the test was considered not material in terms of possible impact on the financial statements.

Payments expected in relation to the above plans in the years following these financial statements are shown below:

	January 31 2015	January 31 2016	January 31 2017	January 31 2018	After January 31 2018
Defined Benefit Plans in Italy (TFR)	1,876	1,157	1,207	1,138	27,975
Pension Funds in UK	2,224	2,286	2,317	2,358	15,770
Defined Benefit Plans in Japan	1,542	1,538	1,561	1,641	18,929
	5,642	4,981	5,085	5,137	62,674

The contributions expected for the 2014 fiscal year are as follows:

	Twelve months ending January 31, 2015
Defined Benefit Plans in Italy (TFR)	-
Pension Funds in UK	583
Defined Benefit Plans in Japan	2,602
	3,185

Other long-term employee benefits

Other long-term employee benefits come under the IAS 19 category "Other long-term employee benefits" and relate to long-term retention and performance plans recognized in favor of Group employees. As at January 31, 2014, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 23.7 million (Euro 6.9 million as at January 31, 2013), as determined based on an independent actuarial appraisal. The increase in 2013 regards new benefits granted. Some Euro 8.3 million of the long-term benefits at January 31, 2014, is recognized in favor of related parties.

27. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Balance at January 31, 2013	1,775	27,467	17,672	46,914
Exchange differences	(1)	(580)	(873)	(1,454)
Reclassifications	-	(3,642)	11	(3,631)
Reversals	(373)	(386)	(74)	(833)
Uses	(39)	(365)	(544)	(948)
Increases	38	230	12,344	12,612
Balance at January 31, 2014	1,400	22,724	28,536	52,660

Provisions 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 is reasonable considering the contingent liabilities that might arise.

Provision for tax disputes

The Group's main tax disputes are reported below.

On December 30, 2005, PRADA spa (for companies incorporated into PRADA spa, Genny spa and Byblos spa, the respective sellers of the "Genny" and "Byblos" businesses) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the sales of the "Genny" and "Byblos" businesses which the authorities sought to treat as sales of the respective brands. The amount assessed was about Euro 21 million. The Company successfully appealed at the first and second levels of appeal. The Tax Authority then announced its appeal to the Supreme Court of Cassation against which the Company submitted a counter appeal. No further developments took place in 2013.

On August 4, 2006, PRADA spa (for IPI Italia spa, a company incorporated into it and the seller 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. 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 appeals at two levels but was unsuccessful with both. Finally, the Company then made a further appeal to the Supreme Court of Cassation against which the Tax Authority filed its own counter appeal. No further developments took place in 2013.

On October 18, 2010, a tax inspection of PRADA Germany GmbH got underway for Direct Taxation and VAT purposes in relation to the 2005, 2006, 2007 and 2008 tax years. The inspection continued into 2011 and 2012 and regarded transfer pricing in particular. The German tax authorities made an initial proposal to settle end the inspection into the 2007 and 2008 tax years with no adjustment to taxable income while making an adjustment to the taxable income for the 2005 and 2006 tax years; the company did not accept this proposal. In 2013, Prada Germany GmbH submitted new documentation after which the inspection came to an end with no adjustments to taxable income for 2007 and 2008 and an adjustment to taxable income for the 2005 tax year only. As a result, the company was required to pay additional taxes plus interest for a total amount of Euro 0.6 million, all of which was recognized and paid at January 31, 2014.

In October 2012 and October 2013, the Italian Tax Authorities rejected PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch sub-holding company PRADA Far East bv for the 2010 to 2012 tax years. In order to reduce the risk of application of additional penalties in case of assessment, PRADA spa paid some Euro 64 million, including Euro 42 million recorded in the 2012 income statement and Euro 22 million in the 2013 income statement. The amounts paid, followed the "ravvedimento operoso" procedure (or voluntary settlement of dispute) and represented the taxes due in Italy by PRADA spa on the taxable income of PRADA Far East bv – a total of Euro 42 million for 2010 and 2011 and a total of Euro 22 million for 2012. In October 2012 and October 2013, the Italian tax authorities also declared inadmissible the requests filed by PRADA spa for 2010 to 2012 not to apply CFC rules to other Group countries operating in countries on the fiscal black list. In January 2013 and January 2014, PRADA spa filed appeals to the Rome Provincial Tax Commission in relation to the rejection of its requests regarding PRADA Far East bv and the declaration of inadmissibility of its petitions regarding the other "black list" companies; it also requested the reimbursement of the amounts paid in relation to PRADA Far East bv.

In September 2009, the Japanese Tax Authorities began a tax inspection of PRADA Japan co ltd with regard to the transfer prices applied in the 2005, 2006, 2007 and 2008 tax years; subsequently the audit was extended to 2009 tax year. At the end of 2011, the Japanese Tax Authorities issued a "position paper" and made a formal request to adjust income for the assessed tax years. Between November and December 2011, requests to commence the amicable settlement procedure were made to the Italian, Swiss and Japanese Tax Authorities in order to avoid double taxation. In the meantime, in 2012, upon completion of their inspection, the Japanese Tax Authorities issued notices of assessment for the 2005 and 2006 tax years (with regard to transactions with the Swiss counterparty of Prada Japan co ltd) and announced they would not be seeking to make any adjustment to taxable income for the 2007, 2008 and 2009 tax years without any adjustment of taxable income. Early in November 2013, an agreement was reached between the Swiss and Japanese tax authorities over the amicable settlement procedure for 2005 and 2006. Consequently, the provision for risks created at January 31, 2013, was reclassified during the year to current tax payables.

In May 2012, the Italian Customs Authority began an audit of PRADA spa on the 2007-2011 and with reference to the method used to value imported products in specific circumstances. This audit led to the detection of customs irregularities subject to administrative and criminal penalties; PRADA spa provided all of the documentation requested. It is worth noting that, in March 2012 the Company applied to the Central Italian Customs Authority in Rome for a ruling on the same issue and, in 2013, it submitted two explanatory statements to the Public Prosecutor and the Customs Head Office. The customs authorities have suspended their judgment until the criminal proceedings have been completed. At January 31, 2014, no provision was made for this matter as the possible cost could not be quantified and the Directors did not believe there was any concrete tax risk.

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 22.7 million carried at January 31, 2014, in respect of the tax disputes described above represents the best estimate of the obligations that the Group could be called upon to fulfill.

Provision for litigation

The provision for litigation amounted to Euro 1.4 million at January 31, 2014, and mainly regarded disputes with suppliers, former employees of the Group and government authorities in relation to social contributions.

Other provisions for risks

Other provisions for risks amounted to Euro 28.5 million as at January 31, 2014, and related to lease agreements defined as onerous – in terms of "IAS 37 Provisions, Contingent liabilities and Contingent assets" - and obligations to return premises held under lease agreements in their original state.

