PRADA

MILANO

DAL 1913

Annual Report 2015

PRADA spa
(Hong Kong Stock code: 1913)

Annual Report 2015

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.

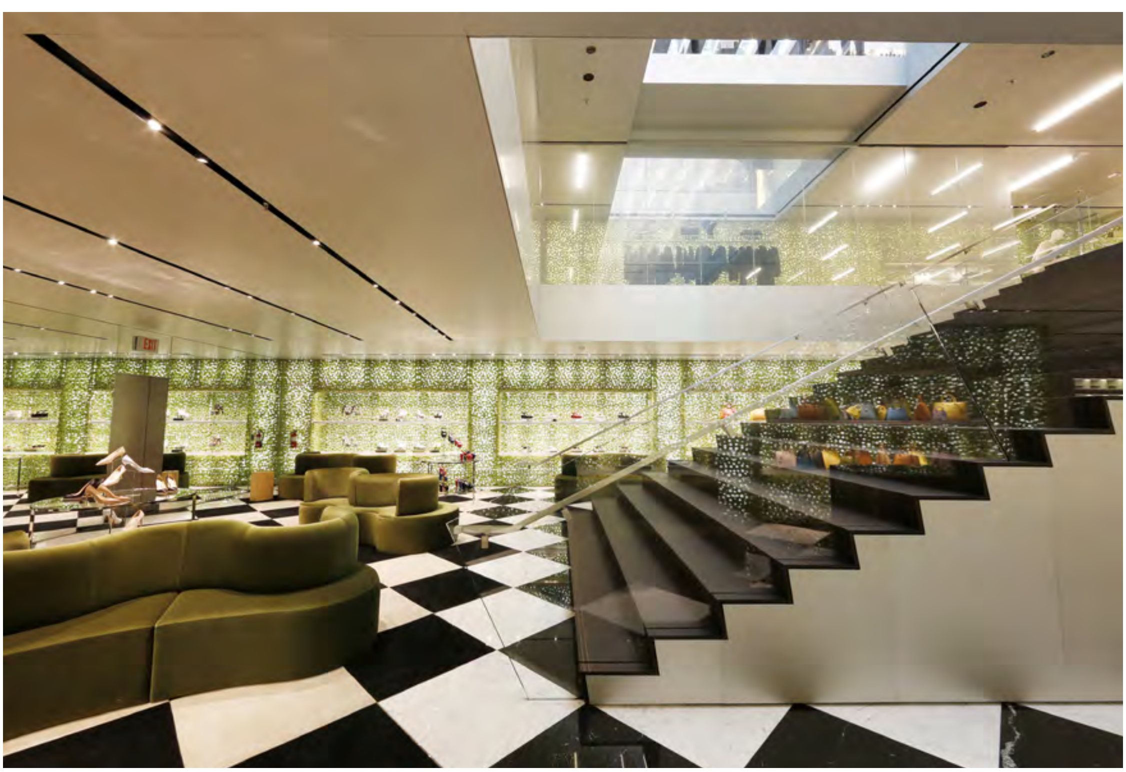
The Group operates in 70 countries through 618 DOS, 36 franchise operated stores and a network of selected high-end multi-brand stores and luxury department stores.

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 the brand's perception 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 an excellent quality.

The result is an exclusive relationship between each customer and the Group's 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
Aoyama, Tokyo
by architects Herzog & De Meuron

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 and knotted rope design on its trademark logo.

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 Prada's granddaughter, launched a partnership with Tuscan businessman Patrizio Bertelli. This partnership combined creativity and business ideas laying the foundations of the international expansion that was to come. Patrizio Bertelli broke new ground in the luxury goods sector, introducing a business model in which he kept direct, internal control over all processes, applying excellent quality criteria across the entire production cycle. Miuccia Prada's creative talent and avant-garde approach attracted the attention of the global fashion industry, while her ability to look at the world from an unconventional vantage point allowed her not only to anticipate but, quite often, to set new trends.

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: a revolution and a true 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 women range was extended from leather goods to include the first footwear collection in 1979 and the first apparel collection as presented in Milan in 1988.

In 1993 Prada made its debut in the men's segment with its first men's apparel and footwear collection. That same year, Miuccia Prada's creative inspiration led to the establishment of a new brand – Miu Miu – designed for women who are trendy, sophisticated and particularly fashion-forward and aware of *avant-garde*. Miu Miu now offers women's ready-to-wear, bags, accessories, footwear, eyewear and fragrances and is an important component of the Group's sales.

Also in 1993, Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", then become "Fondazione Prada", to pursue their interests in art and culture in general.

In 1997 Patrizio Bertelli created the "Prada Challenge for the America's Cup 2000" sailing team. The Prada's products for leisure time, with the distinctive "Red Line", was launched in 1997 too.

In 1999, the prestigious Church's brand, established in 1873 in Northampton, became part of the PRADA Group. The brand, specialized in handmade high-end footwear, is a worldwide recognized symbol of top quality British tradition and sophisticated elegance.

In 2001, the Prada “Epicenter” store, designed in collaboration with Rem Koolhaas, opened on Broadway, New York. This was the first store of the “Epicenters” project whose purpose was to rethink the shopping concept with a new approach and to try out innovative interactions with customers. A second “Epicenter” store was opened in Aoyama, Tokyo, followed by a third, on Rodeo Drive, Beverly Hills in 2004. During the same year, Prada acquired control of Car Shoe, an historic Italian brand renowned for its exclusive driving moccasins.

In 2003, Prada entered into a licensing agreement, then renewed in 2012, with the Italian eyewear manufacturer Luxottica, world leader in the eyewear industry. The Luxottica Group currently produces and distributes eyewear for the Prada and Miu Miu brands. That same year, the Group also began its partnership with Spanish cosmetics manufacturer Puig Beauty & Fashion Group and the first fragrance, Amber, was launched at the end of 2004.

In 2006, Miu Miu organized its first fashion show in Paris better to emphasize its own identity.

The first Prada Phone by LG was launched in March 2007; it was the world’s first touch screen cell phone. The successful partnership was renewed in 2008 and in 2011 with two further releases.

The Prada e-store first went online in 2010 while Miu Miu was launched in 2011.

On June 24, 2011, 20% of the share capital of PRADA spa was successfully placed on the Main Board of the Hong Kong Stock Exchange.

In March 2014, Prada Spa announced the acquisition of control of the company Angelo Marchesi Srl, owner of the historical Milanese patisserie founded in 1824, thus marking the entry into the food segment.

In 2015, the PRADA Group completes the acquisition of the French Tannerie Megisserie Hervy to further strengthen its integrated production know-how. That same year, the PRADA Group and Coty Inc. launched the first Miu Miu fragrance. The commercial development of the Marchesi brand began to take shape in September with the opening of the first patisserie in via Montenapoleone, Milan.

2015
Advertising campaign
for Miu Miu Fragrance

2016
Advertising campaign
for Prada Parfums

Spring/Summer 2016
Advertising campaign
for Prada

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 make them more recognized and desirable.

Prada

The Prada brand has become one of the most prestigious and widely-recognized brands in the fashion and luxury goods industries. Prada is synonymous with the best of creativity and the Italian manufacturing tradition, sophisticated style and excellent 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 and the very essence of fashion. It has even often captured the attention of the world of literature, cinema and art. The brand's distinctive originality is built on its innovative approach to style, craftsmanship and quality, characterized by a 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, which now produces men's and women's leather goods, ready-to-wear, footwear and also operates in the eyewear and fragrance, 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 identity style, it aims to make each Prada product one-of-a-kind.

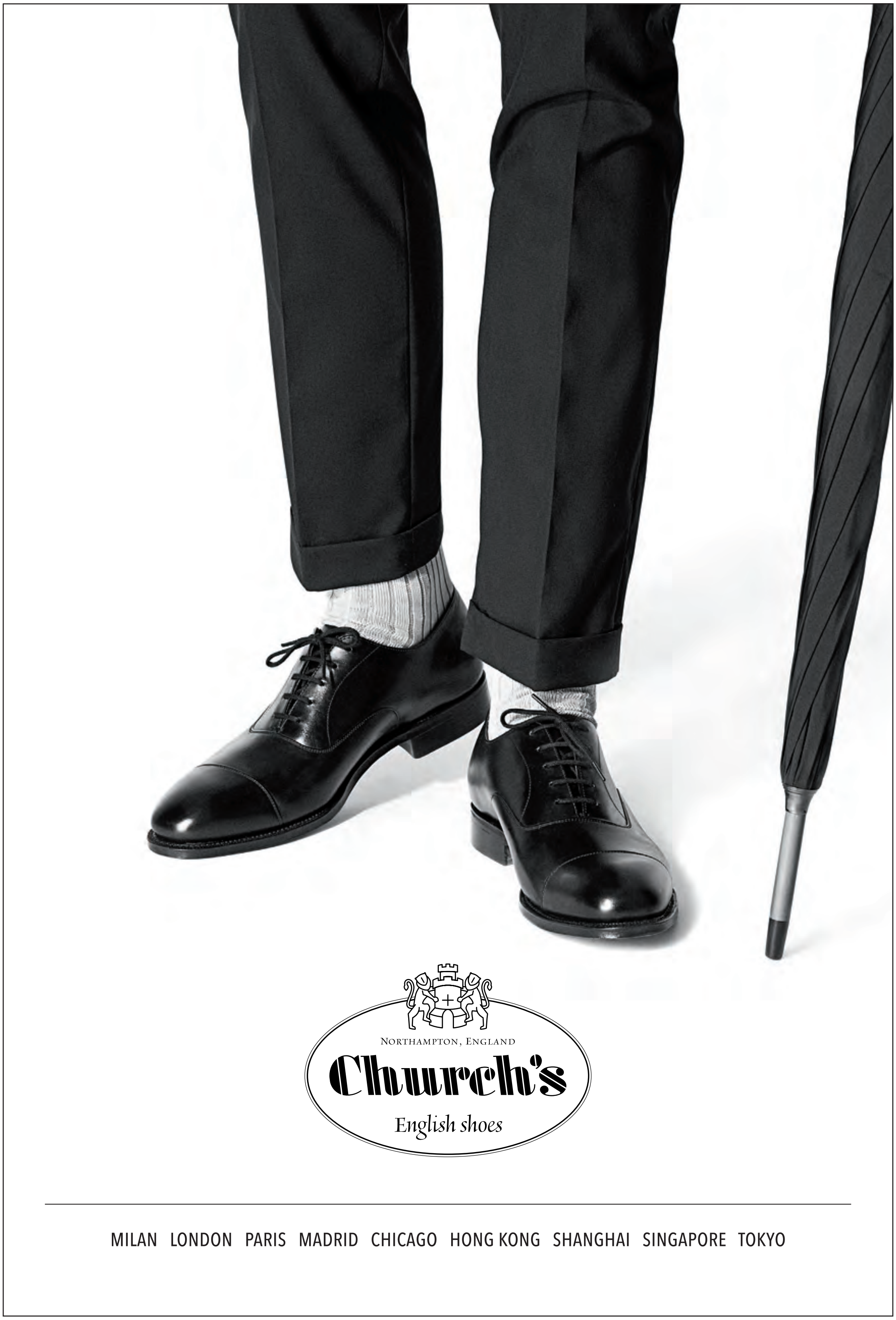
Spring/Summer 2016
Advertising campaign
for Prada

Spring/Summer 2016
Advertising campaign
for Prada Eyewear

Spring/Summer 2016
Advertising campaign
for Miu Miu

Miu Miu

Named after Miuccia Prada's nickname in her younger years, Miu Miu was created in 1993 as a brand with a different identity from Prada and soon evolved into one of the leading 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 top 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 independent identity of the Miu Miu brand is enhanced by the choice to present its own collections, as well as to have the center of the activities related to communication and marketing, in Paris.



2015
Advertising campaign for Church's

Church's

The Church's brand was founded in 1873 in Northampton, England by Thomas Church and his three sons, capitalizing 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 with goodyear workmanship. Church's footwear stands out for its classical style and sophisticated English elegance based on the combination of fine leather and top quality craftsmanship. Church's collections are designed to appeal to a discerning, international male and female clientele which appreciates high-quality shoes. They combine a classical range with more modern collections with all sharing the same top quality and elegance.

Car Shoe

Car Shoe was founded in 1963 by Gianni Mostile who designed its iconic driving moccasins. The brand has since become an iconic Italian classic, known for its technical-design originality with high-quality leather and handmade craftsmanship. Car Shoe is a symbol of exclusive but relaxed living with a focus on luxury. Car Shoe products are ideal for leisure time and informal occasions and the collections are targeted at a sporty and elegant male and female clientele.

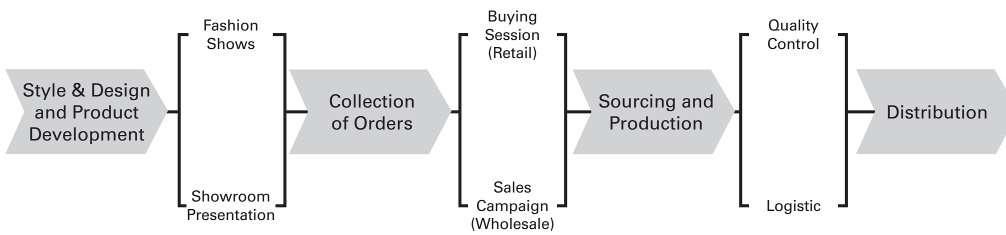
Marchesi 1824

Pasticceria Marchesi, one of Milan's historic patisseries, was founded in 1824 in the same location where it operates today. Renowned for its production of the finest quality patisserie and chocolate, as well as for typical Milanese "Panettone", the Pasticceria Marchesi has, over the years, become a favorite meeting point for sophisticated Milanese people as well as a must-see for visitors to the city. Marchesi represents the perfect marriage of tradition and creativity.

Pasticceria Marchesi 1824
via Montenapoleone
Milan

Business model

An integrated value chain, essential in order to combine quality with innovation, is at the heart of the success of the Group's brands. The Group's business model is based on the strategic integration of in-house design skill and industrial know-how which enables the Group to translate its innovative fashion concepts into viable commercial products while retaining control over technical know-how, quality standards and production cost and ensuring flexible capacity.



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 always to anticipate and, often 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 Group's 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.

Raw materials and the production process

Raw materials are an essential part of product quality, making them a primary concern in the PRADA Group. In many cases, the fabrics and hides are made especially for Prada, in line with stringent technical and style specifications guaranteeing both the excellence of the material and its exclusive nature. The materials highlight the independent spirit imbued in all Group products. Before they enter the production cycle, raw materials are also subject to stringent quality control by internal inspectors and engineers.

Prada products are made at 14 facilities owned by the Group (12 in Italy,1 in England and 1 in France) and through a network of external sub-contractors which are supplied with the raw materials, designs and prototypes and are subject to tight checks. This system enables close control of each stage of the overall production process, maximizing the individual capacities of each facility and guaranteeing the utmost flexibility and highest quality for each product.

The hardcore 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 DNA and ensures that know-how of production techniques and core values is handed on smoothly to younger generations.

The PRADA Group's approach to production is, therefore, based on two key principles: the constant quest for innovation, thereby ensuring skills and expertise continue to evolve; and an artisan spirit, the legacy core value for production and a unique asset for each brand.

As the Group has expanded over the years, production sites have either been built to meet product requirements or acquired from companies already used as suppliers. The sites acquired have then been modernized or, in some cases, rebuilt. The aim in each case has been to optimize manufacturing processes and create optimal working environments that reflect signature Prada aesthetics and quality.

Distribution

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

Over the years, the Group has expanded its retail network and it now includes 618 DOS (Directly Operated Stores) in prestigious locations in the main international shopping destinations, consistently with the identiy, the heritage and the exclusivity of each brand. This large network is a real asset for the Group, being an effective platform to showcase new collections and an essential point of contact with customers. Apart from their primary sales function, the DOS are also important means of communication: genuine brand ambassadors which portray a strong and consistent brand image worldwide. The directly operated stores also allow the Group to monitor in real time the progress of sales performance in the various markets for each brand and product category.

The wholesale channel (department, multi-brand and franchisee 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 87.3% of the PRADA Group's consolidated sales while the remaining 12.7% comes from the wholesale channel.

Image and communications

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.

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.

Prada industrial Headquarter
Valvigna, Terranuova Bracciolini (AR),
by architect Guido Canali

Human Resources

Human Resources are a fundamental asset for the entire business model. The development of the Group bases its competitive advantage on the skills and commitment of its employees, promoting and rewarding productivity, 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 while integrating central and more peripheral parts of the business.

Through a structured and transparent selection process, also based on cooperation with leading universities and fashion schools, the Group seeks constantly and attracts the best talent on the international employment market. At the same time, the international dimension of the business provides Prada employees with excellent opportunities to work abroad. These opportunities, together with training and development programs, help the Group sustain internal growth in managerial and international roles rather than looking for external recruitment.

The vast array of different cultures, capabilities, nationalities and religions of the employees who work in the over 40 countries where the Group is present constitute a source of wealth and progress, as well as creating an affinity with a highly diverse customer base. Natural respect for equal opportunities within the Group is supported by the Compensation & Benefit system which is based on rewarding skills and merit while ensuring fair treatment for all irrespective of gender, seniority or role. At the same time, protection of workers' rights is of key importance as the Group promotes and supports respect for human rights and laws regarding child and slave labor, as well as health and safety regulations, throughout the value chain. The Group also cooperates with Trades Unions to assess possible opportunities to improve the working conditions of its employees.

The Group's remuneration policy seeks to attract, reward and retain high-level professionals and skilled managers, as well as to bring management interests into line with the primary objective of medium/long-term value creation. The common structure of the remuneration policy, based on a balanced mix of fixed and variable elements, is adapted locally in accordance with principles of internal fairness and external competitiveness. Benchmarking against the external market is guaranteed thanks to surveys performed by firms internationally recognized in the fashion and luxury industry.

The Remuneration Committee oversees the remuneration of our senior management, taking into account their roles and responsibilities and benchmarking against similar positions in a panel of companies comparable to Prada in terms of size and complexity.

Environment and territory

The PRADA Group adopts and encourages responsible conduct which contributes towards the sustainable development of the business and provides examples of good practice in the industry where it operates. The Group encourages attention to the informed development of resources by raising awareness daily among collaborators, partners and suppliers in order to spread a culture of environmental sustainability. Reducing land consumption, recovering existing areas and working to redevelop existing buildings are the guiding principles of the decisions taken "naturally, almost sub-consciously" in more than thirty years' industrial development for the Group. The few new buildings pay close attention to their surrounding areas and fit in, with almost no disturbance, in their environment. PRADA Group's production facilities occupy more than 240,000 square meters including more than 200,000 square meters

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

in Italy and represent the best expression of the Group's manufacturing tradition as they harmonize the ability to conserve craftsman skills with state of the art industrial processes designed to meet the most exacting requirements in terms of product quality and excellence. The recent acquisition of Tannerie Hervy in Limoges (France) is the latest in a line of investments confirming a desire to preserve craft skills in their place of origin while integrating them into a production cycle capable of fulfilling the needs of an international business.

Special projects

Convinced of the need to combine a range of varied creative experiences to ensure that its style, image and communications activities are renewed and updated constantly, the PRADA Group has always had strong links with other fields, especially the fields of art and culture. Interaction with these apparently distant environments has led to the realization of special projects which have, over the years, helped define the many facets of the Prada universe.

Prada's interest in architecture has gradually taken form with the realization of state-of-the-art production sites, the refurbishment of former industrial buildings to house new showrooms and offices and the development of revolutionary concepts to fit out retail premises. The most high-profile project in the retail sector, known as the *Epicenter Concept Store*, was carried out between 2001 and 2004 with the opening of three exceptional stores in New York, Los Angeles and Tokyo. The epicenters, studied in collaboration with world famous architects Koolhaas and Herzog & de Meuron, winners of the Pritzker Prize (architecture's "Nobel Prize"), were designed to reinvent and revamp the shopping concept: constantly evolving experimental laboratories where products, technologies, design and architecture blended perfectly with a vast range of exclusive services and sensorial experiences. Prada Epicenters soon became genuine landmarks on a local and international scale. On certain occasions, they transcend their function as stores to house film showings, exhibitions, presentations, debates and other cultural activities. The collaboration with Rem Koolhaas/AMO, the think-tank of the Office for Metropolitan Architecture, also led to the creation of the Prada Transformer building which opened in Seoul in 2009: for six months, this multi-dimensional structure housed an innovative series inter-discipline projects including exhibitions, projections and live multi-cultural events.