28. Other non-current liabilities

Other non-current liabilities amounted to Euro 99 million (Euro 84.9 million as at January 31, 2013). They mainly regarded liabilities to be recognized on a straight-line basis in relation to commercial lease costs. The increase is due to expansion of the retail network.

29. Shareholders' equity - Group

The Group's shareholders' equity is as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	1,446,923	1,051,536
Actuarial reserve	(11,452)	(6,470)
Fair value reserve	4,108	5,486
Cash flow hedge reserve	3,699	20,148
Translation reserve	(49,438)	(42,288)
Net income for the period	627,785	625,681
Total	2,687,554	2,320,022

Share capital

At January 31, 2014, some 80% of the share capital of PRADA spa was held by PRADA Holding bv while the remainder was floating on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve is unchanged compared to January 31, 2013.

Translation reserve

Movements on this reserve relate to the translation of foreign currency financial statements of consolidated companies. The reserve has increased from negative Euro 42.3 million at January 31, 2013 to negative Euro 49.4 million. This is due to the lower value of equity contributed by subsidiaries outside the Euro zone as a result of the weakening of leading foreign currencies against the Euro.

Other reserves

At January 31, 2014, other reserves amounted to Euro 1,446.9 million. They increased by Euro 395.4 million compared to January 31, 2013, due to allocation of net income for the previous year (Euro 625.7 million) and the distribution of dividends (Euro 230.3 million).

Net income for the year

The Group's net income for the year amounted to Euro 627.8 million (Euro 625.7 million as at January 31, 2013).

Capital gain tax in Italy

Capital gains realized on disposals of shares in the Company may be subject to tax in Italy. Further details of Italian capital gains taxation are provided in the Tax Booklet available on the Company's website (www.pradagroup.com).

30. Shareholders' equity – non-controlling interests

The following table shows movements on the Shareholders' equity of Non-controlling Interests during the years ended January 31, 2014, and January 31, 2013.

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Opening balance	10,470	8,224
Translation differences	93	(940)
Dividends	(6,634)	(5,576)
Net income for the year	10,020	7,596
Actuarial reserve	(3)	-
Capital injection in subsidiaries	40	1,166
Closing balance	13,986	10,470

The capital injection into subsidiaries regards the incorporation of Pellettieri d'Italia on July 10, 2013, by PRADA spa and third party company Fin-Reta srl; owned 60% and 40%, respectively.

Dividends paid in the twelve months ended January 31, 2014, totaled Euro 6.6 million and were distributed by subsidiaries TRS Hong Kong ltd, TRS Guam, TRS Macau, TRS Saipan and Artisan Shoes srl.

31. Net revenues

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

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Net sales	3,548,207	3,256,428
Royalties	39,140	40,791
Total	3,587,347	3,297,219

Breakdowns and comments of net revenues by brand, distribution channel, geographical area and product are provided in the Financial review.

In the twelve months ended January 31, 2014, licensing agreements generated royalties income of Euro 39.1 million, 4% less than the Euro 40.8 million recorded in 2012. In the previous year, the launch of the Prada phone LG 3.0 cellphone generated royalties of Euro 5.4 million, essentially concentrated in the first half of the year. Excluding this effect, licensed products, essentially eyewear and cosmetics, generated a 9.3% increase in royalties compared to the twelve months ended January 31, 2013.

32. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Purchases of raw materials and production costs	848,675	731,805
Logistics costs, duties and insurance	193,095	162,396
Change in inventories	(103,072)	26,477
Total	938,698	920,678

In absolute terms, cost of goods sold increased from Euro 920.7 million in 2012 to Euro 938.7 million in 2013. As a percentage of net revenues it decreased from 27.9% in 2012 to 26.2% because of an improved margin contribution – almost evenly distributed – of the usual drivers: product, sales channel and market.

33. Operating costs

Operating costs are analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2014	% of net revenues	twelve months ended January 31 2013	% of net revenues
Product design and development costs	129,807	3.6%	111,370	3.4%
Advertising and communications costs	171,966	4.8%	150,574	4.6%
Selling costs	1,212,065	33.8%	1,040,133	31.5%
General and administrative costs	195,574	5.5%	184,683	5.6%
Total	1,709,412	47.7%	1,486,760	45.1%

Operating costs increased from Euro 1,486.8 million in 2012 to Euro 1,709.4 million in 2013, a 15% increase (20.3% at constant exchange rates). As a percentage of net revenues, they rose from 45.1% in 2012 to 47.7%.

Product design and development costs increased from Euro 111.4 million in the twelve months ended January 31, 2013, to Euro 129.8 million, primarily because of the introduction of new long-term benefits for some key personnel working in this business area.

Advertising and communications costs increased from Euro 150.6 million to Euro 172 million and from 4.6% of net revenues in 2012 to 4.8%.

Selling costs increased from Euro 1,040.1 million in 2012 to Euro 1,212.1 million in 2013 mainly as a result of the constant expansion and renewal of the DOS network. As a percentage of net revenues, these costs rose from 31.5% to 33.8%.

The business expansion led to higher general expenses and, consequently, general and administrative costs increased from Euro 184.7 million in 2012 (5.6% of net revenues) to Euro 195.5 million in 2013 (5.5% in net revenues).

As requested by "IAS 1 Presentation of Financial Statements" the following table reports the total of depreciation, amortization and impairment, labor cost and rent included under the operating costs.

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Depreciation, amortization and impairment	192,681	152,271
Labor cost	493,602	439,693
Variable rent	297,550	259,409
Fixed rent	245,498	204,777
Total	1,229,331	1,056,150

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

Interest and other financial income/(expenses), net are analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Interest expenses on borrowings	(9,548)	(12,956)
Interest expenses IAS 19	(12)	(144)
Interest income	3,576	4,804
Exchange gains/(losses) – realized	(9,128)	4,314
Exchange gains/(losses) – unrealized	1,448	1,551
Other financial income/(expenses)	(3,693)	(4,700)
Total	(17,357)	(7,131)

Interest expenses have decreased primarily because of lower average indebtedness and the different composition of financial payables. In both periods, interest income was earned by investing the increased liquidity across a number of currencies, countries and banks, in compliance with the Group's corporate strategy which permits only low-risk investments.

35. Dividends received

In 2013, the Group received Euro 1 million of dividends (Euro 1 million in 2012) from Sitoy Group Holdings ltd, a company listed on the Hong Kong Stock Exchange (HK: 1023) in which the Group held a 4.88% interest at January 31, 2014.

36. Income taxes

Income taxes are analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Current taxation	320,176	258,613
Deferred taxation	(35,085)	(8,274)
Income taxes	285,091	250,339

The increase in income taxes in absolute terms is essentially due to growth of the Group business in general. Both periods include taxes relating to prior years: current taxation for 2013 includes Euro 22 million relating to 2012 while current taxation for 2012 includes Euro 44 million relating to 2011 and 2010. As analyzed in detail in Note 27, both amounts relate to the rejection by the Italian Tax Authorities of PRADA spa's request not to apply the Italian Controlled Foreign Companies rules (CFC) to its Dutch subsidiary PRADA Far East bv.

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

	twelve months ended January 31 2014
Italian theoretical tax rate	**31.40%**
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	3.18%
Tax effect of utilization of tax losses carried forward	-0.04%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-3.65%
Group effective tax rate	**30.89%**

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

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Opening balance	**120,421**	**128,071**
Exchange differences	(4,763)	(7,910)
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	6,303	(9,209)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	1,418	1,091
Other movements	110	104
Deferred taxes for the period in income statement	35,085	8,274
Closing balance	**158,574**	**120,421**

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

(amounts in thousands of Euro)	January 31, 2014		January 31, 2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	95,240	130	78,572	-
Receivables and other assets	451	1,582	452	1,551
Useful life of non-current assets	46,197	13,249	50,563	15,447
Deferred taxes due to acquisitions	-	22,666	-	25,112
Provision for risks / accrued expenses	37,456	2,151	26,454	2,257
Non-deductible / taxable charges / income	6,752	370	4,964	1,515
Tax loss carryforwards	6,945	-	7,611	-
Derivative financial instruments	81	1,396	89	7,702
Long term employee benefits	7,364	151	6,796	1,312
Other	759	976	555	740
Total	**201,245**	**42,671**	**176,057**	**55,636**

Tax loss carryforwards at January 31, 2014, are analyzed below:

(amounts in thousands of Euro)	January 31 2014
Expiring within 5 years	5,766
Expiring after 5 years	41,089
Available for carry forward with no time limit	50,954
Total tax loss carryforwards	97,809

The Directors have updated their assessment of the tax losses carry-forwards taking account of the general macroeconomic environment and developments regarding the business activities of each Group company.

37. Earnings and Dividends per share

Earnings per share

Earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue.

	twelve months ended January 31 2014	twelve months ended January 31 2013
Group net income in Euro	627,784,659	625,681,459
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Earnings per share in Euro, calculated on weighted average number of shares	0.245	0.245

Dividends per share

The Board of Directors of PRADA spa has proposed a final dividend of Euro 281,470,640 (or Euro 11 cents per share) for the twelve months ended January 31, 2014.

During the year ended January 31, 2014, the Company distributed dividends of Euro 230,294,160, as approved by the Shareholders' Meeting held on May 23, 2013, to approve the financial statements for the year ended January 31, 2013. The payment of the dividends and the related Italian withholding tax payable (Euro 9.2 million), arising from the application of the Italian ordinary withholding tax rate to the whole amount of dividends paid to beneficial owners of the Company shares held through the Hong Kong Central Clearing and Settlement System, was completed by January 31, 2014.

During the previous year ended, the Company distributed dividends of Euro 127,941,200, as approved by the Annual General Meeting held on May 22, 2012, to approve the financial statements for the year ended January 31, 2012.

38. Additional information

The average headcount by functional area in the years ended January 31, 2014 and 2013 was as follows:

(no of employees)	twelve months ended January 31 2014	twelve months ended January 31 2013
Production	1,897	1,777
Product design and development	903	838
Advertising and Communications	113	109
Selling	7,000	5,894
General and administrative services	903	809
Total	10,816	9,427

Employee remuneration

Employee remuneration by functional area for the twelve months ended January 31, 2014, and January 31, 2013, is analyzed below:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Production	90,343	83,294
Product design and development	61,350	55,833
Advertising and Communications	12,274	11,174
Selling	338,239	296,274
General and administrative services	81,739	76,412
Total	583,945	522,987

Employee remuneration by nature for the twelve months ended January 31, 2014, and January 31, 2013, is analyzed below:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Wages and salaries	440,254	394,855
Post-employment benefits	27,991	23,265
Social security	94,543	85,680
Other	21,157	19,187
Total	583,945	522,987

Distributable reserves of parent company PRADA spa

(amounts in thousands of Euro)	Amount at January 31, 2014	Possible utilization	Distributable amount	Summary of utilization in last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882				
Share premium reserve	410,047	A,B,C	410,047		
Legal reserve	51,176	B			
Other reserves	182,899	A,B,C	182,899		
Retained earnings	241,883	A,B,C	221,367		273,941
Fair Value Reserve	3,679				
Distributable amount			814,313		

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 as the legal reserve has reached an amount equal to 20% of share capital.

The non-distributable portion of Retained earnings, Euro 20,516 million, refers to restricted reserves under Article 7 of Legislative Decree 38/2005.

Exchange rates

The exchange rates against the Euro used to consolidate statements of financial position and income statements prepared in other currencies as at January 31, 2014, and January 31, 2013, are shown below.

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.331	1.289	1.352	1.355
Canadian Dollar	1.382	1.285	1.513	1.358
GB Pound	0.849	0.811	0.821	0.857
Swiss Franc	1.231	1.207	1.222	1.234
Australian Dollar	1.399	1.243	1.552	1.301
Korean Won	1,457.043	1,443.102	1,464.230	1,472.100
Japanese Yen	131.593	104.108	138.130	123.320
Hong Kong Dollar	10.325	9.994	10.497	10.511
Singapore Dollar	1.670	1.604	1.728	1.677
Thai Baht	41.225	39.873	44.599	40.420
Taiwan Dollar	39.623	37.992	40.945	40.066
Russian Ruble	42.802	39.892	47.748	40.777
Czech Koruna	26.148	25.149	27.500	25.619
Macau Pataca	10.635	10.293	10.812	10.826
Chinese Renminbi	8.165	8.118	8.192	8.427
New Zealand Dollar	1.625	1.585	1.668	1.616
Malaysian Ringgit	4.223	3.970	4.525	4.209
Turkish Lira	2.587	2.312	3.074	2.388
Brazilian Real	2.911	2.541	3.283	2.689
Mexican Peso	17.056	16.868	18.161	17.217
UAE Dirham	4.889	4.709	4.964	4.977
Ukrainian Hryvna	10.639	10.298	10.877	10.823
Moroccan Dirham	11.182	11.114	11.214	11.220
Kuwait Dinar	0.378	0.361	0.382	0.381
Danish Kronor	7.458	-	7.462	-
Swedish Kronor	8.669	-	8.851	-
Kazakhstani Tenge	203.031	-	210.750	-
Qatari Riyal	4.846	-	4.923	-
Indian Rupee	78.946	-	84.688	-