The interests and the passions of Miuccia Prada and Patrizio Bertelli have led the PRADA Group to support Fondazione Prada's activities in the fields of art and culture since 1993. Fondazione Prada was created as a platform to conceive and develop art exhibitions along with architecture, cinema and philosophy projects. It staged 24 solo shows in Milan devoted to Italian and International artists until 2010.
From 2011 the foundation has presented 5 group shows at its eighteenth-century Venetian venue, Ca' Corner della Regina.
In May 2015 Fondazione Prada's new Milan venue was unveiled. Conceived by architecture firm OMA, led by Rem Koolhaas, it is the result of the transformation of a 1910's former industrial compound. Located in Largo Isarco, in the South of Milan, it is developed on an overall surface of 19,000 m². In its new venue, the Fondazione further develops its multidisciplinary vocation through an articulated exhibition and cultural events program. From May to December 2015 Fondazione Prada presented the exhibitions "Serial Classic" and "Portable Classic", both curated by Salvatore Settis, "An Introduction", "In Part", "Gianni Piacentino", "Recto Verso" and "Trittico". It also organized the cinema project "Roman Polanski: My Inspirations" and "Atlante del gesto", a series of choreographic actions conceived by Virgilio Sieni.

Cinema, as a contemporary art form, has also led to creative collaborations between Prada and internationally renowned directors, resulting in numerous productions including Thunder Perfect Mind by Jordan and Ridley Scott in 2006, A Therapy by Roman Polanski in 2012, Castello Cavalcanti by Wes Anderson in 2013 and, also, The

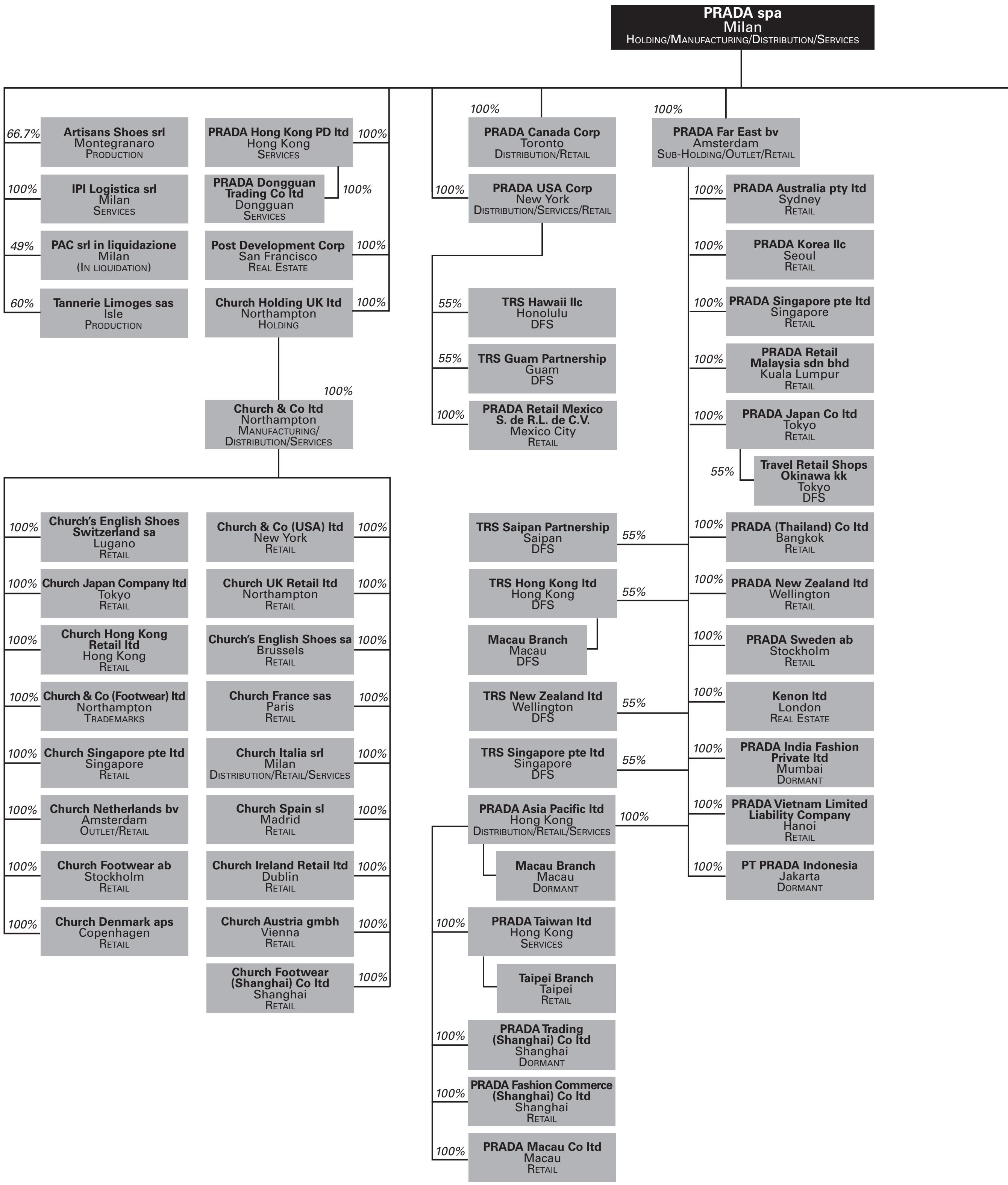
Miu Miu Women's Tales: a series of short films produced between 2011 and 2015 by internationally famous directors – with different intellectual backgrounds – which explore the female universe. Miuccia Prada's passion for this field has also given rise to other projects like production of costumes for The Great Gatsby by Baz Luhrmann.

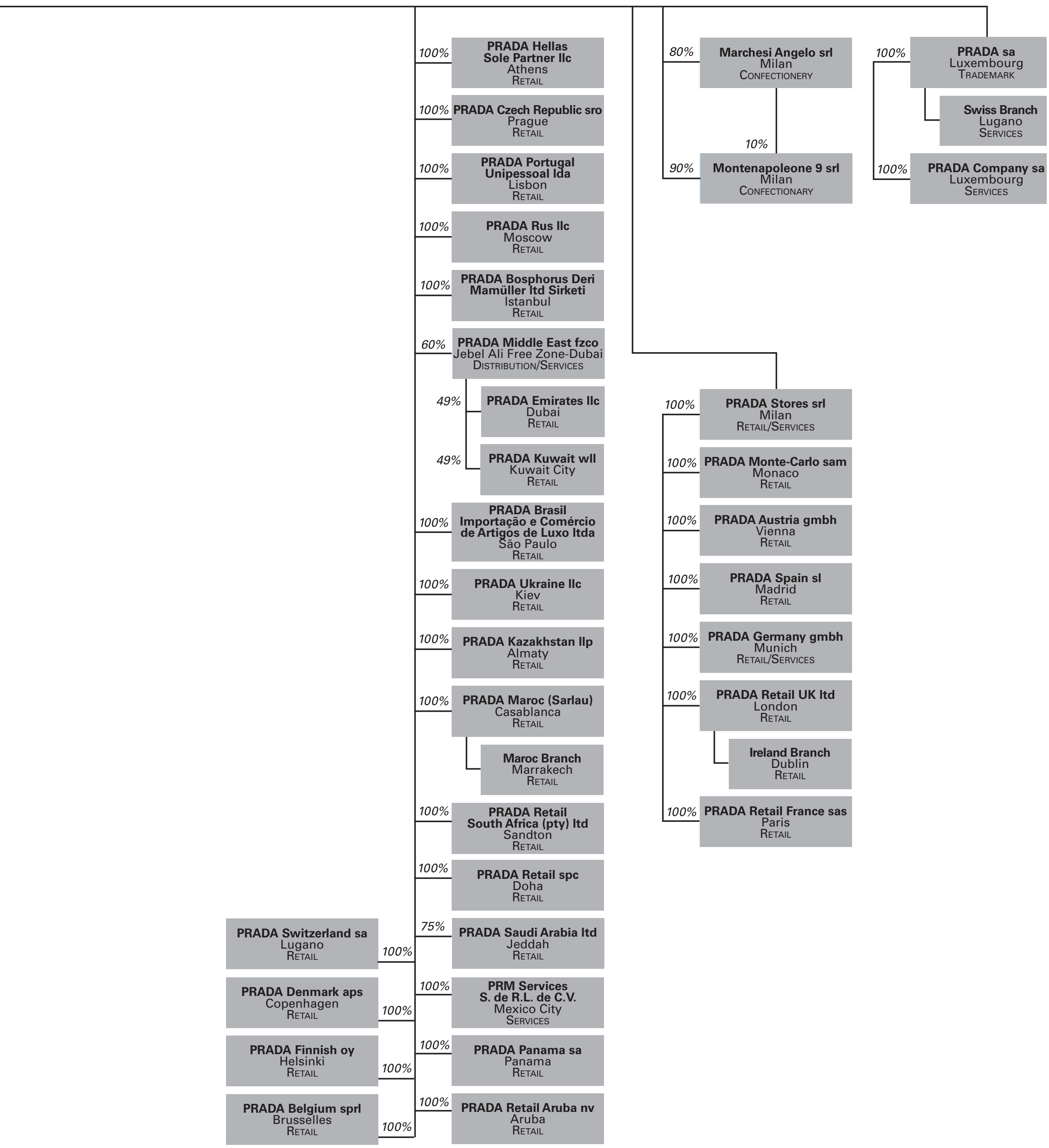
Moreover, in the field of high level sport, Team Luna Rossa, sponsored by the Group, has participated as a challenger in the 2000, 2003, 2007 and 2013 editions of the *America's Cup*. It won the challengers' regattas in 2000 and reached the finals in 2007 and 2013. This experience has contributed significantly to the commercial success of the leisure time apparel and footwear lines and as further spread the Prada image around the world, associating the name with the oldest and one of the most prestigious international sporting events.

Fondazione Prada
Largo Isarco 2, Milan
by architect Rem Koolhaas


FONDAZIONE PRADA

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
São Paulo
Retail
100%
PRADA Ukraine llc
Kiev
Retail
100%
PRADA Kazakhstan llp
Almaty
Retail
100%
PRADA Maroc (Sarlau)
Casablanca
Retail
Maroc Branch
Marrakech
Retail
100%
PRADA Retail South Africa (pty) ltd
Sandton
Retail
100%
PRADA Retail spc
Doha
Retail
75%
PRADA Saudi Arabia ltd
Jeddah
Retail
100%
PRM Services S. de R.L. de C.V.
Mexico City
Services
100%
PRADA Panama sa
Panama
Retail
100%
PRADA Retail Aruba nv
Aruba
Retail
PRADA Switzerland sa
Lugano
Retail
100%
PRADA Denmark aps
Copenhagen
Retail
100%
PRADA Finnish oy
Helsinki
Retail
100%
PRADA Belgium sprl
Brusselles
Retail
100%
80%
Marchesi Angelo srl
Milan
Confectionery
10%
90%
Montenapoleone 9 srl
Milan
Confectionary
100%
PRADA sa
Luxembourg
Trademark
Swiss Branch
Lugano
Services
100%
PRADA Company sa
Luxembourg
Services
100%
PRADA Stores srl
Milan
Retail/Services
100%
PRADA Monte-Carlo sam
Monaco
Retail
100%
PRADA Austria gmbh
Vienna
Retail
100%
PRADA Spain sl
Madrid
Retail
100%
PRADA Germany gmbh
Munich
Retail/Services
100%
PRADA Retail UK ltd
London
Retail
Ireland Branch
Dublin
Retail
100%
PRADA Retail France sas
Paris
Retail

Corporate Information

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head 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 web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Board of Directors	Carlo Mazzi (Chairman & Executive Director) Miuccia Prada Bianchi (Chief Executive Officer & Executive Director) Patrizio Bertelli (Chief Executive Officer & Executive Director) Alessandra Cozzani (Chief Financial Officer & Executive Director) Gaetano Micciché (Non-Executive Director) Stefano Simontacchi (Non-Executive Director appointed on April 8, 2016) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) Donatello Galli (Chief Financial Officer & Executive Director) resigned with effect from February 19, 2016
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 (Leg. Decr. 231/2001)	David Terracina (Chairman) Gian Franco Oliviero Mattei Franco Bertoli
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
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 to Carlo Mazzi in Hong Kong	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 S.p.A. 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"), 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, 2016 (year 2015), prepared in accordance with IFRS as adopted by the European Union. The 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 Statement of Profit or Loss

(amounts in thousands of Euro)	twelve months ended January 31 2016	%	twelve months ended January 31 2015	%
Retail	3,059,732	86.3%	2,980,891	83.9%
Wholesale	444,612	12.5%	532,545	15.0%
Royalties	43,427	1.2%	38,260	1.1%
Net revenues	3,547,771	100.0%	3,551,696	100.0%
Cost of goods sold	(980,206)	-27.6%	(1,001,117)	-28.2%
Gross margin	2,567,565	72.4%	2,550,579	71.8%
Operating expenses	(2,064,672)	-58.2%	(1,849,028)	-52.1%
EBIT	502,893	14.2%	701,551	19.8%
Interest and other financial expenses, net	(29,872)	-0.9%	(34,304)	-1.0%
Dividends from investments	2,311	0.1%	455	-
Income before taxation	475,332	13.4%	667,702	18.8%
Taxation	(141,994)	-4.0%	(208,484)	-5.9%
Net income for the year	333,338	9.4%	459,218	12.9%
Net income - non-controlling interests	2,450	0.1%	8,488	0.2%
Net income - Group	330,888	9.3%	450,730	12.7%
Depreciation, amortization and impairment	299,865	8.5%	252,698	7.1%
EBITDA	802,758	22.6%	954,249	26.9%
Basic and diluted earnings per share (in Euro per share)	0.129		0.176	

Key financial information

Key information from the Statement of Profit or Loss (amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015	twelve months ended January 31 2014	% change on January 2015	CAGR % 2013-15
Net revenues	3,547,771	3,551,696	3,587,347	-0.1%	-0.6%
EBITDA	802,758	954,249	1,143,186	-15.9%	-16.2%
EBITDA %	22.6%	26.9%	31.9%	-	-
EBIT	502,893	701,551	939,237	-28.3%	-26.8%
EBIT %	14.2%	19.8%	26.2%	-	-
Net income of the Group	330,888	450,730	627,785	-26.6%	-27.4%
Earnings per share (Euro)	0.129	0.176	0.245	-26.6%	-27.4%
Capital expenditure	336,895	449,735	611,227	-	-
Net operating cash flows	368,465	483,597	769,436	-23.8%	-30.8%
Average number of employees	12,414	11,962	10,816	3.8%	-

Key statement of financial position indicators (amounts in thousands of Euro)	January 31 2016	January 31 2015	January 31 2014	change at Jan 2016 Vs Jan 2015
Net operating working capital	665,156	563,409	409,774	101,747
Net invested capital	3,212,172	2,829,359	2,405,650	382,813
Net financial position surplus/(deficit)	(114,795)	188,788	295,890	(303,583)
Group shareholders' equity	3,080,340	3,000,737	2,687,554	79,603

2015 highlights

The economic environment became tougher for the international luxury goods market in 2015. Difficult times on Asian markets had a significant impact on sales performance throughout the region, especially in Hong Kong and Macao where reductions in local consumption and in the flow of tourism hit harder than elsewhere. At the same time, social and political tensions felt worldwide further contributed to a general decrease in willingness to consume and in tourist flows. Foreign exchange fluctuation also had a significant effect as the competitive advantage produced by the weaker Euro in the first half of the year decreased due to instability on financial markets over the summer period, reducing the flow of Chinese customers in particular.

A swift response to this complicated situation was needed and, bearing in mind its core commitment to research and innovation, the Group has implemented a series of measures designed to combat pressure on operating profit resulting from the lack of retail sales growth and the reduction in the wholesale. The main operating processes in the retail and production areas have been reviewed in order to make them more efficient and measures to improve the mix of products on sale have been identified. Prices have also been adjusted to take account of foreign rate market trends and brand positioning. Last but not least, the range of corrective measures taken has included action to reduce costs. Nevertheless the Group continued to prefer long-term growth targets committing resources to activities and projects deemed essential to value creation. Accordingly, investment in industrial and retail structures has continued, even though priorities were adjusted during the year. Priority has also been given to initiatives designed to strengthen brand identity and develop relations with an ever more sophisticated customer base. In this regard, it is worth mentioning, in addition to the aforesaid sponsorships, directly organized events like the one held to celebrate the opening of the prestigious new freestanding Miu Miu store in Aoyama, Tokyo.

Market response to the Group's marketing initiatives and commercial decisions has been positive overall although there have been contrasting results in terms of distribution channel, product category and geographical area. Consolidated net revenues for the year amounted to Euro 3,547.8 million, broadly in line with 2014 at current exchange rates. The range of measures adopted by management in relation to business processes and the cost structure have helped limit the reduction in profitability and the reporting period has ended with Group's net income of Euro 330.9 million, 9.3% of net revenues; this is down on 2014 when Group's net income stood at Euro 450.7 million, or 12.7% of revenues.

Net sales analysis

(amounts in thousands of Euro)	twelve months ended January 31 2016		twelve months ended January 31 2015		% change
Net sales of directly operated stores (*DOS*)	3,059,732	86.3%	2,980,891	83.9%	2.6%
Sales to independent customers and franchisees	444,612	12.5%	532,545	15.0%	-16.5%
Royalties	43,427	1.2%	38,260	1.1%	13.5%
Net revenues, total	3,547,771	100.0%	3,551,696	100.0%	-0.1%

Net sales of directly operated stores (*DOS*)

(amounts in thousands of Euro)	twelve months ended January 31 2016		twelve months ended January 31 2015		% change
Net sales of directly operated stores (*DOS*) by geographical area					
Italy	392,796	12.8%	354,759	11.9%	10.7%
Europe	665,784	21.8%	644,819	21.6%	3.3%
Americas	410,751	13.4%	391,177	13.1%	5.0%
Asia Pacific	1,080,012	35.3%	1,130,205	37.9%	-4.4%
Japan	403,721	13.2%	364,825	12.2%	10.7%
Middle East	103,521	3.4%	92,881	3.1%	11.5%
Other countries	3,147	0.1%	2,225	0.2%	41.4%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%
Net sales of directly operated stores (*DOS*) by brand					
Prada	2,487,593	81.3%	2,463,155	82.6%	1.0%
Miu Miu	501,667	16.4%	454,968	15.3%	10.3%
Church's	56,194	1.8%	49,012	1.6%	14.7%
Other	14,278	0.5%	13,756	0.5%	3.8%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%
Net sales of directly operated stores (*DOS*) by product line					
Clothing	541,627	17.7%	512,271	17.2%	5.7%
Leather goods	1,919,872	62.7%	1,965,630	65.9%	-2.3%
Footwear	537,498	17.6%	448,696	15.1%	19.8%
Other	60,735	2.0%	54,294	1.8%	11.9%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%

Retail channel net sales

Retail sales for the twelve months ended January 31, 2016, amounted to Euro 3,059.7 million, 2.6% up on 2014 at current exchange rates but 5.3% down at constant exchange rates. The number of Directly Operated Stores (DOS) increased from 594 at January 31, 2015 to 618 at January 31, 2016.

Markets

The Asia Pacific market generated net sales of Euro 1,080 million, remaining the PRADA Group's leading market. However, net sales fell by 4.4% at current exchange rates and by 16.1% at constant exchange rates compared to 2014. Sales in the region were greatly affected by the downturn recorded in Hong Kong and Macao. The Greater China area benefited from growth at current exchange rates on the Chinese domestic market and ended the period with net sales of Euro 705.8 million, down by 8.3% at current exchange rates and by 22% at constant exchange rates.

Net sales in Europe totaled Euro 665.8 million, increasing by 3.3% at current exchange rates and by 1.8% at constant exchange rates. The flow of travelers from Asia Pacific and the United States, attracted in part by the weak Euro, sustained net sales in 2015, especially in the first half of the fiscal year.

In Italy, the retail channel generated net sales of Euro 392.8 million, up by 10.7% on 2014. The growth was mainly driven by the flow of travelers and achieved almost entirely with the same store basis, as just one more DOS was added during the year.

Net sales on the American market totaled Euro 410.8 million with a 5% increase at current exchange rates and an 8.7% decrease at constant exchange rates. The drop in sales at constant exchange rates was determined by the performance of the US market as the other countries in this commercial area i.e. Canada, Brazil and Mexico also achieved growth in real terms.

The Japanese commercial area was also boosted by a strong flow of tourists and ended the 2015 fiscal year with net sales of Euro 403.7 million, a 10.7% increase on prior year (+3.9% at constant exchange rates).

The Middle East region reported an increase of 11.5% at current exchange rates and a decrease of 5% at constant exchange rates. The entire region suffered from lower tourist flows.

Products

Footwear recorded net sales of Euro 537.5 million in the retail channel, with growth of 19.8% at current exchange rates and 10.6% at constant exchange rates. This product line achieved sales growth at constant exchange rates in all geographical areas.

The clothing division recorded net sales totaling Euro 541.6 million with a 5.7% increase at current exchange rates and a 2.5% decrease at constant exchange rates. Sales growth was achieved in all geographical areas at current exchange rates but only in Japan and Europe at constant exchange rates.

Leather goods recorded net sales of Euro 1,919.9 million, down by 2.3% on the figure of Euro 1,965.6 million for the twelve months ended January 31, 2015. At constant exchange rates, sales of this product line decreased by 9.8%. The sales performance of leather goods was affected by difficult economic conditions in the Asia Pacific region.

Brands

The Prada brand generated net sales of Euro 2,487.6 million in the retail channel, reporting a 1% increase at current exchange rates. Footwear and clothing product lines achieved growth, while leather goods recorded a reduction, especially in Asia Pacific. At constant exchange rates, Prada brand net sales decreased by 6.7%. During the twelve months under review 29 new DOS were opened while 5 were closed.

Miu Miu recorded net sales of Euro 501.7 million, reporting a 10.3% increase at current exchange rates. The brand achieved growth in all geographical areas. In terms of product category, clothing sales remained broadly in line with prior year while sales of leather goods and, especially, footwear increased. At constant exchange rates, Miu Miu recorded net sales growth of 1.3%. During the twelve months under review, 11 new DOS were opened while 7 were closed.

The Church's brand recorded consolidated net sales of Euro 56.2 million through its DOS network, a 14.7% increase compared to 2014. The sales increase was achieved primarily on the European market where there was a steady rate of growth throughout the year. Three DOS were closed during the twelve months under review.

Other brands mainly includes net sales of the Car Shoe brand, whose performance for the year was affected by the closure of 3 DOS, as well as the net sales of Marchesi 1824 patisserie products whose impact in absolute terms is still immaterial to the Group, although it is growing.

Net sales to independent customers and franchisees

(amounts in thousands of Euro)		twelve months ended January 31 2016		twelve months ended January 31 2015	% change
Net Sales to independent customers and franchisees by brand					
Prada	353,463	79.5%	432,282	81.2%	-18.2%
Miu Miu	62,648	14.1%	71,802	13.5%	-12.7%
Church's	26,262	5.9%	25,029	4.7%	4.9%
Other	2,239	0.5%	3,432	0.6%	-34.8%
Total	**444,612**	**100.0%**	**532,545**	**100.0%**	**-16.5%**

For the Prada and Miu Miu brands deliveries to independent customers and franchisees reported a reduction in net sales in 2015, mainly as a result of the ongoing selective strategy in Italy and Europe and, to a lesser extent, the contraction in the South Korean market in relation to the MERS crisis.

In contrast, the Church's brand reported net sales growth thanks to advances in Japan, Europe and Italy, even though a decrease was recorded in Asia Pacific.

Royalties

In the twelve months ended January 31, 2016, licensing agreements generated royalties income of Euro 43.4 million, 13.5% more than in 2014. The increase was due to higher sales of eyewear and fragrances, also thanks to the launch of the first Miu Miu fragrance in August.

Number of stores

	January 31, 2016		January 31, 2015	
	Owned	Franchises	Owned	Franchises
Prada	386	26	362	27
Miu Miu	173	10	169	8
Church's	52	-	55	-
Car Shoe	5	-	8	-
Marchesi	2	-	-	-
Total	618	36	594	35

	January 31, 2016		January 31, 2015	
	Owned	Franchises	Owned	Franchises
Italy	54	5	51	6
Europe	167	-	167	3
Americas	117	-	110	-
Asia Pacific	183	26	175	22
Japan	74	-	70	-
Middle East	21	5	17	4
Africa	2	-	4	-
Total	618	36	594	35

Operating results

During the period in response to constant but unforeseeable changes to the economic environment which slowed down sales in some regions, management identified a range of measures designed to limit pressure on operating profit. Consequently, specific measures were adopted in order to make retail and industrial processes more efficient, contain discretionary costs and postpone certain capital expenditure projects.

Gross margin was Euro 2,567.6 million for the twelve months ended January 31, 2016, or 72.4% of net sales. The increase in gross margin percentage from 71.8% in prior year was achieved thanks to effects of industrial efficiencies and price adjustments made to balance the spreads among countries. Favorable foreign currency trends had a further positive impact.

(amounts in thousands of Euro)	twelve months ended January 31 2016	% of net revenues	twelve months ended January 31 2015	% of net revenues
Product design and development costs	134,272	3.8%	132,583	3.7%
Advertising and communications costs	191,695	5.4%	170,562	4.8%
Selling costs	1,517,443	42.8%	1,340,832	37.8%
General and administrative costs	221,262	6.2%	205,051	5.8%
Total Operating expenses	2,064,672	58.2%	1,849,028	52.1%

Operating expenses increased as a percentage of net revenues essentially because of retail network expansion had a lack of sales growth. In fact, selling costs increased from Euro 1,340.8 million to Euro 1,517.4 million, or from 37.8% to 42.8% of net revenues in relation to the fixed costs included in this caption (labor costs, rents and depreciation).

As part of advertising and communication, which remain essential activities to sustain revenues, the Group favored initiatives aimed at strengthening brand identity e.g. sponsorships, institutional events and special projects, and at supporting the relationships with customers, also through increasingly sophisticated use of the digital channel. In this regard, it is worth highlighting the Digital Retail project launched towards the end of the year and aimed at increasing the customer involvement through direct and personalized interactions.

Product design and development costs, totaling Euro 134.3 million or 3.8% of net sales, were in line with prior year.

General and administrative costs were also subject to cost containment measures although they were, at the same time, affected by certain non-recurring expenses such as indemnities and onerous leases.

EBITDA for 2015 amounted to Euro 802.8 million, or 22.6% of net sales (compared to 26.9% in 2014), while EBIT totaled Euro 502.9 million, or 14.2% of net sales (compared to 19.8% in 2014). The decrease in EBIT compared to prior year was also due to the higher incidence of depreciation and amortization.

EBITDA by brand

twelve months ended January 31, 2016 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Other
Net sales	3,504,344	2,841,056	564,315	82,456	16,517
Royalties	43,427	37,436	5,984	7	-
Net revenues	3,547,771	2,878,492	570,299	82,463	16,517
EBITDA	802,758	797,453	11,621	3,567	(9,883)
EBITDA %	22.6%	27.7%	2.0%	4.3%	-

twelve months ended January 31, 2015 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Other
Net sales	3,513,436	2,895,437	526,770	74,041	17,188
Royalties	38,260	34,868	3,378	14	-
Net revenues	3,551,696	2,930,305	530,148	74,055	17,188
EBITDA	954,249	922,644	35,130	4,605	(8,130)
EBITDA %	26.9%	31.5%	6.6%	6.2%	-

The dilution in EBITDA for the PRADA brand is explained by the higher incidence of operating expenses as the brand's gross margin improved compared to prior year thanks to measures taken at Group level in relation to industrial processes and pricing strategies. At the same time retail network expansion, with an increase in typical costs (rent and personnel costs), was not accompanied by sufficient sales growth and EBITDA fell as a result, although it remained among the highest in the industry.

The profitability of the Miu Miu brand continued to be under pressure as a result of investments made in order to improve the visibility of the brand through a global distribution network and support the image with effective communications. Although Miu Miu achieved sustained revenue growth in 2015, it did not fully absorb the higher level of operating costs.

The Church's brand achieved significant sales growth, especially in the retail channel where growth on prior year was also achieved on a same store basis and at constant exchange rates. Nonetheless, the brand was less profitable mainly because of non-recurring operating expenses due to re-organization of the commercial area.

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 2016	January 31 2015	January 31 2014
Non-current assets (excluding deferred tax assets)	2,586,841	2,557,198	2,225,451
Trade receivables, net	254,183	346,284	308,405
Inventories, net	692,672	654,545	449,903
Trade payables	(281,699)	(437,420)	(348,534)
Net operating working capital	665,156	563,409	409,774
Other current assets (excluding items of financial position)	260,983	190,149	132,866
Other current liabilities (excluding items of financial position)	(234,496)	(411,878)	(291,378)
Other current assets/(liabilities), net	26,487	(221,729)	(158,512)
Provision for risks	(69,233)	(63,695)	(52,660)
Post-employment benefits	(69,405)	(85,754)	(63,279)
Other long-term liabilities	(171,364)	(159,419)	(113,698)
Deferred taxation, net	243,690	239,349	158,574
Other non-current assets/(liabilities)	(66,312)	(69,519)	(71,063)
Net invested capital	3,212,172	2,829,359	2,405,650
Shareholder's equity – Group	(3,080,340)	(3,000,737)	(2,687,554)
Shareholder's equity – Non-controlling interests	(17,037)	(17,410)	(13,986)
Total consolidated shareholders' equity	(3,097,377)	(3,018,147)	(2,701,540)
Long term financial payables	(519,772)	(254,462)	(207,969)
Short term financial, net surplus/(deficit)	404,977	443,250	503,859
Net financial position surplus/(deficit)	(114,795)	188,788	295,890
Shareholders' equity and net financial position	(3,212,172)	(2,829,359)	(2,405,650)
Debt to Equity ratio	3.6%	n,d,	n,d,

At January 31, 2016, the Group had a solid balance sheet structure, founded on net invested capital of Euro 3,212.2 million and financed by net debt of Euro 114.8 million and Group shareholders' equity of Euro 3,080.3 million.

At January 31, 2016, net non-current assets, excluding deferred tax assets, amounted to Euro 2,586.8 million, pretty much in line with January 31, 2015, as capital expenditure for the year of Euro 336.9 million was almost equal to depreciation and amortization charges. Capital expenditure included Euro 175 million of investments in the retail network (for both the final stage of the expansion strategy and renewal and relocation projects), Euro 57.9 million to strengthen production facilities and Euro 104 million in the corporate area. Intangible assets at January 31, 2016, included goodwill mainly relating to the distribution channels with a total value of Euro 513.2 million. The impairment test performed in accordance with IFRS at the reporting date did not identify any impairment of value.

At January 31, 2016, net operating working capital stood at Euro 665.2 million, an increase of Euro 101.7 million compared to January 31, 2015, because of the higher level of inventories and lower trade payables, overall. The increase in finished products related to the different approach to replenishment which started in the last few months of 2014, as well as to the lower than expected volume of sales. At the same time, different manufacturing scheduling led to a reduction in trade payables at the end of the year.

At January 31, 2016, other current liabilities were equal to other current assets, eliminating the deficit of Euro 221.7 million recorded at January 31, 2015. This was mainly due to the settlement of capital expenditure payables, the lower tax liability and the closure of derivative contracts.

The change in other non-current liabilities, net, was not significant as the increase in non-monetary liabilities relating to rental contracts was offset by a decrease in long-term benefits in favor of key employees and collaborators due to payments made during the year.

Group shareholders' equity amounted to Euro 3,080.3 million at January 31, 2016. During the year, dividends of Euro 281.5 million were distributed to the PRADA spa shareholders (as approved by the Annual General Meeting on May 26, 2015).

Net financial position

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015	January 31 2014
Bonds	(130,000)	(130,000)	(130,000)
Bank borrowing – non-current	(390,475)	(125,203)	(77,950)
Finance lease obligations – non-current	-	-	(19)
Total financial payables – non-current	(520,475)	(255,203)	(207,969)
Financial payables and bank overdrafts - current	(270,112)	(263,335)	(61,909)
Payables to parent company and related parties	(4,858)	(2,371)	(4,130)
Finance lease obligations – current	(654)	(21)	(524)
Total financial payables – current	(275,624)	(265,727)	(66,563)
Total financial payables	(796,099)	(520,930)	(274,532)
Financial receivables from related parties – non-current	703	741	-
Financial receivables from related parties – current	-	11	2,008
Cash and cash equivalents	680,601	708,966	568,414
Total financial receivables and cash and cash equivalents - current	680,601	708,977	570,422
Total financial receivables and cash and cash equivalents	681,304	709,718	570,422
Net financial surplus/(deficit), total	(114,795)	188,788	295,890
Net financial surplus/(deficit) excluding related party balances	(110,640)	190,407	298,011
NFP/EBITDA ratio	-14.3%	n/a	n/a

At January 31, 2016, the Group's net financial position showed a cash deficit of Euro 114.8 million. Operating cash flows for the twelve months then ended amounted to Euro 368.5 million and were entirely employed, together with some new bank debt, to finance capital expenditure (Euro 390 million) and to pay dividends to the shareholders of PRADA spa (Euro 281.5 million) and to the non-controlling shareholders of the subsidiaries (Euro 3.2 million).

During 2015, in order to increase its financial flexibility while taking advantage of favorable conditions available on the credit market, the Group arranged new medium/long-term bank loans totaling around Euro 320 million and repaid debt of around Euro 45 million as it fell due. As a result, total bank borrowing increased by Euro 275.2 million in absolute terms but its structure in terms of original currency and interest rate also changed: the incidence of Euro borrowing increased from 55% of total at January 31, 2015 to 73%, while fixed rate borrowing – also considering amounts hedged via derivatives – rose from 42% to 46%. Some of the borrowing requires compliance with covenants which were fully respected at the reporting date and mainly regard solvency ratios.

Cash and cash equivalents include bank current accounts used for operational purposes and short-term deposits used to employ cash on a low-risk basis; these cash and cash equivalents generally belong to Group's subsidiaries rather than to PRADA spa which, together with PRADA Japan co ltd, carries most of the consolidated bank debt.

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 performance of the luxury goods market greatly depends on general economic conditions. Therefore, the Group's profitability and operating performance are exposed to global macroeconomic risk factors because 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 and on the Group's results, cash flows and financial situation.

A significant portion of the Group's sales is made to customers who purchase goods during trips abroad. Consequently, unfavorable economic conditions, social or geopolitical factors resulting in instability and natural disasters 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

PRADA Group brands have always been associated with beauty, creativity, tradition and excellent quality. Prada's ability to protect its brands and other intellectual property rights means safeguarding these fundamental values which form the basis of the success and positioning of the brands on the international luxury goods market.

The Group safeguards and protects its brands, designs, patents and internet sites by registering and obtaining legal protection for them in all countries around the world. The Group is actively committed to fighting against all forms of counterfeiting and breaches of said intellectual property rights and uses rigorous and thorough measures all around the world. It uses a large team of in-house and third party lawyers to monitor, analyze and oversee wholesale and retail markets (both on-line and off-line), working on a daily basis in close collaboration with the relevant authorities, customs officials and the police.

Risks regarding brand image and recognition

The Group's success on the international luxury goods market is linked to the image and distinctiveness of its brands. These features depend on many factors, such as the style and design of products, the quality of materials and production techniques used, the image and location of the DOS and the careful selection of partners for licensed business, as well as on communications activities in terms of public relations, advertising, marketing and Group profile in general.

Preserving the image and prestige acquired by its brands in the fashion and luxury sector is an objective which the PRADA Group pursues by very closely checking every internal and external phase of the value chain, in order constantly to guarantee undisputed quality and maintain its reputation. This is also achieved by constantly seeking to innovate in terms of style, product and communications in order to convey a message ever consistent with the strong identity of the brands.

Risks regarding ability to anticipate trends and react 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 amount (or other operating currency) 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 more detail 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 derivative contracts (e.g. Interest Rate Swaps) in order to convert variable rate debt into fixed rate debt or debt 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 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 continued support and development of retail channel performance and on the completion of the expansion on an international scale.

The Group sustains the operating performance and results of the retail channel by constantly checking and, if necessary, redesigning the main business processes, also through localized marketing initiatives that reassert the distinctive strengths of the Group brands: their strong identity, the close control over the entire value chain, the overseeing capacity to combine innovation and quality in a short period of time and a network of stores positioned on the most prestigious shopping streets and the most important international department stores. 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 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 and 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 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 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 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.

The Group involves all of its various divisions and uses specialist external advisors when necessary in order to ensure that its processes and procedures are swiftly updated to comply with 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 performed 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 proprietary 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 related party transactions

Information on the Group's relationships and transactions with related parties is provided in the Directors' Report, insofar as required by IFRS, and in the Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange Rules.

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 used the following non-IFRS measures:

EBITDA: Earnings Before Interest, 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.

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 2016	twelve months ended January 31 2015	twelve months ended January 31 2014
Consolidated net income for the period	333,338	459,218	637,805
Taxes on income	141,994	208,484	285,091
Interest and other financial income/(expense) and dividends from investments	27,561	33,849	16,341
EBIT (Earnings Before Interest and Taxation)	502,893	701,551	939,237
Depreciation, amortization and impairment	299,865	252,698	203,949
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization)	802,758	954,249	1,143,186

Outlook for 2016

Throughout 2015, the luxury goods market had to deal with an economic environment characterized by volatile financial markets and by heightening geopolitical tension in many world regions. These conditions are still present and 2016 is again set to be affected by instability which makes any short-term forecasts uncertain. Bearing this in mind and in order to ensure the Group achieves satisfactory profit levels, management has implemented a thorough review of all operating processes. The results, in terms of greater efficiency and productivity, will already be apparent in the months to come. The Group will pay particular attention to new forms and methods of communications designed to develop a relationship between its brands and an ever larger audience, maintaining a permanent dialogue involving all of the various parts of the Prada universe. At the same time, the Group will continue to work towards providing a sound base for sustainable long-term growth with investments tailored to make the most of the distinctive features that make its brands unique: excellent product quality with contemporary and innovative stylistic content and capacity to interpret the desires of an ever more sophisticated and demanding customers.

Milan, April 8, 2016

Directors and Senior Management

Directors

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

Chairman

MAZZI, Carlo, aged 69, is the Chairman of the Board, first appointed on February 14, 2014 and most recently re-elected on May 26, 2015. He was first appointed to the Board in 2004 – who served mainly as Vice Chairman – until his appointment as Chairman of the Board. Mr. Mazzi holds directorships in subsidiaries of the Company. He holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., 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 Chora S.r.l. - Milan (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.l. - 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 67, is a Chief Executive Officer of the Company. She was first appointed as the Chairperson of the Board on November 20, 2003 until February 14, 2014 and she was most recently re-elected as Executive Director on May 26, 2015. Ms. Prada holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., which are substantial shareholders 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 70, is a Chief Executive Officer of the Company. He was first appointed to the Board on November 20, 2003 and was most recently re-elected as Executive Director on May 26, 2015. Mr. Bertelli holds directorships in subsidiaries of the Company. He holds directorship in PABE 1 S.r.l., which is a substantial shareholder 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.

COZZANI, Alessandra, aged 53, is the Chief Financial Officer of the Company. She was first appointed to the Board as Executive Director on December 20, 2013 and she was re-elected on May 26, 2015. She has been our Investor Relations Director since

July 2010, responsible for managing financial communication and for relationships with investment community, and was further appointed as Chief Financial Officer on February 19, 2016. Ms. Cozzani 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 (Italy) 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 Director

MICCICHÈ, Gaetano, aged 65, was first appointed as Non-Executive Director on May 9, 2011 and was most recently re-elected on May 26, 2015. Mr. Miccichè obtained a degree in Law from University of 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 Vice Chairman 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 board member of ABI Associazione Bancaria Italiana and a member of the Scientific Committee of the Politecnico of Milan. 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.