Independent auditors' compensation

The total fees and expenses accrued in favor of Deloitte & Touche spa and its network for the audit of the financial statements ending January 31, 2014, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Provided to	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	PRADA spa	473
Audit services	Deloitte & Touche spa	Subsidiaries	209
Audit services	Deloitte Network	Subsidiaries	1,047
Total audit fees accruing for the twelve months ended January 31, 2014			1,729
Comfort letter on Euro 130 million Notes	Deloitte & Touche spa/ Deloitte Network	PRADA spa	175
Tax advisory	Deloitte & Touche spa/ Deloitte Network	PRADA spa and Subsidiaries	26
Certificates of sale	Deloitte & Touche spa/ Deloitte Network	Subsidiaries	9
Tax advisory	Deloitte Network	Subsidiaries	235
Other	Deloitte Network	PRADA spa and Subsidiaries	30
Total non-audit fees accruing for the twelve months ended January 31, 2014			475
Out of pocket expenses			74
Total independent auditors' compensation accruing for twelve months ended January 31, 2014			2,278

39. Remuneration of Board of Directors, five highest paid individuals and Senior Managers

Remuneration of the PRADA spa Board of Directors for the year ended January 31, 2014

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	Total
Patrizio Bertelli	1,000	6,000	7,991 (*)	-	20	15,011
Miuccia Prada Bianchi	1,000	9,700	4,057 (*)	-	20	14,777
Carlo Mazzi	302	-	-	82	13	397
Donatello Galli	40	306	205	38	175	764
Alessandra Cozzani	3	170	108	13	97	391
Gaetano Micciché	40	-	-	-	-	40
Gian Franco Oliviero Mattei	140	-	-	-	12	152
Giancarlo Forestieri	60	-	-	-	9	69
Sing Cheong Liu	60	-	-	-	11	71
Marco Salomoni	55	-	-	-	-	55
Total	2,700	16,176	12,361	133	357	31,727

(*) Bonuses and other incentives includes Other long-term benefits in favor of Patrizio Bertelli and Miuccia Prada Bianchi for an amount of Euro 3,991 thousand and Euro 4,057 thousand, respectively. As required by IAS 19, the amounts shown reflect the effects of an actuarial valuation. Further information on Other long-term benefits is provided in Note 26.

Remuneration of the PRADA spa Board of Directors for the year ended January 31, 2013

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives (*)	Benefits in kind	Pension, healthcare and TFR contributions	Total
Miuccia Prada Bianchi	1,000	9,700	-	-	18	10,718
Patrizio Bertelli	1,000	6,000	4,000	-	18	11,018
Carlo Mazzi	300	-	-	85	13	398
Donatello Galli	40	304	156	33	160	693
Marco Salomoni	60	-	-	-	16	76
Gian Franco Oliviero Mattei	140	-	-	-	9	149
Giancarlo Forestieri	60	-	-	-	8	68
Gaetano Micciché	40	-	-	-	-	40
Sing Cheong Liu	60	-	-	-	18	78
Total	2,700	16,004	4,156	118	260	23,238

The Remuneration and other benefits and the Bonuses and other incentives of the Chief Executive Officer Miuccia Prada Bianchi for the twelve months ended January 31, 2014, falls within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as it has been qualified as a continuing connected transaction subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of this continuing connected transaction was communicated to the market through the Announcements published by PRADA spa on April 27, 2012, and April 5, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

The Remuneration and other benefits and the Bonuses and other incentives of the Chief Executive Officer Patrizio Bertelli for the twelve months ended January 31, 2014, falls within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as it has been qualified as a continuing connected transaction subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of this continuing connected transaction was communicated to the market through the Announcements published by PRADA spa on April 27, 2012, and April 5, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

Remuneration of the five highest paid individuals

The Group's five highest paid individuals include two Directors for the twelve months ended January 31, 2014, and two Directors for the twelve months ended January 31, 2013. The total remuneration of the remaining three of the five highest paid individuals in the twelve months ended January 31, 2014, and the remaining three of the five highest paid individuals in the period ended January 31, 2013, was as follows.

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Remuneration and other benefits	8,311	5,046
Bonuses and other incentives	3,625	4,135
Non monetary benefits	147	156
Pension/social security, healthcare and TFR contributions	343	245
Total	12,426	9,582

The remuneration of the five highest paid individuals fell into the following ranges:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2014	twelve months ended January 31 2013
Less than HKD 12,500,000	-	1
Between HKD 12,500,000 and HKD 20,000,000	2	1
More than HKD 50,000,000	1	1
Total individuals	3	3

Remuneration of Senior Managers

The remuneration of Senior Managers was as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Remuneration and other benefits	15,529	8,917
Bonuses and other incentives	7,573	5,997
Non monetary benefits	2,197	1,262
Pension/social security, healthcare and TFR contributions	3,329	1,829
Total	28,628	18,005

There was a total of 36 Senior Managers at January 31, 2014, 16 more than the total of 20 at January 31, 2013.

The remuneration of the Senior Managers fell into the following ranges:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2014	twelve months ended January 31 2013
Less than HKD 4,000,000	8	5
Between HKD 4,000,000 and HKD 8,000,000	23	11
Between HKD 8,000,000 and HKD 16,000,000	4	3
Between HKD 16,000,000 and HKD 50,000,000	-	-
More than HKD 50,000,000	1	1
Total number of individuals	36	20

40. Transactions with related parties

The Group enters into transactions with parties that can be qualified as related according to "IAS 24 Related Party Disclosures". These transactions mainly refer to the sale and purchase of goods, supply of services, the granting and receipt of loans as well as sponsorship, lease and franchise agreements. These transactions take place on an arm's length basis.

The following tables show details of related party transactions for each item in the Statement of financial position and in the Income statement. They show amounts relating to each related party and the total amount relating to each line item.

Statement of financial position amounts at January 31, 2014

(amounts in thousands of Euro)	Trade receivables	Receivables from and advances to parent companies and related parties – current	Receivables from and advances to parent companies and related parties – non current	Trade payables	Payables to parent companies and related parties - current	Payables to parent companies and related parties – non current
PRADA Holding bv	-	356	-	-	136	-
Other payables – other companies controlled by PRADA Holding bv	-	36	-	-	-	-
Prapar Corporation	-	-	-	-	-	-
EXHL Italia srl	-	36	-	-	-	-
Other related parties	30,333	5,601	1,487	10,727	4,758	13,247
DFS Hawaii	-	-	-	775	-	-
DFS Venture Singapore pte ltd	-	-	-	81	-	-
DFS Cotai ltd	25	-	-	1,766	-	-
DFS New Zealand ltd	-	-	-	63	-	-
F.lli Prada spa	25,457	1	-	2,379	323	-
F.lli Prada spa (Galleria) (*) (***)	1,335	-	851	-	-	-
Al Tayer Travels	-	-	-	11	-	-
Al Tayer Insignia llc	18	-	-	32	4,130	-
Al Tayer Logistics	-	-	-	-	-	-
Al Tayer Motors	-	-	-	2	-	-
Al Tayer Trends	11	-	-	-	-	-
Al Tayer Group llc	-	3	-	32	-	-
Danzas llc UAE	-	-	-	-	127	-
Luna Rossa Challenge 2013 NZ ltd	1,299	-	-	-	-	-
Luna Rossa Challenge 2013 srl	164	2,008	-	154	21	-
Aati Contracs	-	-	-	-	-	-
Stiching Fondazione Prada	-	625	-	-	61	-
Stiching Prada	-	206	-	-	-	-
Progetto Prada Arte srl	-	2,492	-	-	81	-