SIMONTACCHI, Stefano, aged 45, has been appointed as Non-executive Director of the Company on April 8, 2016. Mr. Simontacchi has been Managing Partner of BonelliErede Law Firm, a leading law firm in Italy, since 2013 and has been on the firm's board since 2010. His practice focuses on international taxation, transfer pricing, tax planning, private equity, and tax aspects related to real-estate transactions, real-estate and equity funds, M&A and reorganisations. In addition, Mr. Simontacchi is a member of the EU Joint Transfer Pricing Forum (which assists and advises the European Commission on transfer pricing tax matters) and has authored widely on tax law, including for Il Sole 24 Ore (a leading, daily business newspaper). Mr. Simontacchi obtained a degree with praise (cum laude) in business administration from L. Bocconi University of Milan in 1995. In 2000, he obtained an Adv. LLM with praise (cum laude) in International Taxation from Leiden University. In January 2007, Mr. Simontacchi obtained his PhD in International Taxation from the Faculty of Law of Leiden University. In April 2015, Mr. Simontacchi was appointed as board member of RCS MediaGroup S.p.A., an Italian listed company, leader in the newspaper sector. In addition, he has been serving as board member of Cabara Insurance Broker S.r.l. since 2010 and has been appointed as President of the Fondazione Ospedale Buzzi since July 2015. Save as disclosed herein, Mr. Simontacchi has not held any directorship in other listed companies in Hong Kong or overseas in the last three years.

Independent Non-Executive Directors

MATTEI, Gian Franco Oliviero, aged 70, was first appointed as Independent Non-Executive Director on May 28, 2009 and was most recently re-elected on May 26, 2015. Mr. Mattei obtained a degree in Economics from The Sapienza University of Rome (Italy) 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 Nomination Committee and the Remuneration 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 69, was first appointed to our Board first on May 31, 2007 and was most recently re-elected as Independent Non-Executive Director on May 26, 2015. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena (Italy) 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 2013 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 60, was first appointed as Independent Non-Executive Director on May 9, 2011 and was most recently re-elected on May 26, 2015. He has been the Chairman of My Top Home (China) Holdings Limited, 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 percentage 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. 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.

ANTONACCI, Nicola, aged 52, has been Regional Director North America since 2015. Mr. Antonacci is primarily responsible for overseeing the Group's operations 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 2015 he served as Senior Vice President Prada Retail/Wholesale of Prada USA. From 2010 to 2011 he worked in Paris, as Men's Ready to Wear 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 57, 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's degree in Economics and Business from the University of Turin (Italy). 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.

BOZZI, Bruno, aged 54, has been Prada Women's Ready to Wear Industrial 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, a role which 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.

BUSO, Daniele, aged 48, has been our Prada Men's Ready to Wear Industrial Director since 2009. Mr. Buso is primarily responsible for the manufacturing of the men'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 49, has been Group Marketing Director since February 2016. 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 (Italy) 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, and Communication and Exernal Relation Director from 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 50, 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 Turin (Italy) 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 48, has been Regional Director Iberian Peninsula, North Africa, Central America and the Caribbeans since 2013. Mr. Carola is primarily responsible for overseeing the Group's commercial operations in the Central America area and Iberian Peninsula 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 49, has been Miu Miu Leather and Ready to Wear Industrial Director since 2003. He obtained a textile expert high school diploma in Padova (Italy) 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 54, has been Chief Financial Officer North America since 2006. Mr. Caterini is primarily responsible for planning, developing and implementing strategy for operational management of the USA and Canada region. Before joining our Group, Mr. Caterini covered different Finance & Administration Executive roles within several multinational companies operating in the telecommunication sector in Brazil, Greece and Austria. He obtained a University degree in Mechanical Engineering at the Sapienza University of Rome (Italy). 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 53, has been General Manager Prada Korea since 2007. She is primarily responsible for overseeing the Group's commercial operations in Korea. She started her career at Louis Vuitton, as the first Louis Vuitton Store Manager in Korea (1991 – 1999). From 1999 to 2007 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 50, 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 48, has been Purchasing Fabrics Ready to Wear Industrial Director. He joined our Group in 1989, and since 1996 he has 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 57, 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 which 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 54, has been Regional Director for Middle East and South Africa since he joined our Group in 2011. He is responsible for overseeing the Group's operations in the Middle East area and in South Africa, 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.

GOTTI, Aldo Camillo, aged 51, has been Regional Director for France, Belgium and the Principality of Monaco since 2014. He is responsible for overseeing the Group's operations 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.

GRECO, Enzo, aged 50, has been Group Information Technology Director since December 2014. He is primarily responsible for the management of the Group's information technology system. Mr. Greco obtained a degree in Mathematics, from the University of Florence (Italy) and a master's degree in Business Administration "cum laude" (with praise) from SDA Bocconi University in Milan (Italy) in 1996. He started his career as IT Director for Federazione Toscana BCC in Florence (1997-2001). Later he was responsible for Outsourcing Application Management Contract in Infogroup Spa, Bank Group in Florence (2002-2005). He worked for eight years for Esselunga Spa in Milan as IT Director managing the whole group's Information System. Mr. Greco is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LAM, Shun Yan Janice, aged 45, has been General Manager China since 2013. She is primarily responsible for overseeing the Group's commercial operations in China, where she covers several managerial roles at the Company's subsidiaries. Ms. Lam obtained a Bachelor degree in BA, Sociology from the Chinese 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.

LOMANTO, Maria Cristina, aged 41, has been Miu Miu General Manager since 2015. She is primarily responsible for overseeing worldwide operations and strategy of the Miu Miu brand. Ms. Lomanto obtained a degree in Law from the University of Milan

(Italy) 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 for 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 43, has been Regional Director for Central Europe since 2012. She is primarily responsible for overseeing the Group's operations 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.

MARSICOLA, Alessandra, aged 56, has been the Chief Executive Officer of Prada Fashion Commerce (Shanghai) since 2014. She is primarily responsible for overseeing the Group's operations in China. Ms. Marsicola joined our Group in 1991 and before being appointed to her current position she covered different managerial roles in the commercial department, including Prada Worldwide Store Operation Director and Prada Retail Director for Prada Japan. From 2006 to 2009, she worked first as Sales Director for La Rinascente then as Asia Pacific Retail Director for Fendi. Ms. Marsicola 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 50, has been Footwear Industrial Director since August 2014. He is primarily responsible for the manufacturing of the footwear collection for all the Group's brands. Mr. Mecheri joined our Group in 1999 and covered different managerial roles within the industrial area and was then appointed General Manager of Prada Singapore. 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's degree in Business Administration from Kellogg – HKUST of Hong Kong in 2012, and graduated in Electronic Engineering at the University of Florence (Italy) 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 42, has been General Manager South Asia and Australia since 2010. She is primarily responsible for overseeing the Group's commercial operations in Thailand, Malaysia, Singapore, New Zealand and Australia, 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 51, has been Regional Director for South America since December 2011 when he joined our Group. He is primarily responsible for overseeing the Group's operations in Brazil. Mr. Noschese obtained a master's 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.

RASTRELLI, Stefano, aged 53, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He first joined the PRADA Group in 2007 to manage the human resources of the Industrial Departments and 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, Brazil). 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 49, has been Regional Director for the South East Mediterranean area since 2013. Mr. Romano is primarily responsible for overseeing the Group's operations in the South East Mediterranean area, where he covers several managerial roles at the Company's subsidiaries. After his bachelor's degree in Business in New Zealand, he was employed at Deloitte & Touche and then at Timberland Europe before working 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 48, has been Regional Director Japan and Hawaii since February 2004. He is primarily responsible for overseeing the Group's 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, Li-Lien Louis, aged 46, has been General Manager of Taiwan since February 2011. He is primarily responsible for overseeing the Group's commercial operations 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 42, has been Regional Director for North Europe since December 2010, when he joined our Group. Mr. Sutter is primarily responsible for overseeing the Group's operations in United Kingdom, Ireland and Sweden, where he covers several managerial roles at the Company's subsidiaries. Mr. Sutter obtained a master's degree 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 50, has been Regional Director Asia Pacific since 2012. Mr. Tolomelli is primarily responsible for overseeing the Group's 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) 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 or overseas in the past three years.

ZAMBERNARDI, Fabio, aged 53, has been Group Design Director 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 of both Prada and Miu Miu brands. 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 39, has been Regional Director for the Russian area since 2013. Ms. Zenkovskaya is primarily responsible for overseeing the Group operations in Russia, Kazakhstan and Ukraine, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazakhstan. 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. Ms 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 62, is the joint company secretary of the Company. Ms. Patrizia Albano has been the Head of 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 has been Chairman of the Board of Statutory Auditors of Artemide Italia S.r.l., a member of the Board of Statutory Auditors in Artemide Group S.p.A. and Artemide S.p.A. since May 2014, and has been Chairman of Gruppo Moda, Design e Arredo of Assolombarda (Association of Industrial provinces of Milan, Lodi, Monza and Brianza) since February 2015. Ms. Albano also served as board member of Cassa di Risparmio di Rimini S.p.A. from April to November 2015. Ms. Albano is the wife of Mr. Carlo Mazzi, the Chairman 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 50, 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 25 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's 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 years.

Directors' Report

Principal activities and business review

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 (the "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.

Further discussion and analysis of these activities as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Company, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, is set out in the Financial Review section of this annual report. Particulars of important events affecting the Company that have occurred since the end of the reporting period is set out in note 44 to the Consolidated financial statements. As reported in the Announcement published by the Company on February 19, 2016, Mr. Donatello Galli resigned from the role of Executive Director and Chief Financial Officer with effect from the same day. The Board of Directors then appointed Ms. Alessandra Cozzani – already an Executive Director – as the new Chief Financial Officer. On April 8, the Board of Directors also approved the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from the same day, to fill the casual vacancy caused by Mr. Galli's resignation.

These discussions form part of this directors' report.

Environmental Policies and Performance

The Group strives for continuous improvement in creating value for its stakeholders by combining economic profitability with employee and customer satisfaction, as well as respecting ethical and environmental values and maintaining a high standard of corporate social responsibility.

The Group is committed to contributing to the sustainability of the environment and community in which it conducts its business and considers this essential to maintain its long-term competitiveness.

To this respect, the Group has continued to work towards improving its infrastructure, energy and materials management, in order to increase energy efficiency and minimize the impact on the environment. A long-term plan for improving energy efficiency has been implemented in the last few years, involving all of the Company's factories and offices.

In addition, the Group is aware of the importance of the use of natural resources and waste management and seeks to achieve continuous improvement in environmental management thanks to the implementation within its organization of procedures that raises awareness among its employees.

The Group has also always paid great attention to the territories where it operates and seeks to play a respectful part in local life by contributing to the enhancement of the community, either in the form of certain unique and avant-garde venue or by rehabilitating existing districts. This environmentally-sensitive approach has led the Group to develop a method in using the least possible amount of ground, restoring what already existed and working to rehabilitate buildings for new purposes. The acquisition of the Tannerie Hervy in Limoges (France) represents the latest investment aimed at preserving the craft skills in the places where they were formed.

An analysis of the Group's environmental policies and performance will be included in the Group's Social Responsibility Report 2015, which is expected to be published by mid-2016.

Compliance with the Relevant Laws and Regulations

A key ethical value fundamental to the Group is the compliance with legislative and regulatory provisions in all countries in which the Group operates. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have a significant impact on the Group.

The Group's products are distributed and sold across 70 countries, therefore they have to comply with all applicable laws, standards and regulations in each of these countries. To properly address this matter, the Group established an Industrial Compliance Committee in 2010 to constantly oversee the Group's products compliance with international and local legislative requirements of the manufacturing and distribution process at a worldwide level.

A detailed analysis of the legal and regulatory risks to which the Group is exposed is set out in the paragraph headed "Legal and regulatory risks" of the Financial Review section of this annual report, which forms part of this directors' report.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers and shareholders.

Employees

The Group is built on people and the enthusiasm, craft skills and intellectual curiosity of the employees of the Group are the indispensable elements which underpin the innovation and quality of the Group's products. The Company searches for people that can combine these exceptional qualities with the values of the Group.

As at January 31, 2016, the PRADA Group employed 12,414 people, 4% more than the year before.

The Group's remuneration policy aims to attract, reward and retain high-level professionals and skilled managers, and to share with the management the interest in the primary objective of creating value over the medium and long term.

Further analysis on the value of human resources of the Group is set out in the "The PRADA Group" section to this annual report, while further analysis on the remuneration policy of the Group is set out in the "Corporate Governance" section of this annual report, both of which form part of this directors' report.

Customers

The Group believes that it has a reputation for being leader in style, maker of outstanding products and providing excellent customer service.

The distinctive features and the prestige of the Group, derived from an original management of the creative and industrial processes, places the Group itself in a position to offer customers around the world with uniques products, which represent an inimitable synthesis of creativity, quality and exclusivity. In addition, the Group believes that an effective communication is crucial to build and convey an image of strong and consistent brand identity.

The result of the Group's approach to its customers is the unique relationship between each customer and the Group's brands, its products and its stores.

Suppliers

The Group regards its relationship with its suppliers - built up through years of day-to-day collaboration and directed towards continuous improvement - as fundamental to it. During the financial year ended January 31, 2016, the Group purchased supplies from approximately 450 significant raw material vendors and 420 external manufacturers.

Raw materials are a key component of the quality of the Group's products and therefore constitute a primary focus for the Group itself. Their procurement process, import, use and export are carried out in compliance with the most stringent international and local regulations. Every raw material used in the manufacturing process has a certificate of origin that attests its geographical origin.

In fact, the Group has always intended to act as a stimulus for its suppliers, not only in terms of the excellent quality level required, but also through the promotion of a culture and *modus operandi* which comply with the highest ethical standards. The Group thus requires that its suppliers act in a responsible manner and that each of them undertakes and acknowledges the Group's Code of Ethics, which expresses the inalienable rights of employees, proper working conditions, equal opportunity, freedom of association, health insurance coverage and protection of the environment in the collection of the materials and in the production processes.

In order to achieve the highest quality standards, the Group undergoes a strict process in selecting its suppliers. The Group's relationships with suppliers are all aimed at being of a long-term nature and are initiated following a selection process, whose strict parameters are intended to ensure the highest quality standards, with a special focus on working conditions.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to its shareholders by granting dividend payouts, taking into account the liquidity positions and business expansion needs of the Group. Details of the Group's communication with its shareholders are set out in the "Corporate Governance" section of this annual report, which forms part of this directors' report.

Results and dividends

The results of the Group for the year ended January 31, 2016 are set out in the Consolidated Statement of Profit or Loss.

The Board recommends, for the twelve month period ended January 31, 2016, a final dividend of Euro 281,470,640 (or Euro/cents 11 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 the final dividend is approved 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 Tuesday, May 24, 2016. The shareholders recorded on the Company's shareholders register at the opening of business on Tuesday, May 24, 2016, will be allowed to attend and vote at the shareholders' general meeting of the Company.

In order to qualify to attend and vote 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) 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, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Thursday, May 19, 2016. The Company's shareholders register (both sections) will be closed from Friday, May 20, 2016 to Tuesday, May 24, 2016, both days inclusive, during which period no share transfer can be registered.

Subject to the shareholders' approving the recommended final dividend, such dividend will be paid on Monday, June 13, 2016.

The final dividend will be paid to shareholders recorded on the Company's shareholders register on Tuesday, May 31, 2016.

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, 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,

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Monday, May 30, 2016. The Company's shareholders register (both sections) will be closed on Tuesday, May 31, 2016, during which no share transfer can be registered.

The dividend will be paid net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is 26%.

Five-year financial summary

The five-year financial summary of the Group is set out in Note 41 to the Consolidated financial statements.

Reserves

Details of the movements in the reserves of both 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, 2016, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to Euro 1,027,081.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended January 31, 2016 (the "Reviewed Period"), are set out in Note 15 to the Consolidated financial statements.

Pre-emptive rights

The Company's by-laws do not provide for pre-emptive rights.

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 Reviewed Period.

Capital gains 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 already been reported in the Tax Booklet available on the Company's website www.pradagroup.com.

Subsidiaries

Details of the Company's subsidiaries as at January 31, 2016, are set out in Note 42 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 (Chairman of the Board)
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)
Mr. Patrizio BERTELLI (Chief Executive Officer)
Ms. Alessandra COZZANI (Chief Financial Officer)

Mr. Donatello Galli resigned from the role of Executive Director and Chief Financial Officer with effect from February 19, 2016

Non-Executive Directors

Mr. Gaetano MICCICHÉ
Mr. Stefano SIMONTACCHI (Mr. Simontacchi has assumed the role with effect from April 8, 2016)

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 final year of its office. The Directors may be reappointed.

At the shareholders' general meeting of the Company held on May 26, 2015, the Board of Directors was appointed for a term of three financial years. The Board's mandate will therefore lapse on the date of the shareholders' general meeting called to approve the financial statements for the year ending January 31, 2018.

Biographical information of Directors

A brief biography on each of the Directors of the Company is set out in the "Directors and Senior Management" section of this annual report.

Directors' permitted indemnity

There is no permitted indemnity provision in a contract entered into by the Company or any of its associated corporation that is or was in force during the Reviewed Period and until the date when this directors' report is approved by the Board, which is required to be disclosed under section 470 of the Hong Kong Companies Ordinance.

Management contract

No contract concerning the management and administration of the whole or any substantial part of any business of the Company, to which the Company or any of its subsidiaries was part, was entered into or existed during the Reviewed Period.

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 cannot be terminated within one year without payment of compensation, other than statutory compensation.

Directors' interests in competing business

During the Reviewed Period, none of the Directors of the Company, held any interest in a business which competes, or is likely to compete, either directly, or indirectly, with the business of the Company or the Group.

Directors' interests and short positions in securities

As at January 31, 2016, the Directors of the Company and their associates held 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 (the "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 (the "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:

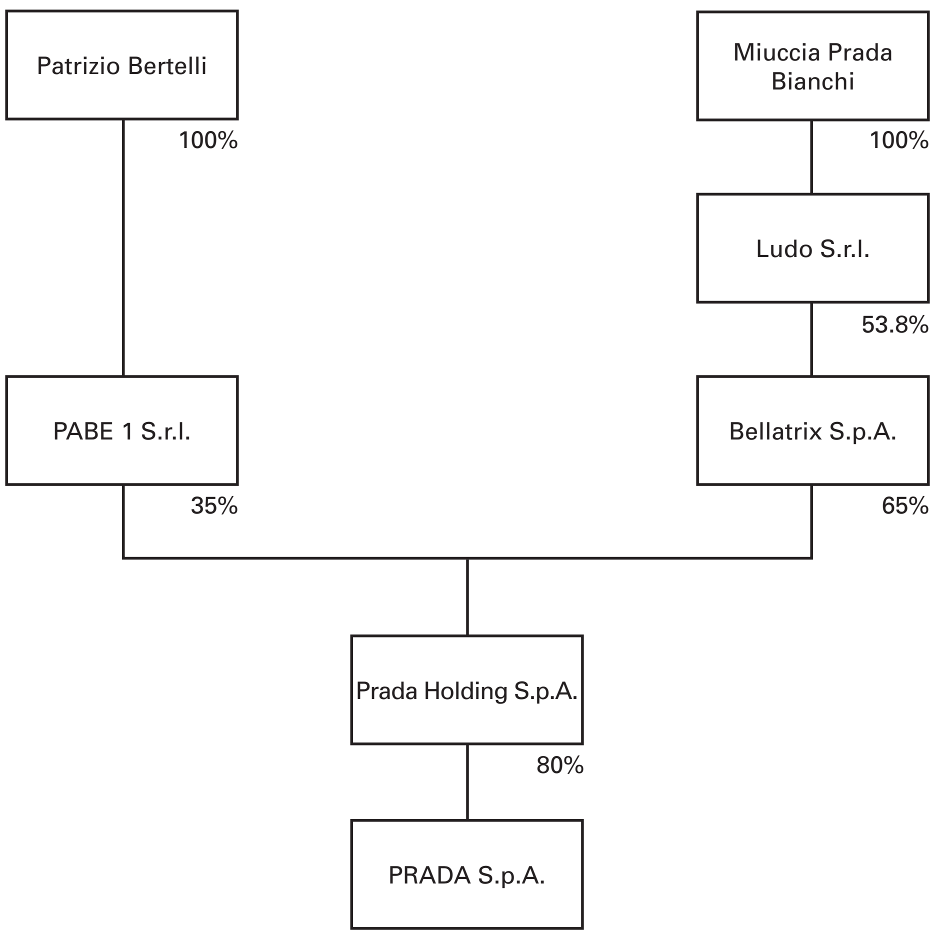
1. Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.

2. Ms. Miuccia Prada Bianchi, owns indirectly through Ludo S.r.l., 53.8% (comprised of 438,460 ordinary shares and 100,000 preference shares) of the capital in Bellatrix S.p.A., which in turn owns 65% (comprised of 1,650 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A..

Ms. Miuccia Prada Bianchi is also a director of Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l..

3. Mr. Patrizio Bertelli owns, indirectly through PABE 1 S.r.l., 35% (comprised of 750 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Mr. Patrizio Bertelli is also a director of PABE 1 S.r.l.

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at January 31, 2016 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 S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	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%
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%
	Ludo S.r.l.	Ordinary Shares	100,311	Beneficial Owner	100%
	PRA 1 S.r.l.	Participation Quotas (Euro)	10,000	Controlled Corporation	100%
	C.I.D. – Cosmetics International Distribution Corp.	Common Shares	1	As above	100%
	Fratelli Prada S.p.A.	Ordinary Shares	734,754	As above	73.48%
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	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%
	C.I.D. – Cosmetics International Distribution Corp.	Common Shares	1	As above	100%

Save as disclosed above, as at January 31, 2016, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and/or 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, 2016, other than the interests of the Directors of the Company as disclosed above, the following persons held 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 S.p.A.	Legal and beneficial owner	2,046,470,760	80%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80%
Ludo S.r.l.	Interest of controlled corporation	2,046,470,760	80%
PABE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80%
OppenheimerFunds, Inc	Investment manager	154,063,010	6.02%
Oppenheimer Developing Markets Fund	Beneficial owner	128,488,610	5.02%
Harris Associates L.P.	Investment manager	180,009,502	7.03%
Harris Associates Investment Trust	Trustee (other than a bare trustee)	128,059,300	5.00%

Note:

Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company. As Ludo S.r.l. owns 53.8% of Bellatrix S.p.A. which in turn owns 65% of Prada Holding S.p.A. and PABE 1 S.r.l. owns 35% of Prada Holding S.p.A., Bellatrix S.p.A., Ludo S.r.l. and PABE 1 S.r.l. are all deemed to be interested in the 2,046,470,760 shares of the Company held by Prada Holding S.p.A..

Share capital

Details of the share capital of the Company during the Reviewed Period are set out in both the Consolidated Statement of Changes in Shareholders' Equity and Note 28 to the Consolidated financial statements.

Material interests of Directors and entities connected with a Director in transactions, arrangements and contracts

Save for those contracts disclosed under the section on Continuing Connected Transactions below and in Consolidated financial statements Note 39, Transactions with Related Parties, and Note 38, Remuneration of the Board of Directors, in the opinion of the Directors, no transaction, agreement or contract of significance to the Company or the Group subsists as at January 31, 2016, or in fact subsisted during the Reviewed Period in relation to the Company or the Group's business in which the direct or indirect interest of a Director or an entity connected with a Director 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, these being arrangements whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Issuance of debt securities

Neither the Company nor any of its subsidiaries issued any debt securities during the Reviewed Period.

As announced on August 1, 2013, the Company issued Euro 130 million 2.75 per cent Notes which become due on August 1, 2018 (the "Notes"). The Notes were subscribed by professional and institutional investors and were settled on August 1, 2013. The Notes were admitted to the official list on the Irish Stock Exchange and were permitted to trade on its regulated market. The Company may, at its discretion, redeem the entirety of the Notes at once (but not some only), 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.

Continuing Connected transactions

During the Reviewed Period, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Company's announcements dated January 29, 2013, January 29, 2014, February 27, 2014, April 2, 2015 and July 15, 2015, respectively:

(a) Franchise Agreement – Prada Milan Stores

As disclosed in the Company's announcement dated January 29, 2014, the Company was established in 1913 as a family business operating 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.

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, all of which 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 for the Reviewed Period of the Franchise Agreement:

Franchise Agreement – Prada Milan Stores	Euro million
Revenue from sales of goods	61.5
Revenue from services	5.0
Royalties income	1.7
Purchase of goods by the Group	(1.0)
Net transaction amount	67.2

(b) 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 a term of 18 years (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 a term of 18 years. PPA is a company indirectly controlled by Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (both of whom are Chief Executive Officers, executive directors and substantial shareholders in the Company). Under the PPA Business Combination Agreement, the Company is granted the right to represent on exclusively 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 its activities, particularly those considered cultural, on 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 was terminated early on March 31, 2015 and with effect from April 1, 2015. Following the termination, the commercial retail activity in relation to the Galleria Property (being the men's segment) has been and will continue to be directly managed and operated by the Company through its subsidiary, Prada Stores S.r.l.. As a result of the termination, Fratelli Prada S.p.A. has renounced its right, under the Franchise Agreement (as defined in the above paragraph (a) under heading "Franchise Agreement – Prada Milan Stores") to operate and manage the above mentioned activity.

The annual cap for the Reviewed Period of the rent to be paid by PPA to the Company under the PPA Business Combination Agreement is Euro 1.6 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 5.5 million.

(c) Luna Rossa sponsorship agreement

On February 27, 2014, the Company entered into a sponsorship agreement with Luna Rossa Challenge S.r.l. a company which is indirectly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, an executive director and a substantial shareholder of the Company, in relation to the participation of the *Luna Rossa* sailing team in the XXXV edition of the America's Cup (the "Luna Rossa Sponsorship Agreement").

In April 2015, Luna Rossa withdrew from the America's Cup due to the change of the rule to downsize the sailing yacht which was resolved without the unanimous consent of all participants. The Company continued sponsoring the related activities to be carried out by the *Luna Rossa* sailing team to further promote Prada's name through the sponsorship.

The annual cap for the Reviewed Period of the sponsorship contribution to be paid by the Company to Luna Rossa Challenge S.r.l. under the Luna Rossa Sponsorship Agreement for the Reviewed Period is Euro 24 million.

(d) Lease Agreement and Guarantee for Aoyama Building in Japan

On July 15, 2015, PABE-RE LLC purchased a building in Minami-Aoyama, Tokyo, Japan ("the Aoyama Building"). Prada Japan Co. Ltd ("Prada Japan"), the Company's indirect wholly-owned subsidiary, has been leasing the Aoyama Building for use as its flagship store in Tokyo since 2004.

On May 25, 2015, Prada Japan, as lessee, and the former lessor, renewed the lease of the Aoyama Building by entering into a lease agreement for a term of 20 years (the "Lease Agreement"). On the same date, the Company granted a guarantee in favour of the former lessor to guarantee the punctual performance by Prada Japan of all its obligations under the Lease Agreement (the "Guarantee").

As a results of purchasing the Aoyama Building, PABE-RE LLC has become the lessor under the Lease Agreement and the beneficiary of the Guarantee granted by the Company in favour of the former lessor.

PABE-RE LLC is a wholly-owned subsidiary of PABE 1 S.r.l., a substantial shareholder of the Company, which is directly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, Executive Director and substantial shareholder of the Company.

Accordingly, the Lease Agreement and the Guarantee, which were continuing transactions of the Group, have become continuing connected transactions of the Group under Chapter 14A of the Listing Rules. The annual cap for the Reviewed Period for the rent (on a pro-rata basis) to be paid to PABE-RE LLC, or to be accrued by the Company in accordance with applicable accounting rules, under the Lease Agreement and the Guarantee is JPY 1,113,884,000.

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"	Other Accounting adjustment to the CCT following the application of "IAS 1 Presentation of Financial Statements"	Total impact on the income statements for the twelve months ended January 31, 2016
(a) Franchise Agreement – Prada Milan Stores	**Euro million**	**Euro million**	**Euro million**	**Euro million**
Revenue from sales of goods	30.3	-	-	30.3
Revenue from services, net	0.6	-	-	0.6
Royalties income	0.9	-	-	0.9
Purchase of goods by the Group	(0.1)	-	-	(0.1)
Net transaction amount	31.7	-	-	31.7
(b) PPA Business Combination Agreement				
Rental income	0.9	0.4	-	1.3
(c) Fratelli Prada Business Management Agreement				
Business management income	0.5	(3.2)	-	(2.7)
(d) Luna Rossa Sponsorship Agreement				
Sponsorship contribution	18.0	-	(4.4)	13.6
(e) Lease Agreement and Guarantee for Aoyama Building	**Japanese Yen million**	**Japanese Yen million**	**Japanese Yen million**	**Japanese Yen million**
Rent	1,113.87	-	-	1,113.87

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 better; and

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

The Directors of the Company have engaged the auditors to review the above non-exempt continuing connected transactions. The auditors have, 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 nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Company's Board of Directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transaction involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have exceeded the relevant annual limits set out in the Company's announcements dated January 29, 2013, January 29, 2014, February 27, 2014 and July 15, 2015, as applicable.

Other than the above non-exempt continuing connected transactions no other transaction disclosed in the Consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Listing Rules or, where it falls under the definition of "connected transaction" 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, 2016 are set out in Notes 19 and 24 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 less than 30% of the total sales or purchases and the Directors do not consider any one customer or supplier to have an influence on the Group.

Retirement benefit schemes

Details of the retirement benefit schemes of the Group are set out in Note 25 to the Consolidated financial statements.

Model Code for securities transactions

The Company has adopted the Model Code. Having made specific enquiries to all Directors, all have confirmed that they have complied with the standard set out in 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, 2016 are set out in Notes 40 and 26 respectively to the Consolidated financial statements.

Sufficiency of public float

At the time the Company was listed, the Stock Exchange granted a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "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 an 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 the Consolidated financial statements for the year which ended January 31, 2016, 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. The non-executive director appointed on April 8, 2016, having been duly informed about the principles and criteria underlying the preparation of the Consolidated financial statements of the Company for the year ended January 31, 2016, has duly acknowledged them.

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 of the Company in a general meeting, 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.

At the shareholders' general meeting of the Company held on May 23, 2013, it was resolved that Deloitte & Touche S.p.A. be appointed as the auditor of the Company for a term of three financial years. Accordingly, the auditor's mandate will expire at the forthcoming shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ended January 31, 2016.

On April 8, 2016, the Board had resolved, in accordance with the recommendations received from the Board of statutory auditors and the Audit Committee, to propose a resolution at the forthcoming shareholders' general meeting of the Company to re-appoint Deloitte & Touche S.p.A. as the auditor of the Company for the relevant three year-term and to fix its remuneration.

By order of the Board

Carlo Mazzi
Chairman

April 8, 2016

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward 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, for the entire Reviewed Period (i.e. the year ended January 31, 2016). This Corporate Governance Report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents 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, 2016, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out in the Directors' Report.

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which four are Executive Directors, two are Non-Executive Directors and three are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is 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 of this annual report. The Company has maintained both on its own website and on the website of the Stock Exchange an updated list of its Directors, identifying their respective roles and functions and also specifying if they are an Independent Non-Executive Director.

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 based on objective criteria, with due regard for the benefits of diversity within the Board. Diversity in this sense encompasses a wide range of factors, 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 which the candidates can bring to the Board.

The Nomination Committee has been delegated 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 its 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 six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual, interim and quarterly results) and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings either in person or through electronic means was 81.5%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the Board meetings and all Board Committee meetings are available for inspection by any Director 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	Remuneration Committee	Nomination Committee	Shareholder's Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		2/2	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	2/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	4/6				0/1
Mr. Donatello GALLI (Chief Financial Officer)	6/6				1/1
Ms. Alessandra COZZANI	6/6				1/1
Non-Executive Director					
Mr. Gaetano MICCICHÉ	2/6				0/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 1	6/6	8/8	2/2	1/1	1/1
Mr. Giancarlo FORESTIERI 2	6/6	6/8	2/2		1/1
Mr. Sing Cheong LIU 3	6/6	7/8		1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6	8/8			1/1
Mr. Roberto SPADA	5/6	6/8			1/1
Mr. David TERRACINA	4/6	5/8			1/1
Date(s) of Meeting	Mar 27, 2015	Feb 26, 2015	Mar 17, 2015	Mar 26, 2015	May 26, 2015
	May 26, 2015	Mar 26, 2015	May 26, 2015		
	June 12, 2015	June 12, 2015			
	July 10, 2015	Sept 15, 2015			
	Sept 15, 2015	Nov 13, 2015			
	Dec 15, 2015	Dec 14, 2015			
		Dec 15, 2015			
		Jan 22, 2016			
Average Attendance Rate of Directors	81.5%	87.5%	100%	100%	66.7%

Notes:
1: Chairman of Audit Committee, Remuneration Committee and Nomination Committee
2: Member of Audit Committee and Remuneration Committee
3: Member of Audit Committee and Nomination Committee

Ms. Miuccia Prada Bianchi, Chief Executive Officer of the Company, was absent for four of the Board meetings due to prior commitments concerning fashion shows. Prior to the relevant Board meeting being held, she rendered her views and comments to all the Board members through the Chairman.

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 successful implementation and attainment of the Company's 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 reserves for its own consideration and decision all matters concerning the overall Group strategy, major acquisitions and disposals, annual budgets, as well as annual, interim and quarterly results, approval of major transactions, connected transactions and any 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 in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties.

The Executive Directors are responsible for the day-to-day management of the Company and to make operational and business decisions within the control and delegation framework of the Company.

The types of decisions delegated by the Board to the management include:

- the preparation of annual, interim and quarterly results for the approval of the Board prior to 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, qualifications as well as varied backgrounds and perspectives. They participate in the Board and Board Committees (including Audit Committee, Remuneration Committee and Nomination Committee) meetings to bring independent and objective opinions, 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 shareholders' 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 provided the Company with the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 8, 2016. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

g. Liability Insurance for the Directors

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of all 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 to and developments of the

Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. In addition, all Directors attended an in-house seminar conducted by the Joint Company Secretaries covering primarily the ESG reporting obligations and amendment of the Code: risk management and internal control. 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 Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano.

Chairman and Chief Executive Officers

The Chairman is Mr. Carlo Mazzi and the Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairman is separate from that of the Chief Executive Officers. The Chairman is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly and adhering to 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 26, 2015, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the shareholders' general meeting called to approve the financial statements of the Company for the year ended January 31, 2018.

The Board is empowered under the Company's by-laws to appoint any person as a Director to fill a casual vacancy.

On February 19, 2016, the Nomination Committee and the Board accepted the resignation of Mr. Donatello Galli, the former Executive Director and Chief Financial Officer of the Company, and on the same day, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani, an existing Executive Director with the additional role as the Chief Financial Officer.

On April 8, 2016, the Nomination Committee recommended and on the same date, the Board approved, the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation. Mr. Stefano Simontacchi's appointment as Non-Executive Director will be subject to election by the shareholders at the forthcoming shareholders' general meeting and his mandate as Non-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 the Company's appropriate corporate governance policies and ensuring its compliance 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 regarding compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Ethics, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative Decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;

(v) to review the Company's compliance with the Code and disclosure of such 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) reviewed connected transactions of the Company;

(ii) reviewed the level of compliance with the Code;

(iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee;

(iv) approved the Group's main investments and corporate reorganization plans.

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 both the website of the Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 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 possesses 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 its internal control and risk management systems, to oversee the external audit process, the internal audit process and to perform any other duties and responsibilities as are assigned to it by the Board.

During the Reviewed Period, the Audit Committee held eight meetings (with an attendance rate of 87.5%) mainly to review with senior management, 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 audit plans as well as the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group, tax updates and financial reporting matters (including the annual results for the year ended January 31, 2015, the first quarter results as of April 30, 2015, the interim financial results as of July 31, 2015 and third quarter results as of October 31, 2015) before recommending them to the Board for approval.

The Audit Committee has also held a meeting on April 8, 2016, to review the annual results for the year ended January 31, 2016, before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the financial statements ended January 31, 2016 and January 31, 2015, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Provided to	twelve months ended January 31, 2016	twelve months ended January 31, 2015
Audit services	Deloitte & Touche spa	PRADA spa	485	480
Audit services	Deloitte & Touche spa	Subsidiaries	162	174
Audit services	Deloitte Network	Subsidiaries	1,294	1,210
Total audit fees accruing			1,941	1,864
Other advisory services	Deloitte Network	PRADA spa	880	14
Other advisory services	Deloitte Network	PRADA spa and subsidiaries	247	265
Total non-audit fees accruing			1,127	279
Out of pocket expenses			99	50
Total independent auditor's compensation accruing			3,167	2,193

The total amount of the fees accruing for audit services increased from Euro 1,864 thousand for 2014 to Euro 1,941 thousand for 2015. The increase was mainly due to new appointments to provide services to newly incorporated companies and because of application of contractually agreed parameters (e.g. inflation-linked increases). The other advisory services amounting to Euro 880 thousand provided by Deloitte Network to PRADA spa mainly relate to advisory services to support the transformation of human resources processes, to the organization process aimed at creating a Data Warehouse and some customer segmentation activities.

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 package of Directors and senior management and the establishment of a formal and transparent procedure for developing policies 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.

During the Reviewed Period, the Remuneration Committee held two meetings (with an attendance rate of 100%) mainly to recommend certain updates to the long-term incentive plan connected to the Group's results, the proposed allocation of the aggregate basic remuneration of the Board to the directors and of the aggregate basic remuneration of the Board of the Statutory Auditors (which were both approved by the shareholders at the general meeting on May 26, 2015) and the proposed allocation of the additional remuneration of the directors vested with special authorities (that is to the executive directors and members of the Board's committees).

Remuneration Policy

The Group's compensation policy is aimed at attracting, rewarding and protecting its personnel, who are considered to be key to the success of the Group's business.

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 long term cash incentive plans for senior managers and 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 following the development of a seasonal collection.

The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as 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 determine the policy for the nomination of Directors and to make recommendations to the Board regarding 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, where appropriate, adoption. 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.

During the Reviewed Period, the Nomination Committee held one meeting, to assess and confirm the independence of the Independent Non-Executive Directors of the Company for 2014 financial year and to recommend to the shareholders the current structure of the Board and the re-election of all the directors of the Company at the shareholders' general meeting held on May 26, 2015.

On February 19, 2016, the Nomination Committee (with all members attending) and the Board accepted the resignation of Mr. Donatello Galli, the former Executive Director and Chief Financial Officer of the Company, and on the same day, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani, an existing Executive Director with the additional role as the Chief Financial Officer.

On April 8, 2016, the Nomination Committee recommended and on the same date, the Board approved the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation. In addition, the Nomination Committee recommended to the shareholders the election of Mr. Stefano Simontacchi as Non-Executive Director at the forthcoming shareholders' general meeting. The Nomination Committee also assessed and confirmed the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period.

d. Supervisory Body

In compliance with Italian Legislative Decree no. 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, as well as 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 its functioning.

At the shareholders' general meeting of the Company held on May 26, 2015, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of the Board of Statutory Auditors will expire at the shareholders' general meeting called to approve the financial statements of the Company for the year ended January 31, 2018.

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 Ms. Stefania Bettoni 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, 2016 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 non-executive director appointed on April 8, 2016, having been duly informed about the principles and criteria underlying the preparation of the Consolidated financial statements of the Company for the year ended January 31, 2016, has duly acknowledged them. 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.

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.

To better control its activities in moving toward achievement of the established objectives, the Group has adopted the "Enterprise Risk Management – Integrated Framework" as reference method to identify and deal with specific risks arising out of the continuous changes which affect the regulatory framework and the Group's operations.

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 throughout the Reviewed Period and is adequate for the Group as a whole. In particular the Board is generally satisfied of the adeguacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function.

Joint Company Secretaries

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries. Given that the headquarter of the Company is located outside Hong Kong and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries.

During the Reviewed Period, each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge. In addition, they have attended a training session held by the Company's legal advisor (Slaughter and May) relating to the Listing Rules which lasted for two hours. Their biographies are set out in the Directors and Senior Management section.

Shareholders' Rights

a. Convening of the shareholders' general meeting at the shareholders' request

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 from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance 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 an 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 nominate a person for election as a 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 to the Company's constitutional documents.

Communication with Shareholders

a. Investor relations and communications

The Company endeavors to maintain a high level of transparency when communicating with the 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 and results briefings 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 regularly review 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 the 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 26, 2015 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a 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 "2015 Shareholders' General Meeting"). The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2015 Shareholders' General Meeting.