(amounts in thousands of Euro)	Trade receivables	Receivables from and advances to parent companies and related parties – current	Receivables from and advances to parent companies and related parties – non current	Trade payables	Payables to parent companies and related parties - current	Payables to parent companies and related parties – non current
Progetto Prada Arte srl (Galleria) (**) (****)	876	-	637	-	-	-
Gipafin sarl	-	6	-	-	-	-
Granello sa	-	166	-	-	-	-
HMP srl	-	8	-	-	-	-
Prada America's Cup srl	-	-	-	-	-	-
PRA 1 srl	983	-	-	-	-	-
Premiatasrl	94	-	-	1,951	-	-
La Mazza srl	71	-	-	511	-	-
Calzaturificio Mazza Graziano	-	-	-	61	-	-
Peschiera Immobiliare srl	-	81	-	-	-	-
Secva srl	-	-	-	2,707	-	-
PRADA Arte bv	-	-	-	-	-	-
FinReta srl	-	-	-	140	-	13,247
Pelletteria Reta srl	-	-	-	61	13	-
Other	-	5	-	1	2	-
Members of the Board of Directors of PRADA spa	-	-	-	143	-	-
Relatives of members of the Board of Directorsof PRADA spa	-	-	-	341	-	-
Total at January 31, 2014	30,333	5,993	1,487	11,211	4,894	13,247

(*) the accrual non-current amounting to Euro 851 thousand represents the deferred rental income recognized in relation to Fratelli Prada spa in application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa.
(**) The accrual non-current amounting to Euro 637 thousand represents the deferred rental income recognized in relation to Progetto Prada Arte srl in application of "IAS 17 Leases" to the business combination agreement between PRADA spa and Progetto Prada Arte srl.
(***) the receivable of Euro 1,335 thousand represents the business management fee to be paid by Fratelli Prada spa for the management of the retail business in Galleria Vittorio Emanuele II in Milan in accordance with the business management agreement between PRADA spa and Fratelli Prada spa.
(****) the receivable of Euro 876 thousand represents the recharged portion of rental costs for premises occupied by Progetto Prada Arte srl at Galleria Vittorio Emanuele II property in Milan in accordance with the business combination agreement between PRADA spa and Progetto Prada Arte srl.

Statement of financial position amounts at January 31, 2013

(amounts in thousands of Euro)	Trade receivables	Receivables from and advances to parent companies and related parties – current	Receivables from and advances to parent companies and related parties – non current	Trade payables	Payables to parent companies and related parties - current	Payables to parent companies and related parties – non current
PRADA Holding bv	-	249	-	-	120	-
Other payables – other companies controlled by PRADA Holding bv	-	3	-	-	3	-
Prapar Corporation	-	-	-	-	3	-
EXHL Italia srl	-	3	-	-	-	-
Other related parties	29,682	19,241	113	6,719	5,476	-
DFS Hawaii	-	-	-	293	-	-
DFS Venture Singapore pte ltd	-	-	-	88	-	-
DFS Cotai ltd	17	-	-	1,243	-	-
DFS New Zealand ltd	-	-	-	45	-	-
F.lli Prada spa	28,432	3	-	1,568	320	-
Al Tayer Travels	-	-	-	58		-
Al Tayer Insignia llc	-	-	-	44	5,085	-
Al Tayer Logistics	-	-	-	8	-	-
Al Tayer Motors	-	-	-	1	-	-
Al Tayer Trends	319	-	-	148	-	-
Al Tayer Group llc	-	-	-	13	-	-
Danzas llc UAE	-	-	-	284	-	-
Luna Rossa Challenge 2013 NZ ltd	592	11,263	-	-	-	-
Luna Rossa Challenge 2013 srl	117	1,070	-	-	-	-
Aati Contracs	-	-	-	49	-	-
Stiching Fondazione Prada	-	671	-	-	33	-
Progetto Prada Arte srl	-	3,464	-	-	37	-
Progetto Prada Arte srl (Galleria)	-	6	-	-	-	-
Gipafin sarl	-	6	-	-	-	-
Granello sa	-	148	-	-	-	-
HMP srl	-	86	113	-	-	-
Prada America's Cup srl	-	1,397	-	-	-	-
PRA 1 srl	39	1,041	-	-	-	-
Premiatasrl	124	-	-	1,386	-	-
La Mazza srl	42	-	-	37	-	-
Calzaturificio Mazza Graziano	-	-	-	61	-	-
Peschiera Immobiliare srl	-	81	-	-	-	-
Secva srl	-	-	-	1,393	-	-
PRADA Arte bv	-	4	-	-	-	-
Other	-	1	-	-	1	-
Members of the Board of Directors of PRADA spa	-	-	-	88	-	-
Relative of a Director of PRADA spa	-	-	-	131	-	-
Total at January 31, 2013	29,682	19,493	113	6,939	5,599	-

Income statement for the twelve months ended January 31, 2014

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
PRADA Holding bv	-	-	(70)	-	-	-
Other companies controlled by PRADA Holding bv	-	-	(6)	-	-	-
EXHL Italia			(6)			
Other related parties	47,872	10,607	53,410	1,424	10	78
F.lli Prada spa (Franchising)	47,986	973	(3,621)	1,424	-	-
F.lli Prada spa (Galleria) (*)	-	-	(2,186)	-	-	-
Danzas llc	-	1,133	96	-	-	-
DFS Hawaii	(1)	-	4,644	-	-	-
DFS New Zealand ltd	-	-	572	-	-	-
DFS Australia pty ltd	-	-	-	-	-	-
DFS Cotai ltd	-	-	8,533	-	-	-
DFS Venture Singapore pte ltd	-	-	504	-	-	-
Al Tayer Travels	-	3	330	-	-	-
Al Tayer Group llc	-	-	46	-	-	-
Al Tayer Insignia llc	-	78	129	-	-	-
Al Tayer Trends	-	39	146	-	-	-
Al Tayer Logistics	-	-	14	-	-	-
Al Tayer Motors	-	-	5	-	-	-
Al Sanam Rent a Car llc	-	-	13	-	-	-
Secva srl (****)	-	-	2,734	-	-	10
Luna Rossa Challenge 2013 NZ ltd	1	(15)	30,277	-	-	-
Luna Rossa Challenge 2013 srl	(115)	-	2,331	-	-	-
HMP srl	-	-	242	-	2	-
Stiching Fondazione Prada	2	-	3,582	-	-	-
Progetto Prada Arte srl (Sponsorship)	-	(32)	5,056	-	-	-
Progetto Prada Arte srl (Galleria) (**)	-		(1,510)			
Peschiera Immobiliare srl	-	-	497	-	8	-
Premiata srl	-	6,222	-	-	-	-
Calzaturificio Mazza Graziano	-	-	600	-	-	-
La Mazza srl	-	1,746	3	-	-	-
Gipafin sarl	-	-	(35)	-	-	-
PRADA Arte bv	-	-	(5)	-	-	-
PRA 1 Srl	-	-	354	-	-	-
Fin_Reta srl (***)	-	248	58		-	68
Pelletteria Reta srl	-	213	1	-	-	-
Other	(1)	(1)	-	-	-	-
Relative of a Director of PRADA spa	-	-	734	-	-	-
Total at January 31, 2014	47,872	10,607	54,068	1,424	10	78

(*) This amount contains non-monetary income in the form of deferred rental income of Euro 851 thousand recognized in relation to Fratelli Prada spa in application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa.
(**) This amount includes non-monetary income in the form of deferred rental income of Euro 637 thousand recognized in relation to Progetto Prada Arte srl in application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl.
(***) The interest expense represents the expense for the year as calculated with the effective interest rate applied to the discounted long-term liability agreed to establish the right of usufruct.
(****) The interest expense represents the expense for the year resulting from discounting of the liability for deferred fees due after more than a year.

Income statement for the twelve months ended January 31, 2013

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
PRADA Holding bv	-	-	(108)	-	-	-
Other companies controlled by PRADA Holding bv	-	-	(6)	-	-	-
EXHL Italia	-	-	(6)	-	-	-
Other related parties	45,262	8,297	32,798	1,287	(3)	90
F.lli Prada spa (Franchising)	45,261	2,190	(2,842)	1,287	-	-
Danzas llc	-	765	-	-	-	-
DFS Hawaii	-	-	3,915	-	-	-
DFS New Zealand ltd	-	-	513	-	-	-
DFS Australia pty ltd	-	-		-	-	14
DFS Cotai ltd	-	-	5,354	-	-	-
DFS Venture Singapore pte ltd	-	-	467	-	-	-
Al Tayer Travels	-	-	269	-	-	-
Al Tayer Group llc	-	-	82	-	-	11
Al Tayer Insignia llc	-	-	371	-	-	65
Al Tayer Trends	-	92	(315)	-	-	-
Secva srl	-	-	2,272	-	-	-
Luna Rossa Challenge 2013 NZ ltd	-	-	14,654	-	-	-
Luna Rossa Challenge 2013 srl	-	-	1,359	-	-	-
HMP srl	-	-	494	-	(3)	-
Stiching Fondazione Prada	-	(2)	2,222	-	-	-
Progetto Prada Arte srl	1	(1)	3,188	-	-	-
Progetto Prada Arte srl (Galleria)	-	-	(6)	-	-	-
Peschiera Immobiliare srl	-	-	165	-	-	-
Premiata srl	-	4,676	1	-	-	-
Calzaturificio Mazza Graziano	-	-	600	-	-	-
La Mazza srl	-	577	36	-	-	-
Gipafin sarl	-	-	(6)	-	-	-
PRADA Arte bv	-	-	(5)	-	-	-
Other	-	-	10	-	-	-
Relative of Director of PRADA spa	-	-	445	-	-	-
Total at January 31, 2013	45,262	8,297	33,129	1,287	(3)	90

The above tables report information on transactions with related parties in accordance with "IAS 24 Related Party Disclosures". As stated below, some of these transactions fall within the application of the Hong Kong Stock Exchange Listing Rules.

The transactions with related party "Fratelli Prada spa – franchising" refer to transactions between the Company and Fratelli Prada spa in relation to the franchising agreement regarding the Prada stores in Milan. The transactions reported for the twelve months ended January 31, 2014, and January 31, 2013, fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Prospectus dated June 13, 2011. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

The transactions with related party "Fratelli Prada spa – Galleria" refer to the transactions between the Company and Fratelli Prada spa in relation to the business management agreement over the use by the latter of part of the Galleria Vittorio

Emanuele II property in Milan to conduct retail business. The transactions reported for the twelve months ended January 31, 2014, fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between the Company and Progetto Prada Arte srl in relation to the business combination agreement regarding the use by the latter of part of the Galleria Vittorio Emanuele II property in Milan to carry out cultural activities. The transactions reported for the twelve months ended January 31, 2014, and January 31, 2013, fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as continuing connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these continuing connected transactions was included in the PRADA spa Announcement dated January 29, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

The transactions with related party "Progetto Prada Arte srl - Sponsorship" refer to the transactions between PRADA sa and Progetto Prada Arte srl in performance of the sponsorship agreement for cultural activities to be carried out by the latter. The transactions reported for the twelve months ended January 31, 2014, fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they were qualified as connected transactions subject to reporting and disclosure but exempted from independent shareholders' approval requirements. As requested by the Listing Rules, comprehensive disclosure of these connected transactions was included in the PRADA spa Announcement dated June 28, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

The transactions with related parties Luna Rossa Challenge 2013 NZ ltd and Luna Rossa Challenge 2013 srl reported for the twelve months ended January 31, 2014, and January 31, 2013, fall within the scope of application of Chapter 14A of the Hong Kong Stock Exchange Listing Rules as they are qualified as connected transactions subject to reporting and announcement but exempted from the independent shareholders' approval requirement. As requested by the Listing Rules, comprehensive disclosure of these connected transactions was included in the PRADA spa Announcements dated January 10, 2012, and April 16, 2013. Within the Corporate Governance section of this 2013 Annual Report is anyway reported a summary informative report.

Unlike the "non-exempt continuing connected transactions" and "non-exempt connected transactions" described above, no other transaction reported in the Consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" provided by Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does fall under the definition of "connected transaction" or "continuing connected transaction" in terms of said Chapter 14A, is exempt from reporting, disclosure and independent shareholders' approval requirements again under Chapter 14A.

41. Commitments

Operating leases

At January 31, 2014, and January 31, 2013, operating lease commitments, by maturity date, were as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Within a year	321,342	281,598
After between one year and five years	981,601	847,816
After more than five years	874,073	723,323
Total	2,177,016	1,852,737

Operating lease commitments for the 2013 reporting period included Euro 2,095 million regarding lease agreements for retail premises (Euro 1,738 million for 2012).

The increase in operating lease commitments, after the exchange rate effect, is mainly due to the renewal of existing operating leases in the Americas and to new operating leases entered into in Asia Pacific.

The amounts recorded in the income statement in relation to lease agreements for the twelve months ended January 31, 2014, and January 31, 2013, are shown below:

(amounts in thousands of Euro)	twelve months ended January 31 2014	twelve months ended January 31 2013
Fixed minimum lease expenses	247,814	207,291
Variable lease expenses	297,550	259,409
Total	545,364	466,700

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

At January 31, 2014, and January 31, 2013, future rental income under current operating leases for properties owned by the Group was analyzed by maturity as follows:

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Within a year	13,303	6,432
After between one year and five years	49,770	21,616
After more than five years	105,094	8,917
Total	168,167	36,965

The increase of Euro 131 million in future rental income is mainly due to signature with related company Fratelli Prada spa of the business management agreement as described in Note 40.