Separate resolutions were proposed at the 2015 Shareholders' General Meeting relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 26, 2015. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Ordinary Resolutions passed at the 2015 Shareholders' General Meeting		Number of Votes cast in favour (%)
1.	To approve the Audited Separate Financial Statements and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2015 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,437,083,011 (99.90%)
2	To approve the allocation of the net income for the year ended January 31, 2015 to Shareholders as a final dividend of Euro 11 cents per share and to retained earnings.	2,437,083,011 (99.90%)
3.	To approve the Board of Directors will consist of nine Directors and will be appointed for a term of three financial years.	2,436,935,534 (99.90%)
4.	To re-elect Mr. Carlo MAZZI as Director of the Company.	2,427,022,857 (99.49%)
5.	To re-elect Ms. Miuccia PRADA BIANCHI as Director of the Company.	2,427,704,847 (99.52%)
6.	To re-elect Mr. Patrizio BERTELLI as Director of the Company.	2,428,032,347 (99.53%)
7.	To re-elect Mr. Donatello GALLI as Director of the Company.	2,429,336,549 (99.59%)
8.	To re-elect Ms. Alessandra COZZANI as Director of the Company.	2,436,308,549 (99.87%)
9.	To re-elect Mr. Gaetano MICCICHÈ as Director of the Company.	2,229,312,499 (91.39%)
10.	To re-elect Mr. Gian Franco Oliverio MATTEI as Director of the Company.	2,428,902,675 (99.57%)
11.	To re-elect Mr. Giancarlo FORESTIERI as Director of the Company.	2,436,796,211 (99.89%)
12.	To re-elect Mr. Sing Cheong LIU as Director of the Company.	2,436,373,736 (99.87%)
13.	To re-elect Mr. Carlo MAZZI as Chairman of the Board of Directors.	2,419,333,786 (99.18%)
14.	To approve the aggregate basic remuneration of the Board of Directors for its three-year term.	2,249,876,629 (92.23%)
15.	To re-elect Mr. Antonino PARISI as effective member of the Board of Statutory Auditors of the Company for a term of three financial years.	2,417,340,311 (99.09%)
16.	To re-elect Mr. Roberto SPADA as effective member of the Board of Statutory Auditors of the Company for a term of three financial years.	2,409,119,099 (98.76%)
17.	To re-elect Mr. David TERRACINA as effective member of the Statutory Auditors of the Company for a term of three financial years.	2,417,340,311 (99.09%)
18.	To elect Ms. Stefania BETTONI as alternate statutory auditor of the Company for a term of three financial years.	2,417,340,311 (99.09%)
19.	To re-elect Mr. Cristiano PROSERPIO as alternate statutory auditor of the Company for a term of three financial years.	2,417,340,311 (99.09%)
20.	To approve the aggregate remuneration of the Board of Statutory Auditors for its three-year term.	2,437,083,011 (99.90%)
23.	To elect as Chairman of the Board of Statutory Auditors for a term of three financial years.	Mr. Antonino PARISI 2,358,402,644 (96.68%)

All resolutions put to the shareholders at the 2015 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 2015 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 from 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 2016	January 31 2015
Assets			
Current assets			
Cash and cash equivalents	9	680,601	708,966
Trade receivables, net	10	254,183	346,284
Inventories	11	692,672	654,545
Derivative financial instruments – current	12	11,682	6,287
Receivables from, and advance payments to, related parties - current	13	19,629	3,240
Other current assets	14	229,671	180,633
Total current assets		1,888,438	1,899,955
Non-current assets			
Property, plant and equipment	15	1,517,779	1,474,218
Intangible assets	16	932,238	943,304
Associated undertakings	17	17,354	30,529
Deferred tax assets	35	280,572	280,983
Other non-current assets	18	113,954	91,353
Derivative financial instruments - non current	12	721	1,106
Receivables from, and advance payments to, related parties – non-current	13	5,499	17,429
Total non-current assets		2,868,117	2,838,922
Total Assets		4,756,555	4,738,877
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdrafts and short-term loans	19	270,112	263,335
Payables to related parties - current	20	5,244	3,083
Trade payables	21	281,699	437,420
Tax payables	22	80,744	133,914
Derivative financial instruments - current	12	11,095	56,772
Obligations under finance leases - current		654	21
Other current liabilities	23	142,271	220,480
Total current liabilities		791,819	1,115,025
Non-current liabilities			
Long-term financial payables	24	520,475	255,203
Post-employment benefits	25	69,405	85,754
Provision for risks and charges	26	69,233	63,695
Deferred tax liabilities	35	36,882	41,634
Other non-current liabilities	27	161,317	128,752
Derivative financial instruments non-current	12	10,047	17,283
Payables to related parties – non-current	20	-	13,384
Total non-current liabilities		867,359	605,705
Total Liabilities		1,659,178	1,720,730
Share capital		255,882	255,882
Total other reserves		2,355,023	2,163,129
Translation reserve		138,547	130,996
Net income for the year		330,888	450,730
Equity attributable to owners of Group	28	3,080,340	3,000,737
Equity attributable to Non-controlling interests	29	17,037	17,410
Total Equity		3,097,377	3,018,147
Total Liabilities and Total Equity		4,756,555	4,738,877
Net current assets		1,096,619	784,930
Total assets less current liabilities		3,964,736	3,623,852

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	Note	twelve months ended January 31 2016	%	twelve months ended January 31 2015	%
Net revenues	30	3,547,771	100.0%	3,551,696	100.0%
Cost of goods sold	31	(980,206)	-27.6%	(1,001,117)	-28.2%
Gross margin		2,567,565	72.4%	2,550,579	71.8%
Operating expenses	32	(2,064,672)	-58.2%	(1,849,028)	-52.1%
EBIT		502,893	14.2%	701,551	19.8%
Interest and other financial income/(expenses), net	33	(29,872)	-0.9%	(34,304)	-1.0%
Dividends from investments	34	2,311	0.1%	455	-
Income before taxes		475,332	13.4%	667,702	18.8%
Taxation	35	(141,994)	-4.0%	(208,484)	-5.9%
Net income for the year from continuing operations		333,338	9.4%	459,218	12.9%
Net income – Non-controlling interests	29	2,450	0.1%	8,488	0.2%
Net income – Group		330,888	9.3%	450,730	12.7%
Basic and diluted earnings per share (in Euro per share)	36	0.129		0.176	

Consolidated statement of cash flows

(amounts in thousands of Euro)	twelve months ended January31 2016	twelve months ended January 31 2015
Income before taxation	475,332	667,702
Income Statement adjustments		
Depreciation and amortization from continuing operations	290,408	248,647
Impairment of property, plant and equipment and intangible assets	9,457	4,051
Non-monetary financial (income) expenses	22,104	33,844
Other non-monetary charges	33,877	13,677
Balance Sheet changes		
Other non-current assets and liabilities	(59,806)	(30,050)
Trade receivables, net	91,047	(23,667)
Inventories, net	(63,656)	(173,306)
Trade payables	(155,339)	80,420
Other current assets and liabilities	(15,916)	(33,089)
Cash flows from operating activities	627,508	788,229
Interest paid, net – third parties	(13,583)	(9,892)
Taxes paid	(245,460)	(294,740)
Net cash flows from operating activities	368,465	483,597
Purchases of property, plant and equipment and intangible assets	(393,905)	(361,624)
Disposals of property, plant and equipment and intangible assets	3,353	-
Dividends from investments	1,315	455
Investment in associated undertaking	(2,138)	-
Transactions with Non-controlling shareholders	(750)	-
Business combination	-	(7,701)
Net cash flows utilized by investing activities	(392,125)	(368,870)
Dividends paid to shareholders of PRADA spa	(281,471)	(281,471)
Dividends paid to non-controlling shareholders	(3,229)	(9,378)
Repayment of loans to related companies	-	(2,211)
Repayment of loans by related companies	-	2,000
New loans to related companies	-	(741)
New loans from related companies	2,379	-
Repayment of short term portion of long term borrowings - third parties	(45,391)	(40,676)
Arrangement of long-term borrowings – third parties	192,444	77,856
Change in short-term borrowings – third parties	125,082	195,469
Share capital increases by non-controlling shareholders of subsidiaries	409	2,125
Cash flows generated/(utilized) by financing activities	(9,777)	(57,027)
Change in cash and cash equivalents, net of bank overdrafts	(33,437)	57,700
Foreign exchange differences	5,158	82,874
Opening cash and cash equivalents, net of bank overdraft	708,873	568,299
Closing cash and cash equivalents, net of bank overdraft	680,594	708,873
Cash and cash equivalents	680,601	708,966
Bank overdraft	(7)	(93)
Closing cash and cash equivalents, net of bank overdraft	680,594	708,873

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

											Equity		
(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Available for sale Reserve	Other reserves	Total other reserves	Net income for year	Equity attributable to owners of the Group	Equity attributable Non-controlling interests	Total Equity
Balance at January 31, 2014	2,558,824,000	255,882	(49,438)	410,047	3,699	(11,452)	4,108	1,446,923	1,853,325	627,785	2,687,554	13,986	2,701,540
Allocation of 2013 net income	-	-	-	-	-	-	-	627,785	627,785	(627,785)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(9,378)	(290,849)
Acquisition of Marchesi Angelo srl	-	-	-	-	-	-	-	(2,466)	(2,466)	-	(2,466)	107	(2,359)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,125	2,125
Comprehensive income for the year (recycled to P&L)	-	-	180,434	-	(39,022)	-	7,007	-	(32,015)	450,730	599,149	10,573	609,722
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(2,029)	-	-	(2,029)	-	(2,029)	(3)	(2,032)
Balance at January 31, 2015	2,558,824,000	255,882	130,996	410,047	(35,323)	(13,481)	11,115	1,790,771	2,163,129	450,730	3,000,737	17,410	3,018,147
Allocation of 2014 net income	-	-	-	-	-	-	-	450,730	450,730	(450,730)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(3,228)	(284,699)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	409	409
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	(726)	(726)	-	(726)	(39)	(765)
Comprehensive income for the year (recycled to P&L)	-	-	7,551	-	28,223	-	(10,182)	-	18,041	330,888	356,480	2,479	358,959
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	5,320	-	-	5,320	-	5,320	6	5,326
Balance at January 31, 2016	2,558,824,000	255,882	138,547	410,047	(7,100)	(8,161)	933	1,959,304	2,355,023	330,888	3,080,340	17,037	3,097,377

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Net income for the period – Consolidated	333,338	459,218
A) Items recycled to P&L:		
Change in Translation reserve	7,580	182,519
Tax impact	-	-
Change in Translation reserve less tax impact	7,580	182,519
Change in Cash Flow Hedge reserve	38,907	(52,817)
Tax impact	(10,684)	13,795
Change in Cash Flow Hedge reserve less tax impact	28,223	(39,022)
Change in Fair Value reserve	(13,576)	9,343
Tax impact	3,394	(2,336)
Change in Fair Value reserve less tax impact	(10,182)	7,007
B) Item not recycled to P&L:		
Change in Actuarial reserve	6,526	(2,338)
Tax impact	(1,200)	306
Change in Actuarial reserve less tax impact	5,326	(2,032)
Consolidated comprehensive income for the period	364,285	607,690
Comprehensive income for the period – Non-controlling Interests	2,485	10,570
Comprehensive income for the period – Group	361,800	597,120

The accounting policies and the 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 2016	January 31 2015
Assets		
Current assets		
Cash and cash equivalents	157,110	127,788
Trade receivables, net	538,558	741,907
Inventories	320,717	312,797
Derivative financial instruments	11,276	6,479
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties	95,481	52,747
Other current assets	158,867	107,678
Total current assets	1,282,009	1,349,396
Non-current assets		
Property, plant and equipment	555,913	462,270
Intangible assets	125,837	119,103
Associated undertakings	945,527	931,599
Deferred tax assets	36,781	50,145
Other non-current assets	16,452	11,340
Derivative financial instruments - non current	7,546	9,544
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties	330,164	309,564
Total non-current assets	2,018,220	1,893,565
Total assets	3,300,229	3,242,961
Liabilities and Shareholders' equity		
Current liabilities		
Bank overdrafts and short-term loans	207,574	157,972
Financial payables and other payables to parent company, subsidiaries, associates and related parties	53,856	339,051
Trade payables	587,422	640,984
Current tax liabilities	9,071	9,053
Derivative financial instruments	9,218	52,708
Obligations under financial leases	654	-
Other current liabilities	92,664	156,742
Total current liabilities	960,459	1,356,510
Non-current liabilities		
Long-term debt, net of current portion	371,729	129,209
Post-employment benefits	37,862	55,878
Provisions	25,503	22,855
Deferred tax liabilities	4,845	7,612
Other non-current liabilities	17,257	5,844
Derivative financial instruments - non current	9,839	13,879
Financial payables and other payables to parent company, subsidiaries, associates and related parties	269,566	43,851
Total non-current liabilities	736,601	279,128
Total liabilities	1,697,060	1,635,638
Share capital	255,882	255,882
Other reserves	1,098,866	966,012
Net income of the year	248,421	385,429
Shareholders' equity	1,603,169	1,607,323
Total Liabilities & Shareholders' Equity	3,300,229	3,242,961

PRADA spa Statement of Profit or Loss

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Net revenues	1,914,781	2,027,507
Cost of goods sold	(890,721)	(941,628)
Gross Margin	1,024,060	1,085,879
Selling, general and administrative expenses	(682,777)	(572,899)
Interest and other financial income (expenses), net	7,570	34,582
Income before tax	348,853	547,562
Income taxes	(100,432)	(162,133)
Net income for the year	248,421	385,429

PRADA spa Statement of comprehensive income

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Net income for the year	248,421	385,429
Items recycled to P&L:		
Change in cash flow hedge reserve	38,711	(43,658)
Tax effect	(10,645)	12,006
Change in Cash Flow Hedge reserve after tax effect	28,066	(31,652)
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	830	(2,950)
Tax effect	-	340
Change in actuarial reserve after tax effect	830	(2,610)
Net gains (losses) recognized directly in equity	28,896	(34,262)
Total comprehensive income	277,317	351,167

PRADA spa Statement of cash flows

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Cash flows from operating activities:		
Income before taxation	348,853	547,562
Adjustments for:		
Depreciation and amortization	41,779	32,317
Impairment of fixed assets	615	127
Losses/(gains) on disposal of non-current assets	(22)	2,140
Impairment of investments	28,793	32,417
Non-monetary financial (income) expenses	(47,947)	(98,110)
Provisions and other non-monetary expenses	24,251	40,053
Balance sheet adjustments for:		
Trade receivables, net	197,322	(115,213)
Inventories, net	(30,345)	(124,724)
Trade payables	(54,139)	202,594
Other current assets and liabilities	(36,800)	(15,803)
Other non-current assets and liabilities	(1,623)	(19,421)
Cash flows generated by operations	470,737	483,939
Interest paid	(7,862)	(6,988)
Income taxes paid	(147,325)	(204,745)
Net cash flows generated by operations	315,550	272,206
Cash flows generated (utilized) by investing activities:		
Purchase of property, plant and equipment	(174,164)	(100,331)
Disposal of property, plant and equipment	-	3,355
Purchase of intangible assets	(24,429)	(11,588)
Disposal of intangible assets	97	1,318
Investments in subsidiaries	(13,161)	(54,861)
Dividends received	42,039	92,982
Cash flows generated (used) by investing activities	(169,618)	(69,125)
Cash flows generated (utilized) by financing activities:		
Dividends paid	(281,470)	(281,470)
Change in bank borrowing - current	49,125	161,476
Change in intercompany loans - current	(48,629)	3,212
Loans repaid by subsidiaries	25,095	89,981
Loans made to subsidiaries	(118,700)	(160,973)
Long-term loans repaid by/(made to) related parties	38	(741)
Repayment of current portion of long term borrowings	(7,636)	(12,984)
New long term borrowings	265,654	-
Cash flows generated (used) by financing activities	(116,523)	(201,499)
Change in cash and cash equivalents net of bank overdraft	29,409	1,582
Exchange differences	(1)	2
Opening cash and cash equivalents, net of bank overdraft	127,699	126,115
Closing cash and cash equivalents, net of bank overdraft	157,107	127,699
Cash and bank balances	157,110	127,788
Bank overdraft	(3)	(89)
Closing cash and cash equivalents, net of bank overdraft	157,107	127,699

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 2014	2,558,824,000	255,882	410,047	51,177	182,899	241,883	3,679	395,574	1,541,141
Allocation of 2013 net income	-	-	-	-	-	395,574	-	(395,574)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Other movements	-	-	-	-	-	(3,514)	-	-	(3,514)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(31,652)	385,429	353,777
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(2,610)	-	-	(2,610)
Balance at January 31 2015	2,558,824,000	255,882	410,047	51,177	182,899	349,862	(27,973)	385,429	1,607,323
Allocation of 2014 net income	-	-	-	-	-	385,429	-	(385,429)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	28,066	248,421	276,487
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	830	-	-	830
Balance at January 31 2016	2,558,824,000	255,882	410,047	51,177	182,899	454,650	93	248,421	1,603,169

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 specific licensing agreements, in the eyewear and fragrances. Its products are sold in 70 countries worldwide through a network that included 618 Directly Operated Stores (DOS) at January 31, 2016, 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 the date of these Consolidated financial statements, 79.98% of the share capital was owned by PRADA Holding spa, a company domiciled in Italy, 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 8, 2016.

2. Basis of preparation

The Consolidated financial statements of the PRADA Group as at January 31, 2016, including the "Consolidated statement of financial position", the "Consolidated Statement of Profit or Loss", 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 an accurate and complete information are provided in the Notes to the consolidated financial statements. The Consolidated Statement of Profit or Loss 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. New IFRS and 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, 2015

The following new IFRS and amendments to existing IFRS have been endorsed by the European Union and are applicable to the PRADA Group effective from February 1, 2015. These changes do not have any significant impact on the Group as of the date of these consolidated financial statements:

– Annual improvements to IFRS (2011–2013 Cycle). Such improvements impacted:
  – "IFRS 1 First-time Adoption of IFRS", clarifying the 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.

– Amendments to "IAS 19 Employee Benefits". The IASB has amended the requirements in IAS 19 for contributions from employees or third parties that are linked to a service.

– Annual improvements to IFRS (2010–2012 Cycle). Such improvements, effective for annual periods beginning on or after July 1, 2014, 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.

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, 2016

– Amendment to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization". The IASB amended "IAS 16 Property, Plant and Equipment" and "IAS 38 Intangible assets" clarifying that, even though the selection of an amortization methodology involves the use of judgement, a revenue-based method is not considered to be an appropriate manifestation of consumption for depreciating an asset. An entity shall apply those amendments prospectively for annual periods beginning on or after January 1, 2016.

– Amendment to "IFRS 11 Accounting for Acquisitions of Interests in Joint Operations". This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in "IFRS 3 Business Combinations", to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in “IFRS 11 Joint Arrangements”. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. An entity shall apply that amendment in annual periods beginning on or after January 1, 2016.

– *Disclosure Initiative:* Amendments to “IAS 1 Presentation of Financial Statements”. This project is part of the IASB's overall disclosure initiative and it considers proposals such as:
  – adding an explanation in IAS 1 similar to more recent standards explaining that too much detail can obscure useful information;
  – clarifying that materiality applies to the whole financial statements and that information which is not material need not be presented in the primary financial statements or disclosed in the notes;
  – clarifying that some disclosures specified in standards are simply not important enough to justify separate disclosure for a particular entity;
  – making it clear that preparers should exercise professional judgment in presenting their financial reports;
  – remove the perception of a “normal order of presentation” of financial statements, making it easier for entities to provide more contextual information;
  – reducing restrictions on how accounting policies should be presented, allowing important accounting policies to be given greater prominence in financial reports;
  – adding additional explanations with examples of how IAS 1 requirements are designed to shape financial statements instead of specifying precise terms that must be used, including whether subtotals of IFRS numbers such as earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortization (EBITDA) should be acknowledged in IAS 1;
  – adding a requirement that entities disclose and explain their net debt reconciliation.

  The amendment will be applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

– Annual Improvements to IFRSs (2012–2014 Cycle). Such improvements, effective for annual periods beginning on or after January 1, 2016, impacted:
  – “IFRS 5 Non-current Assets Held for Sale and Discontinued Operations”, changing the methods of disposal.
  – “IFRS 7 Financial Instruments: Disclosures”, applying disclosure requirements to a servicing contract.
  – “IAS 19 Employee Benefits”, clarifying the discount rate to be used for actuarial assumption.
  – “IAS 34 Interim Financial Reporting".