Finance leases

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

(amounts in thousands of Euro)	January 31 2014	January 31 2013
Land and buildings	7,836	12,284
Furniture and fittings	-	12,446
Other tangibles	67	3,007
Accumulated depreciation	(1,728)	(16,468)
Total	6,175	11,269

Other commitments

At January 31, 2014, the Group had commitments to purchase assets for a total amount of around Euro 41 million, all of it due by January 31, 2015.

The shareholders' agreement signed by PRADA spa and Al Tayer Insignia llc with a view to developing a Prada and Miu Miu brand DOS network in the Middle East provides that the parties may opt to exercise an option for PRADA spa to buy back up to 20% of the share capital of PRADA Middle East fzco. The Directors do not believe the fair value of the clause can be reasonably measured at present.

Additional information

On December 20, 2013, PRADA spa published on its website an Announcement titled *"Arrangements of Controlling Shareholder with the Italian Tax Authorities"* to communicate the completion by PRADA Holding bv, together with its ultimate shareholders and other companies in the same chain of control, of a voluntary disclosure process with the Italian Tax Authorities. The main aim of this process was to transfer the residency of the companies in the chain of control of PRADA spa from Luxembourg and the Netherlands to Italy.

As this process did not lead to any burden for the PRADA spa Group, also because of an agreement between PRADA Holding bv and the Italian Tax Authorities, the voluntary disclosure did not have any financial impact on the PRADA spa Group nor did it generate any liabilities for the Group at January 31, 2014.

42. Comparative income statement and statement of financial position information

(amounts in thousands of Euro)	January 31 2014	January 31 2013	January 31 2012	January 31 2011	January 31 2010
Net revenues	3,587,347	3,297,219	2,555,606	2,046,651	1,561,238
Gross margin	2,648,649	2,376,541	1,828,025	1,387,888	974,656
Operating income (EBIT)	939,237	889,781	628,935	418,387	187,032
Group net income	627,785	625,681	431,929	250,819	100,163
Total assets	3,888,292	3,385,279	2,943,568	2,366,015	2,147,481
Total liabilities	1,186,752	1,054,787	1,112,601	1,155,877	1,090,822
Total Group shareholders' equity	2,687,554	2,320,022	1,822,743	1,204,350	1,047,903

43. Consolidated companies

The companies included in the scope of consolidation are as follows:

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Italy						
PRADA spa	EUR	255,882		Milan, Italy		Production/ Distribution/ Group Holding company
Artisans Shoes srl (*)	EUR	1,000	66.70	Montegranaro, Italy	09/02/1977	Footwear production
Space Caffè srl (*)	EUR	20	100.00	Milan, Italy	06/12/1990	Service company
IPI Logistica srl (*)	EUR	600	100.00	Milan, Italy	26/01/1999	Service company
PRADA Stores srl (*)	EUR	520	100.00	Milan, Italy	11/04/2001	Retail/sub holding company
Car Shoe Italia srl (*)	EUR	10	100.00	Milan, Italy	16/03/2001	Distribution/Retail
Church Italia srl	EUR	51	100.00	Milan, Italy	31/01/1992	Distribution/Retail
Pellettieri d'Italia srl (*)	EUR	100	60.00	Milan, Italy	10/07/2013	Production
Europe						
PRADA Retail UK ltd	GBP	5,000	100.00	London, UK	07/01/1997	Retail
PRADA Germany gmbh	EUR	215	100.00	Munich, Germany	20/03/1995	Retail
PRADA Austria gmbh	EUR	40	100.00	Vienna, Austria	14/03/1996	Retail
PRADA Spain sa	EUR	240	100.00	Madrid, Spain	14/05/1986	Retail
PRADA Retail France sas	EUR	4,000	100.00	Paris, France	10/10/1984	Retail
PRADA Hellas Single Partner Limited Liability Company (*)	EUR	2,850	100.00	Athens, Greece	19/12/2007	Retail
PRADA Monte-Carlo sam	EUR	150	100.00	Monte-Carlo, Monaco	25/05/1999	Retail
PRADA sa (*)	EUR	31	100.00	Luxembourg	29/07/1994	Service company/ Trademark owner
PRADA Company sa	EUR	3,204	100.00	Luxembourg	12/04/1999	Service company
PRADA Far East bv (*)	EUR	20	100.00	Amsterdam, Netherlands	27/03/2000	Sub-holding company/ Service company/Retail
Space sa	CHF	200	100.00	Lugano, Switzerland	17/07/2008	Retail
Church Holding UK plc (*)	GBP	78,126	100.00	Northampton, UK	22/07/1999	Sub-holding company
Church France sa	EUR	241	100.00	Paris, France	01/06/1955	Retail
Church UK Retail ltd	GBP	1,021	100.00	Northampton, UK	16/07/1987	Retail
Church's English Shoes Switzerland sa	CHF	100	100.00	Lugano, Switzerland	29/12/2000	Retail
Church & Co. ltd	GBP	2,811	100.00	Northampton, UK	16/01/1926	Sub-holding company/ Production/Distribution
Church & Co. (Footwear) ltd	GBP	44	100.00	Northampton, UK	06/03/1954	Trademark owner
Church English Shoes sa	EUR	75	100.00	Brussels, Belgium	25/02/1963	Retail
PRADA Czech Republic sro (*)	CZK	2,500	100.00	Prague, Czech Rep.	25/06/2008	Retail
PRADA Portugal. Unipessoal lda (*)	EUR	5	100.00	Lisbon, Portugal	07/08/2008	Retail
PRADA Rus llc (*)	RUB	250	100.00	Moscow, Russia	07/11/2008	Retail
Church Spain sl	EUR	3	100.00	Madrid, Spain	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi (*)	TRY	41,000	100.00	Istanbul, Turkey	26/02/2009	Retail
PRADA Ukraine llc (*)	UAH	30,000	100.00	Kiev, Ukraine	14/10/2011	Retail
Church Netherlands bv	EUR	18	100.00	Amsterdam, Netherlands	07/07/2011	Retail
Car Shoe UK ltd	GBP	100	100.00	London, UK	28/10/2011	Retail

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Europe						
Church Ireland Retail ltd	EUR	50	100.00	Dublin, Ireland	20/11/2011	Retail
Church Austria gmbh	EUR	35	100.00	Vienna, Austria	17/01/2012	Retail
Prada Sweden AB	SEK	500	100.00	Stockholm, Sweden	18/12/2012	Retail
Church Footwear AB	SEK	100	100.00	Stockholm, Sweden	18/12/2012	Retail
Prada Switzerland sa (*)	CHF	226	100.00	Geneva, Switzerland	28/09/2012	Retail
Prada Kazakhstan llp (*)	KZT	500,000	100.00	Almaty, Kazakhstan	24/06/2013	Retail
Kenon Limited	GBP	84,000	100.00	London, UK	07/02/2013	Real estate company
Americas						
PRADA USA Corp. (*)	USD	152,211	100.00	New York, U.S.A	25/10/1993	Services / Distribution/ Retail
Space USA Corp.	USD	301	100.00	New York, U.S.A.	15/02/1994	Retail
TRS Hawaii llc	USD	400	55.00	Honolulu, U.S.A.	17/11/1999	Duty-free stores
PRADA Canada Corp. (*)	CAD	300	100.00	Toronto, Canada	01/05/1998	Distribution/Retail
Church & Co. (USA) ltd	USD	85	100.00	New York, U.S.A.	08/09/1930	Retail
Post Development corp (*)	USD	45,138	100.00	New York, U.S.A.	18/02/1997	Real estate company
PRADA Retail Mexico, s de rm de cv	MXN	2,058	100.00	Mexico City, Mexico	12/07/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda. (*)	BRL	47,000	100.00	Sao Paolo, Brazil	12/04/2011	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific ltd	HKD	3,000	100.00	Hong Kong	12/09/1997	Retail/Distrib./Services
PRADA Taiwan ltd	TWD	3,800	100.00	Hong Kong	16/09/1993	Retail
Space HK ltd	HKD	1,000	100.00	Hong Kong	25/02/1993	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Kuala Lumpur-Malaysia	23/01/2002	Retail
PRADA China ltd	HKD	115,100	100.00	Hong Kong	03/11/1997	Dormant
TRS Hong Kong	HKD	500	55.00	Hong Kong	23/02/2001	Duty-free stores
PRADA Singapore Pte ltd	SGD	1,000	100.00	Singapore	31/10/1992	Retail
TRS Singapore	SGD	500	55.00	Singapore	08/08/2002	Duty-free stores
PRADA Korea ltd	KRW	8,125,000	100.00	Seoul, Korea	27/11/1995	Retail
PRADA (Thailand) Co ltd	THB	172,000	100.00	Bangkok, Thailand	19/06/1997	Retail
PRADA Japan co ltd	JPY	1,200,000	100.00	Tokyo, Japan	01/03/1991	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam	01/07/1999	Duty-free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan	01/07/1999	Duty-free stores
TRS New Zealand ltd	NZD	100	55.00	Wellington, New Zealand	04/11/1999	Duty-free stores
PRADA Australia Pty. ltd	AUD	10,500	100.00	Sydney, Australia	21/04/1997	Retail
PRADA Trading (Shanghai) co ltd	RMB	1,653	100.00	Shanghai, China	09/02/2004	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, Japan	21/01/2005	Duty-free stores
PRADA Fashion Commerce (Shanghai) co ltd	RMB	174,950	100.00	Shanghai, China	31/10/2005	Retail
Church Japan co ltd	JPY	31,525	100.00	Tokyo, Japan	17/04/1992	Retail
Church Hong Kong Retail ltd	HKD	1,000	100.00	Hong Kong	04/06/2004	Retail
Church Singapore Pte. ltd	SGD	500	100.00	Singapore	18/08/2009	Retail
Car Shoe Singapore ltd	SGD	500	100.00	Singapore	01/02/2010	Retail
Car Shoe Hong Kong ltd	HKD	3,000	100.00	Hong Kong	26/02/2010	Retail

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Date of incorporation/ establishment	Main business
Asia-Pacific and Japan						
PRADA Hong Kong P.D. ltd (*)	HKD	11,000	100.00	Hong Kong	15/12/2011	Service company
Prada Dongguan Trading Co., Ltd	HKD	3,000	100.00	Dongguan, China	28/11/2012	Service company
Church Footwear (Shanghai) Co., Ltd	RMB	11,900	100.00	Shanghai, China	05/12/2012	Retail
Prada New Zealand ltd	NZD	500	100.00	Wellington, New Zealand	05/07/2013	Retail
Middle East						
PRADA Middle East fzco (*)	AED	18,000	60.00	Jebel Ali Free Zone, Dubai	25/05/2011	Distribution/Services
PRADA Emirates llc (**)	AED	300	49.00	Dubai	04/08/2011	Retail
Prada Kuwait wll (**)	KWD	50	49.00	Kuwait city	18/09/2012	Retail
Prada Retail SPC (*)	QAR	15,000	100.00	Doha	03/02/2013	Retail
Other countries						
PRADA Maroc sarlau (*)	MAD	68,000	100.00	Casablanca, Morocco	11/11/2011	Retail
PRADA India Fashion Private ltd	INR	100	100.00	Mumbai, India	30/09/2013	Retail

(*) Companies owned directly by PRADA spa
(**) Company consolidated based on definition of control per IAS 27

Companies not included in scope of consolidation:

Company	Percentage direct interest as at January 31, 2014	Percentage direct interest as at January 31, 2013	Note	Consolidation method
PAC srl (in liquidation)	49.00	49.00	Associate	Equity method

44. Events after the reporting period

On February 27, 2014, PRADA spa signed with Luna Rossa Challenge srl, a related company in terms of IAS 24, a sponsorship agreement for the participation of the Luna Rossa sailing team in the XXXV edition of the America's Cup. The contract, effective from February 27, 2014, until October 31, 2017, provides for total sponsorship payments of Euro 50 million, payable in variable monthly installments depending on the needs of the sailing team. In return, the Group will have the right to be the main sponsor of team Luna Rossa as well as to promote the Prada brand in association with the Luna Rossa trademark, for advertising purposes, during the contract and throughout the duration of the contract.

On February 27, 2014, PRADA spa signed a sponsorship agreement with Progetto Prada Arte srl (PPA), a related company in terms of IAS 24. The agreement regards the organization and promotion of cultural and artistic activities, including the "Art of Sound" exhibition by Germano Celant, and the renovation of the Ca' Corner della Regina building. The contract provides for a maximum contribution of Euro 7.9 million, payable by January 31, 2015. The Company will be entitled to use images of the sponsored events, as agreed with PPA.

On March 14, 2014, the Company acquired the 80% of the Angelo Marchesi srl, owner of the historic Milanese pastry shop founded in 1824. The acquisition is aimed at enhancing the "Pasticceria Marchesi" brand, a synonym to quality in the Italian food industry, joining it with Prada and Miu Miu brands, leaders in the luxury goods market, within the Group's development worldwide.

Independent Auditors’ Report

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

To the Shareholders of
PRADA S.p.A.

1. We have audited the consolidated financial statements of PRADA S.p.A. and its subsidiaries (the "PRADA Group"), which comprise the consolidated statement of financial position as of January 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the year then ended, and the explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 5, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PRADA Group as of January 31, 2014, 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 consolidated 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 consolidated financial statements of the PRADA Group as of January 31, 2014.

DELOITTE & TOUCHE S.p.A.

Stefano Marnati
Partner

Milan, Italy,
April 2, 2014