– Amendments to “IAS 27 Separate Financial Statements”. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

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

– "IFRS 16 Leases". This new standard will replace the actual "IAS 17 Leases". Under this new standard, the lessee will record a right-of-use assets and the related financial liability. The asset, recorded in the balance sheet of the lessee, will result in the recording of interest expense and will be depreciated over its useful life. The financial liability is initially measured at the present value of the future lease payments over the term of the lease, discounted at the implicit interest rate of the lease if it can be reasonably determined. If this implicit rate was not readily determinable, the lessee must use its incremental borrowing rate.

Also in the new standard, as already happened with the application of the current IAS 17, the lessors are required to classify the lease on the basis of their nature (operating or financial). If the agreement transfers substantially all the risks and rewards the appropriate classification is the finance lease, otherwise it will be an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The standard provides for exceptions to the recognition of a finance lease (opting for the accounting of an operating leases), related to the duration of the contract (less than 12 months, without purchase options) and the amount of the leased asset (low value like for example the cost of personal computers or small office items).

The new standard "IFRS 16" will be effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if the company has simultaneously applied the "IFRS 15 Revenue from contracts with customers".

- "IFRS 15 Revenue from contracts with Customers". The core principle of IFRS 15, effective for annual periods beginning on or after January 1, 2018 (earlier application is permitted), is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps: identify the contract, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when the entity satisfies a performance obligation.

- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses": the changes are related to the recognition of deferred taxes on unrealized losses, clarifying the following aspects:
  - Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  These amendments are applicable for annual periods beginning on or after January 1, 2017. Early application is permitted.

- Amendments to "IAS 7 Cash flow statement": These changes should enable a greater understanding and measurement of liabilities arising from financing activities, including changes in cash flows and non-monetary changes (such as the gain or loss on foreign exchange). To achieve this objective, the IASB requires that the main changes in liabilities arising from financing activities are reported in the explanatory notes (as necessary), such as:
  - changes in cash flows;
  - changes arising from the acquisition or loss of subsidiaries or other businesses;

- the effect of changes in foreign exchange rates;
- changes in fair value and other changes.

These amendments are applicable for annual periods beginning on or after January 1, 2017

- "IFRS 9 Financial instruments". This Standard will replace "IAS 39 Financial Instruments: Recognition and Measurement" in its entirety. An entity shall apply this Standard for annual periods beginning on or after January 1, 2018, with earlier application permitted. Such replacement project has been divided into three main phases, namely the measurement of financial assets and financial liabilities, the impairment methodology and the hedge accounting.

- "IFRS 14 Regulatory Deferral Accounts". This Standard, effective for annual periods beginning on or after January 1, 2016, permits an entity that adopts IFRS to continue to use, in its first and subsequent IFRS financial statements, its previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral account balances without specifically considering the requirements of paragraph 11 of IAS 8.

- Amendments to IFRS 10, IFRS 12 and IAS 28. "IFRS 10 Consolidated Financial Statements" has been amended to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of IFRS 10 is available to a parent entity that is a subsidiary of an investment entity. This because an investment entity may measure all of its subsidiaries at fair value through profit or loss in accordance with paragraph 31 of IFRS 10. Those amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted, providing disclosure.

- Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address a conflict between the requirements of "IAS 28 Investments in Associates and Joint Ventures" and "IFRS 10 Consolidated Financial Statements" and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

As at the date of these Consolidated financial statements, the Directors have not completed the analysis necessary to assess the impacts of the new standards, amendments and operational guides not yet applicable to the PRADA Group. However, in relation to the significance that rental contracts for commercial premises do have for the Group, it is reasonable to conclude that the impact of ''IFRS 16 Leasing" will be material.

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. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A list of the companies included in the Consolidated financial statements is provided in Note 42.

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2016, and January 31, 2015, in accordance with IFRS, are as follows:

– the separate 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 controlled companies are fully included on a line-by-line basis 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 Statement of Profit or Loss;

– on business combinations, the difference between the acquisition cost of investments acquired 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 reserves; In business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in income statements.

– 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 substantially 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.

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.

Intangible assets with a definite 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 and other intangible assets	10% - 33%

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

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

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

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 unit 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 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 financial 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) that have been enacted or substantively enacted 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.

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 according to "IAS 19 Employee benefits".

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 sum of 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 expenses.

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.

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

Earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue.

Changes of accounting policies, errors and changes of estimates

The accounting policies adopted change from one year to the next only if the change is required by an accounting standard or if it helps provide more reliable and meaningful information on the impact of operations on the entity's statement of financial position, income statement or cash flows.

Changes of accounting policy are accounted for retroactively with the effect allocated to the opening equity of the earliest of the periods presented. The other comparative amounts reported for each prior periods are also adjusted as if the new policy had been applied from the outset. A prospective approach is adopted only when it would be impracticable to restate the comparative information.

The application of a new or amended accounting standard is accounted for as requested by the standard itself. If the standard does not regulate the transition method, the change is accounted for on a retroactive basis or, if impracticable, on a prospective basis.

Material errors are treated on the same basis as changes of accounting policy as described above. Non-material errors are corrected through the income statement for the period in which the error was identified.

Changes of accounting estimates are accounted for prospectively in the income statement for the year in which the change is made if it only affects the income statement for that year, or in the income statement for the year in which the change is made and in subsequent periods if they are also affected by the change.

Financial risk management

The international nature of the business means that the Group is exposed to a range of financial risks including the risk of foreign exchange and interest rate fluctuation. In light of the volatile nature of the financial markets, the Group's risk management activities aim to reduce uncertainty over cash flows and the resulting potential negative effects on its results.

The Group enters into hedging contracts to manage the risks resulting from foreign exchange rate and interest rate fluctuation.

Financial instruments are accounted for based on the hedge accounting rules established by "IAS 39 Financial instruments: recognition and measurement". At the outset of the hedge, the Group formally documents the hedging relationship and assumes that the hedge will be effective for each of the reporting periods for which it is designated.

Use of estimates

In accordance with IFRS, preparation of these Consolidated Financial Statements requires the use of estimates and assumptions when determining certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

These assumptions refer, first of all, to operations and events not settled at the end of the period. Therefore, upon payment, the actual outcome may differ from the estimated amounts. Estimates and assumptions are reviewed periodically and the effects of each change are immediately recorded in the income statement.

Estimates are used for impairment tests, when determining provisions for risks and charges, the provision for bad debts, the inventory obsolescence provision, post-employment benefits, the tax computation and measurement of derivatives.

The fair value of securities available for sale is based on market price at the reporting date. The fair value of derivatives used to hedge the interest rate risk (IRS) and the forex risk (forward contracts and options) is determined using one of the valuation methods in most widespread use on the market and is based on the interest rate curve and on spot and forward exchange rates at the reporting date.

7. Acquisitions and incorporation of companies

On February 1, 2015 Space USA Corp was merged into PRADA USA Corp and Space HK ltd was amalgamated into PRADA Asia Pacific ltd.

On March 31, 2015, PCS sas changed its name to Tannerie Limoges sas.

On April 22, 2015, Montenapoleone 9 srl was incorporated by PRADA spa and Marchesi

Angelo srl, with ownership interests of 90% and 10%, respectively, in order to develop the commercial business of the Marchesi brand.

On May 19, 2015, PRADA spa incorporated PRADA Denmark aps in order to develop its commercial activities in Denmark.

On May 19, 2015, Car Shoe UK Limited was liquidated.

On June 5, 2015, Car Shoe Hong Kong Ltd was cancelled from the local register of companies.

On November 9, 2015, PRADA spa incorporated PRADA Finnish Oy in order to develop its commercial activities in Finland.

In 2015, PRADA spa acquired the remaining 40% of the quota capital of Pellettieri d'Italia srl. On November 24, 2015, Pellettieri d'Italia srl was merged through incorporation into Prada spa.

On December 4, 2015, PRADA spa incorporated PRADA Belgium SPRL in order to develop its commercial activities in Belgium.

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, 2016		twelve months ended January 31, 2015		% change
Net sales of directly operated stores (*DOS*)	3,059,732	86.3%	2,980,891	83.9%	2.6%
Net Sales to independent customers and franchisees	444,612	12.5%	532,545	15.0%	-16.5%
Royalties	43,427	1.2%	38,260	1.1%	13.5%
Net revenues, total	3,547,771	100.0%	3,551,696	100.0%	-0.1%

Net sales of directly operated stores (*DOS*)

(amounts in thousands of Euro)	twelve months ended January 31, 2016		twelve months ended January 31, 2015		% change
Net sales of DOS by geographical area					
Italy	392,796	12.8%	354,759	11.9%	10.7%
Europe	665,784	21.8%	644,819	21.6%	3.3%
Americas	410,751	13.4%	391,177	13.1%	5.0%
Asia Pacific	1,080,012	35.3%	1,130,205	37.9%	-4.4%
Japan	403,721	13.2%	364,825	12.2%	10.7%
Middle East	103,521	3.4%	92,881	3.1%	11.5%
Other countries	3,147	0.1%	2,225	0.1%	41.4%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%
Net sales of DOS by brand					
Prada	2,487,593	81.3%	2,463,155	82.6%	1.0%
Miu Miu	501,667	16.4%	454,968	15.3%	10.3%
Church's	56,194	1.8%	49,012	1.6%	14.7%
Other	14,278	0.5%	13,756	0.5%	3.8%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%
Net sales of DOS by product line					
Clothing	541,627	17.7%	512,271	17.2%	5.7%
Leather goods	1,919,872	62.7%	1,965,630	65.9%	-2.3%
Footwear	537,498	17.6%	448,696	15.1%	19.8%
Other	60,735	2.0%	54,294	1.8%	11.9%
Total	3,059,732	100.0%	2,980,891	100.0%	2.6%

Net sales to independent customers and franchisees

(amounts in thousands of Euro)	twelve months ended January 31, 2016		twelve months ended January 31, 2015		% change
Net Sales to independent customers and franchisees by brand					
Prada	353,463	79.5%	432,282	81.2%	-18.2%
Miu Miu	62,648	14.1%	71,802	13.5%	-12.7%
Church's	26,262	5.9%	25,029	4.7%	4.9%
Other	2,239	0.5%	3,432	0.6%	-34.8%
Total	444,612	100.0%	532,545	100.0%	-16.5%

EBITDA by brand

twelve months ended January 31, 2016 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Other
Net sales	3,504,344	2,841,056	564,315	82,456	16,517
Royalties	43,427	37,436	5,984	7	-
Net revenues	3,547,771	2,878,492	570,299	82,463	16,517
EBITDA	802,758	797,453	11,621	3,567	(9,883)
EBITDA %	22.6%	27.7%	2.0%	4.3%	-

twelve months ended January 31, 2015 (amounts in thousands of Euro)	Group	Prada	Miu Miu	Church's	Other
Net sales	3,513,436	2,895,437	526,770	74,041	17,188
Royalties	38,260	34,868	3,378	14	-
Net revenues	3,551,696	2,930,305	530,148	74,055	17,188
EBITDA	954,249	922,644	35,130	4,605	(8,130)
EBITDA %	26.9%	31.5%	6.6%	6.2%	-

Geographical information

The following table reports the carrying amount 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 2016	January 31 2015
Italy	829,524	745,492
Europe	1,108,104	1,141,285
Americas	220,403	220,495
Asia Pacific	295,089	299,947
Japan	91,264	108,707
Middle East	30,854	32,474
Africa	3,808	5,919
Total	2,579,046	2,554,319

The total amount of Euro 2,579 million (Euro 2,554.3 million at January 31, 2015) relates to the Group's non-current assets excluding, as requested by IFRS 8, those relating to financial instruments, deferred tax assets and pension fund surplus.

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Cash on hand	46,290	44,470
Bank deposit accounts	357,159	415,481
Bank current accounts	277,152	249,015
Total	680,601	708,966

At January 31, 2016, bank current accounts and deposit accounts generated interest income of between 0% and 9.3% per annum (between 0.0% and 3.25% at January 31, 2015).

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade receivables – third parties	235,718	317,147
Allowance for bad and doubtful debts	(6,546)	(7,784)
Trade receivables – related parties	25,011	36,921
Total	254,183	346,284

The decrease in trade receivables from third parties is due to a reduction in sales to independent customers and third party franchisees.

Trade receivables from related parties mainly refer to the sale of finished products to Fratelli Prada spa, a related company and franchisee of the PRADA Group. During the year, Prada spa took over management of the Prada store in Galleria Vittorio Emanuele II, Milan from Fratelli Prada Spa. Further information on related party transactions is provided in Note 39.

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 their fair value.

Movements during the period were as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Opening balance	7,784	10,432
Change in scope of consolidation	-	17
Exchange differences	(47)	463
Increases	418	109
Utilized	(1,321)	(3,173)
Reversals	(288)	(64)
Closing balance	6,546	7,784

11. Inventories, net

Inventories are analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Raw materials	107,782	106,843
Work in progress	20,925	40,786
Finished products	614,423	571,115
Allowance for obsolete and slow moving inventories	(50,458)	(64,199)
Total	692,672	654,545

The increase in finished products relates to the different approach to replenishment which started in the last few months of 2014, as well as to the lower than expected volume of sales.

Materials being worked upon by third parties are included in raw materials. Work in progress includes materials at the production stage with PRADA spa, other production companies included in the scope of consolidation 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, 2015	26,798	37,401	64,199
Exchange differences	1	(4)	(3)
Increases	-	108	108
Reversals	-	-	-
Utilization	(42)	(13,804)	(13,846)
Balance at January 31, 2016	26,757	23,701	50,458

The allowance for obsolete finished products decreased following the scrapping of items already written-off in prior years.

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current portion.

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial assets regarding derivative instruments – current	11,682	6,287
Financial assets regarding derivative instruments – non-current	721	1,106
Total Financial Assets - Derivative financial instruments	12,403	7,393
Financial liabilities regarding derivative instruments – current	(11,095)	(56,772)
Financial liabilities regarding derivative instruments – non-current	(10,047)	(17,283)
Total Financial Liabilities - Derivative financial instruments	(21,142)	(74,055)
Net carrying amount – current and non-current portion	(8,739)	(66,662)

The net carrying amount of derivative financial instruments, current and non-current combined, is as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015	IFRS7 Category
Forward contracts	10,094	7,355	Level II
Options	2,309	38	Level II
Positive fair value	12,403	7,393	
Forward contracts	(5,854)	(26,901)	Level II
Options	(2,479)	(34,287)	Level II
Interest rate swaps	(12,809)	(12,867)	Level II
Negative fair value	(21,142)	(74,055)	
Net carrying amount – current and non-current	(8,739)	(66,662)	

All of the above derivative instruments are qualified as Level II of the fair value hierarchy proposed by IFRS 7. 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 fluctuation.

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, Swiss Franc 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, 2016) were as stated below.

Contracts in place at January 31, 2016 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2016
Currency				
Hong Kong Dollar	99,881	-	(38,248)	61,633
US Dollar	145,421	21,063	(74,789)	91,695
Chinese Renminbi	11,837	121,849	(43,643)	90,043
Japanese Yen	53,611	53,875	(7,561)	99,925
GB Pound	57,322	21,463	(22,615)	56,170
Korean Won	-	46,451	-	46,451
Swiss Franc	-	15,210	(8,674)	6,536
Other currencies	14,212	86,445	(18,144)	82,513
Total	382,284	366,356	(213,674)	534,966

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

Contracts in place at January 31, 2016 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2016
Currency				
Swiss Franc	-	64,340	(6,910)	57,430
Brazilian Real	-	8,331	-	8,331
GB Pound	-	49,915	(6,544)	43,371
Japanese Yen	-	24,499	-	24,499
US Dollar	-	10,875	(58,150)	(47,275)
Other	-	10,258	(3,621)	6,637
Total	-	168,218	(75,225)	92,993

All of the contracts in place at January 31, 2016 are scheduled to mature within 12 months, except for several forward contracts to hedge future financial cash flows which mature after January 31, 2017 and whose notional net amount is Euro 31.1 million (wholly consisting of forward sale contracts).

Contracts in place at January 31, 2015 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2015
Currency				
Hong Kong Dollar	182,117	28,661	-	210,778
US Dollar	197,258	-	(59,651)	137,607
Chinese Renminbi	99,237	33,692	(24,349)	108,580
Japanese Yen	22,017	91,824	(5,493)	108,348
GB Pound	55,252	38,610	(11,290)	82,572
Korean Won	-	71,430	-	71,430
Swiss Franc	-	18,283	(8,063)	10,220
Other currencies	17,749	72,756	(24,533)	65,972
Total	573,630	355,256	(133,379)	795,507

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

Contracts in place at January 31, 2015 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2015
Currency				
Swiss Franc	-	66,979	(15,082)	51,897
Brazilian Real	-	25,138	-	25,138
GB Pound	-	22,633	(1,518)	21,115
Japanese Yen	-	18,335	-	18,335
US Dollar	-	3,538	(56,172)	(52,634)
Other	-	10,934	-	10,934
Total	-	147,557	(72,772)	74,785

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, 2016 and January 31, 2015 are summarized as follows:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2016	Currency	Lending institution	Amount	Expiry
					(amounts in thousands of Euro)				
IRS	Euro/000	53,167	1.457%	23/05/2030	(3,299)	Euro/000	Intesa-Sanpaolo	53,167	05/2030
IRS	Euro/000	60,000	0.105%	09/03/2019	(653)	Euro/000	Unicredit	60,000	02/2019
IRS	GBP/000	58,880	2.828%	31/01/2029	(8.450)	GBP/000	Unicredit	58,880	01/2029
IRS	Yen/000	750,000	1.875%	31/03/2017	(57)	Yen/000	Mizuho	750,000	03/2017
IRS	Yen/000	2,700,000	1.360%	31/03/2017	(350)	Yen/000	Mizuho	2,700,000	03/2020
Total					(12,809)				

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2015	Currency	Lending institution	Amount	Expiry
					(amounts in thousands of Euro)				
IRS	Euro/000	600	2.210%	01/07/2015	(6)	Euro/000	MPS	600	07/2015
IRS	Euro/000	55,000	1.457%	23/05/2030	(2,959)	Euro/000	Intesa-Sanpaolo	55,000	05/2030
IRS	GBP/000	60,000	2.828%	31/01/2029	(9,764)	GBP/000	Unicredit	60,000	01/2029
IRS	Yen/000	1,250,000	1.875%	31/03/2017	(138)	Yen/000	Mizuho	1,250,000	03/2017
Total					(12,867)				

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.

Movements on the cash flow hedge reserve included in Group shareholders' equity, before tax effects, since February 1, 2014, may be analyzed as follows:

(amounts in thousands of Euro)	
Closing balance at January 31, 2014	5,155
Change in the translation reserve	32
Change in fair value, recognized in Equity	(78,233)
Change in fair value, charged to Income Statement	25,416
Closing balance at January 31, 2015	(47,630)
Change in the translation reserve	-
Change in fair value, recognized in Equity	(10,564)
Change in fair value, charged to Income Statement	49,471
Closing balance at January 31, 2016	(8,723)

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 IFRS 7

Financial assets

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	680,601	-	680,601	9
Trade receivables, net	254,183	-	254,183	10
Derivative financial instruments	-	12,403	12,403	12
Financial receivables – non-current	703	-	703	13
Investment available for sale	15,201	-	15,201	17
Total at January 31, 2016	950,688	12,403	963,091	

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	708,966	-	708,966	9
Trade receivables, net	346,284	-	346,284	10
Derivative financial instruments	-	7,393	7,393	12
Financial receivables – non-current	741	-	741	13
Financial receivables - current	11	-	11	13
Investment available for sale	28,777	-	28,777	17
Total at January 31, 2015	1,084,779	7,393	1,092,172	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	795,445	-	795,445	19, 20, 24
Trade payables	281,699	-	281,699	21
Obligations under finance leases	654	-	654	
Derivative financial instruments	-	21,142	21,142	12
Total at January 31, 2016	1,077,798	21,142	1,098,940	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	520,908	-	520,908	19, 20, 24
Trade payables	437,420	-	437,420	21
Obligations under finance leases	21	-	21	
Derivative financial instruments	-	74,055	74,055	12
Total at January 31, 2015	958,349	74,055	1,032,404	

Fair Value

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

The carrying amount of cash and cash equivalents, financial receivables and trade receivables, as adjusted for impairment where necessary, approximates their estimated realizable value and, hence, fair value.

The reported amount of the Investment available for sale reflects its fair value (level 1) as explained in Note 17.

The Bonds, classified under financial payables, are reported at a net amount of Euro 129.4 million (nominal amount of Euro 130 million as adjusted by Euro 0.6 million following application of the amortized cost method). Their fair value, as determined based on the official listed price on the Irish Stock Exchange at January 31, 2016, is Euro 136.9 million (Euro 136.3 million at January 31, 2015). All other financial liabilities are reported at an amount that approximates their fair value.

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, management believes that the Group's credit risk mainly regards trade receivables generated in the wholesale channel and cash and 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" paragraph of the Financial review in this 2015 Annual Report.

Trade receivables

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

(amounts in thousands of Euro)	January 31 2016	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	260,729	217,808	17,077	6,848	5,257	3,400	10,339
Total	260,729	217,808	17,077	6,848	5,257	3,400	10,339

(amounts in thousands of Euro)	January 31 2015	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	354,068	283,878	28,279	11,202	10,029	3,840	16,840
Total	354,068	283,878	28,279	11,202	10,029	3,840	16,840

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 2016	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	254,183	217,327	17,077	6,848	5,257	3,400	4,274
Total	254,183	217,327	17,077	6,848	5,257	3,400	4,274

(amounts in thousands of Euro)	January 31 2015	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	346,284	283,137	28,279	11,202	10,029	3,840	9,797
Total	346,284	283,137	28,279	11,202	10,029	3,840	9,797

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 2016	January 31 2015
Euro	24,100	-
US Dollar	36,393	37,365
Korean Won	17,443	44,924
Hong Kong Dollar	228,529	319,387
Other currencies	50,694	13,805
Total bank deposit accounts	357,159	415,481

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 2016	January 31 2015
Euro	154,807	127,917
US Dollar	52,830	51,074
Korean Won	1,535	3,924
Hong Kong Dollar	4,724	5,465
GB Pound	10,103	5,420
Other currencies	53,153	55,215
Total bank current accounts	277,152	249,015

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, repayment of loans as they fall due and payment of dividends.

At January 31, 2016, the Group had a total of Euro 497.8 million of available unused credit facilities (Euro 445.3 million at January 31, 2015).

The following table summarizes trade payables by maturity date:

(amounts in thousands of Euro)	January 31 2016	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	281,699	246,525	16,418	10,190	1,912	670	5,984
Total	281,699	246,525	16,418	10,190	1,912	670	5,984

(amounts in thousands of Euro)	January 31 2015	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	437,420	392,284	21,893	10,967	1,936	1,424	8,916
Total	437,420	392,284	21,893	10,967	1,936	1,424	8,916

The following tables show the maturity of financial liabilities based on the earliest date on which the Group could be called upon to make payment (worst-case scenario).

Financial liabilities under derivative financial instruments (Forward contracts and options)

As required by IFRS 7, the following tables show financial liabilities under forward contracts and options where a negative cash flow is expected at the reporting date. The cash flows shown below have not been discounted and differ from the amounts included in the table of derivative financial instruments (current and non-current) presented at the start of this section.

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	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							
Net cash flows (outflows/inflows)	(5,863)	(2,548)	(2,966)	(349)	-	-	-
Options designated as cash flow hedges							
Net cash flows (outflows/inflows)	-	-	-	-	-	-	-
Net amount	(5,863)	(2,548)	(2,966)	(349)	-	-	-

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2015	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							
Net cash flows (outflows/inflows)	(30,820)	(12,093)	(11,238)	(6,908)	(581)	-	-
Options designated as cash flow hedges							
Net cash flows (outflows/inflows)	(31,887)	(18,059)	(13,828)	-	-	-	-
Net amount	(62,707)	(30,152)	(25,066)	(6,908)	(581)	-	-

Financial liabilities under derivative financial instruments (Interest rate swaps)

At January 31, 2016, the expected cash flows were all negative (same as in prior year).

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(13,738)	(1,407)	(1,495)	(2,702)	(2,169)	(1,630)	(4,335)
Net amount	(13,738)	(1,407)	(1,495)	(2,702)	(2,169)	(1,630)	(4,335)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2015	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(14,511)	(918)	(1,235)	(2,224)	(1,828)	(1,545)	(6,761)
Net amount	(14,511)	(918)	(1,235)	(2,224)	(1,828)	(1,545)	(6,761)

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2016	Future contractual cash flows at Jan. 31, 2016	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	654	654	-	436	218	-	-	-	-
Financial liabilities – third parties (without deferred costs on loans)	792,514	838,880	7	245,138	32,422	74,172	241,190	116,508	129,443
Financial liabilities – related parties	4,858	4,858	-	2,404	2,454	-	-	-	-
Total	798,026	844,392	7	247,978	35,094	74,172	241,190	116,508	129,443

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2015	Future contractual cash flows at Jan. 31, 2015	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	21	21	-	14	7	-	-	-	-
Financial liabilities – third parties (without deferred costs on loans)	520,477	564,962	4	244,667	23,925	29,530	33,685	141,546	91,605
Financial liabilities – related parties	2,371	2,371	-	2,371	-	-	-	-	-
Total	522,869	567,354	4	247,052	23,932	29,530	33,685	141,546	91,605

Some of the above financial liabilities are subject to compliance with covenants, as described in Note 24.

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. The most important currencies in terms of hedging for the Group 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 Group's net income and 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, 2016.

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	(1,103)	1,403	598	(1,190)
Hong Kong Dollar	2,946	3,583	(1,883)	(4,575)
Japanese Yen	806	4,158	1,130	(3,557)
US Dollar	(3,655)	(577)	4,177	(73)
Chinese Renminbi	(7,581)	(1,890)	8,220	2,027
Other currencies	(5,047)	1,353	6,798	(702)
Total	(13,634)	8,030	19,040	(8,070)

The total impact on shareholders' equity (Euro 8 million positive and Euro 8 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 stated 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, 2016.

(amounts in thousands of Euro)	Shift in interest rate curve			
	+0.50%		-0.50%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
Euro	(64)	2,913	68	(3,020)
GB Pound	(262)	3,088	(248)	(3,475)
Japanese Yen	(7)	217	7	(217)
Total	(333)	6,218	(173)	(6,712)

The total impact on Shareholders' equity (positive impact of Euro 6.2 million and negative impact of Euro 6.7 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, related parties, current and non-current

Receivables from, and advances to, related parties current are detailed below:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial receivables	-	11
Prepaid sponsorship	13,626	-
Other receivables and advances	6,003	3,229
Receivables from and advances to related parties - current	19,629	3,240

Receivables from, and advances to, related parties non-current are detailed below:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Prepaid sponsorship	3,164	12,379
Deferred rental income – long-term	1,632	4,309
Loans	703	741
Receivables from and advances to related parties – non-current	5,499	17,429

Prepaid sponsorship, current and non-current, regards the amount paid to Luna Rossa Challenge srl in compliance with agreements in force at January 31, 2016.

Deferred rental income – long term has been recorded in application of "IAS 17 Leases" which requires rental income to be recognized on a straight-line basis.

Further information on related party transactions is provided in Note 39.

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
VAT	59,917	56,934
Income tax and other tax receivables	100,838	53,307
Other assets	12,242	11,454
Prepayments	51,863	54,642
Deposits	4,811	4,296
Total	229,671	180,633

Other assets

Other assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Advertising contributions under license agreements	721	916
Advances to suppliers	1,282	2,351
Incentives for retail investments	4,628	3,950
Advances to employees	694	849
Other receivables	4,917	3,388
Total	12,242	11,454

The Group granted an authorized loan for an aggregate amount of Euro 3.9 million, out of which Euro 1.9 million in other receivables and Euro 2 million reported under non-current assets.

Prepayments

Prepayments are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Rental costs	19,391	18,741
Insurance	2,510	2,380
Design costs	13,914	14,629
Fashion shows and advances on advertising campaigns	3,416	3,752
Consulting	198	3,922
Amortized costs on loans	1,020	1,286
Other	11,414	9,932
Total	51,863	54,642

Prepaid 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 historical cost and accumulated depreciation in the last three years are shown below:

(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
Historical cost	440,557	122,395	950,401	315,112	129,490	109,358	2,067,313
Accumulated depreciation	(49,880)	(102,116)	(463,174)	(161,684)	(60,267)	-	(837,121)
Net carrying amount at January 31, 2014	390,677	20,279	487,227	153,428	69,223	109,358	1,230,192
Historical cost	539,914	132,086	1,172,742	385,326	140,851	212,866	2,583,784
Accumulated depreciation	(61,974)	(110,910)	(659,440)	(206,665)	(70,578)	-	(1,109,566)
Net carrying amount at January 31, 2015	477,940	21,176	513,302	178,661	70,273	212,866	1,474,218
Historical cost	718,020	148,645	1,289,672	431,639	166,561	96,744	2,851,281
Accumulated depreciation	(78,189)	(119,954)	(810,955)	(243,952)	(80,452)	-	(1,333,502)
Net carrying amount at January 31, 2016	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779

Changes in net carrying amount during the twelve months ended January 31, 2016 were 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 histo-rical cost
Balance at January 31, 2015	477,940	21,176	513,302	178,661	70,273	212,866	1,474,218
Additions	60,349	15,709	97,555	53,271	8,145	68,472	303,501
Depreciation	(15,798)	(10,199)	(168,866)	(46,978)	(11,522)	-	(253,363)
Disposals	1	(79)	(2,565)	(519)	(102)	(89)	(3,353)
Exchange differences	(2,585)	(21)	(5,286)	(3,147)	(244)	(1,127)	(12,410)
Other movements	119,924	2,168	50,580	9,069	19,635	(183,210)	18,166
Impairment	-	(63)	(6,003)	(2,670)	(76)	(168)	(8,980)
Balance at January 31, 2016	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779

Additions to Land and buildings mainly includes the investment in the art museum and cultural center managed by Fondazione Prada and designed by architect Rem Koolhaas. The remaining additions regard industrial facilities in order to increase the manufacturing capacity.

Additions to "Production plant and equipment" mainly refer to purchases of equipment used in production processes.

Additions to "Leasehold improvements", "Furniture and fittings" and "Assets under construction" are largely explained by the strategy to expand and refurbish the Group's retail network.

Other tangible assets includes the historical archive of finished products which embodies the identity and the legacy of the Group brands and is a constant source of inspiration.

The impairment adjustments recorded in 2015 relate to projects for the relocation and renewal of retail premises, as well as to the closure of a few stores.

Total capital expenditure in the retail channel for the twelve months ended January 31, 2016 is summarized as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
New stores	113,986	155,576
of which stores already opened during the year	*66,229*	*102,493*
of which stores opening soon	*47,757*	*53,083*
Purchases, refurbishment and relocation of existing stores	61,033	105,367
Total Retail capital expenditure	175,019	260,943

At January 31, 2016 all of the Group's land outside Hong Kong was owned on a freehold basis.

There were not interest expenses capitalized during the year.

16. Intangible assets

Changes in historical cost and accumulated amortization in the last three years are shown below:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total historical cost
Historical cost	394,686	534,470	180,455	74,245	64,884	5,343	1,254,083
Accumulated amortization	(111,773)	(30,097)	(101,461)	(63,608)	(45,855)	-	(352,794)
Net carrying amount at January 31, 2014	282,913	504,373	78,994	10,637	19,029	5,343	901,289
Historical cost	402,604	545,054	227,813	78,775	65,011	18,813	1,338,070
Accumulated amortization	(125,372)	(31,840)	(121,321)	(67,947)	(48,286)	-	(394,766)
Net carrying amount at January 31, 2015	277,232	513,214	106,492	10,828	16,725	18,813	943,304
Historical cost	401,503	544,388	236,655	86,755	64,981	26,248	1,360,530
Accumulated amortization	(136,265)	(31,170)	(139,145)	(71,718)	(49,994)	-	(428,292)
Net carrying amount at January 31, 2016	265,238	513,218	97,510	15,037	14,987	26,248	932,238

Changes in net carrying amount during the twelve months ended January 31, 2016 were as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total Net carrying amount
Balance at January 31, 2015	277,232	513,214	106,492	10,828	16,725	18,813	943,304
Additions	376	337	693	6,834	71	25,083	33,394
Amortization	(11,528)	-	(19,272)	(3,998)	(2,016)	-	(36,814)
Disposals	-	-	(1,928)	(97)	-	-	(2,025)
Exchange differences	(842)	(173)	(3,564)	(78)	-	(65)	(4,722)
Other movements	-	-	15,634	1,551	207	(17,583)	(191)
Impairment	-	(160)	(545)	(3)	-	-	(708)
Balance at January 31, 2016	265,238	513,218	97,510	15,037	14,987	26,248	932,238

The net carrying amount of Trademarks at the reporting date is analyzed in the following table:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Miu Miu	154,236	159,811
Church's	97,323	102,502
Prada	3,823	3,985
Other	9,856	10,934
Total	265,238	277,232

No impairment losses were recorded in relation to the Group's trademarks in the year ended January 31, 2016. "Other" includes trademark registration costs plus the Car Shoe and Luna Rossa trademarks.

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

Total capital expenditure on Property, plant and equipment and Intangible assets for the twelve months ended January 31, 2016 was Euro 336.9 million, as analyzed below:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Retail	175,019	260,943
Production and logistics	57,849	58,927
Corporate	104,027	129,865
Total	336,895	449,735

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, 2016, Goodwill amounted to Euro 513.2 million, detailed by Cash Generating Unit (CGU) as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
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 Monaco Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Production division	3,667	3,492
Church's	9,971	10,142
Marchesi Angelo	7,975	7,975
Total	513,218	513,214

The Group does not recognize any 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 any assets may be impaired. In light of the performance of certain retail businesses during the year, CGUs other than those shown above were also tested for impairment.

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 2016 budget, as prepared by Head Office. Prudently, no business development has been forecast after 2017. This means that no new store openings have been included in the period from 2017 to 2020 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 (WACC). For the year ended January 31, 2016, the WACC used for discounting purposes was in a range between 5% and 15.5% (between 5.9% and 19.8% at January 31, 2015). The WACC has been calculated ad hoc for each CGU subject to impairment taking into account specific parameters of the geographic area: market risk premium and sovereign bond yield. The rate of growth "g" used to calculate the WACC was in a range between 0% and 10%, in light of the different inflation and growth outlooks in the various countries. However, the prevalent rate of growth was 1.5% and it may 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.

Some sensitivity analyses were carried out to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the impairment test results. The outcome of these simulations showed that the valuation obtained using the DCF method was reasonable.

When the calculation of value in use under the DCF method did not produce reasonable results, it was deemed appropriate to run the impairment test applying fair value-based valuation methods (e.g. market multiples method or royalties method).

None of the impairment tests performed as at January 31, 2016 identified any impairment losses. 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. Associated undertaking

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Investment in associated undertaking	2,138	1,738
Investment available for sale	15,201	28,777
Other investments	15	14
Total	17,354	30,529

At January 31, 2015, Investment in associated undertaking included a 49% interest in Pac srl (in liquidation), an unlisted company based in Italy. During the year, the liquidation process of said entity was almost completed, although some formalities had not yet been concluded at year end. Accordingly, at January 31, 2016, the value of the investment was written off.

At January 31, 2016, the caption includes a 40% interest acquired in a company specializing in production of wallets, travel items, bags and small leather goods. The investment was initially recognized at historical cost but has now been measured under the equity method.

Investment available for sale regards a 4.88% stake in the share capital of Sitoy Group Holdings ltd, a company listed on Hong Kong Stock Exchange at January 31, 2016. The value of the investment has been restated at fair value in line with the official quoted share price on the Hong Kong Stock Exchange (Level I of the fair value hierarchy per IFRS 7 “Financial Instruments: Disclosures”). The negative change of Euro 13.6 million in fair value compared to January 31, 2015 has been recognized in a specific equity reserve, net of the taxation effect (Euro 3.4 million). In 2015, the Group accrued net dividends totaling HKD 19.8 million (Euro 2.3 million) from Sitoy Group Holdings.

18. Other non-current assets

Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Guarantee deposits	73,974	70,004
Deferred rental income	13,716	9,056
Pension fund surplus	7,778	2,515
Other long-term assets	18,486	9,778
Total	113,954	91,353

At January 31, 2016, Other non-current assets includes Euro 7.8 million representing the actuarial valuation of the pension plans the Group has in the United Kingdom (Note 25).

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Nature:		
Stores	68,576	66,568
Offices	4,076	2,175
Warehouses	180	182
Other	1,142	1,079
Total	73,974	70,004

(amounts in thousands of Euro)	January 31 2016
Maturity:	
By 31.01.2018	13,958
By 31.01.2019	9,449
By 31.01.2020	17,350
By 31.01.2021	14,765
After 31.01.2021	18,452
Total	73,974

19. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Bank overdrafts and commercial lines of credit	7	93
Short-term bank loans	216,522	221,639
Current portion of long term loans	54,043	42,074
Deferred costs on loans	(460)	(471)
Total	270,112	263,335

Short-term financial payables mainly include loan of Euro 125 million on the revolving line of credit of Euro 315 million arranged by PRADA spa in 2014 with a syndicate of banks. The revolving line of credit is subject to compliance with several covenants determined based on the PRADA spa Consolidated financial statements. Specifically, the ratio between total net bank borrowing and EBITDA must not exceed 3 and the ratio between EBITDA and total net interest expenses must exceed 4. Both covenants were respected at January 31, 2016.

Short-term financial payables also includes two loans of Euro 30 million each, arranged by PRADA spa with Mitsubishi Bank of Tokyo e Societè Generale and repayable in the first half of 2016.

Short-term bank loans also include committed lines of credit arranged by PRADA Japan co ltd which are also subject to a series of covenants based on the financial statements of PRADA Japan co ltd; the covenants were respected in full at January 31, 2016. The total amount of these loans at January 31, 2016 was Euro 26.8 million.

The current portion of long-term bank loans includes an amount of Euro 3.7 million at January 31, 2016 (zero at January 31, 2015) regarding a mortgage loan approved by IntesaSanpaolo for PRADA spa in 2014 and disbursed in 2015. This loan is secured by a mortgage on the Milan property used as the Group’s Headquarters.

At January 31, 2016, the current portion of long-term bank loans also includes Euro 2 million (Euro 1.6 million at January 31, 2015) regarding a loan arranged by subsidiary Kenon Ltd with Unicredit Group in 2014 and secured by a mortgage on a property on Old Bond Street London which the Group uses as one of the most strategic Prada stores in the world.

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

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Euro	207,631	157,883
Japanese Yen	50,769	73,571
Chinese Renminbi	-	24,477
Other currencies	12,165	7,782
Total	270,565	263,713

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

Considering hedges in place at the reporting date, some 34% of the current portion of medium/long term loans consisted of fixed rate loans (15% at January 31, 2015) with variable rate loans making up the remaining 66% (85% at January 31, 2015).

Financial payables are stated net of amortized costs incurred to arrange the loans (Euro 0.5 million short term and Euro 1.5 million medium/long term).

20. Payables to related parties – current and non-current

The current portion of payables to related parties are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Financial payables	4,858	2,371
Other payables	386	712
Payables to related parties - current	5,244	3,083

Financial payables to related parties regard two interest-free loans from the non-controlling shareholders of the Group's subsidiaries in the Middle East. A breakdown of payables to parent company and other related parties is provided in Note 39.

The non-current portion of payables to related parties is detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Other payables	-	13,384
Payables to related parties – non-current	-	13,384

Following the transaction with the non-controlling interests of subsidiary Pellettieri D'Italia in the first half of 2015, Fin-reta srl is no longer a related party but a third party. Consequently, the related payables have been reclassified to "Other non-current liabilities".

21. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Trade payables – third parties	266,701	410,402
Trade payables – related parties	14,998	27,018
Total	281,699	437,420

The decrease in trade payables is mainly due to the different manufacturing planning adopted at the end of the year.

22. Tax payables

Tax payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Current income taxes	49,700	97,007
VAT and other taxes	31,044	36,907
Total	80,744	133,914

The Group has passed from a net current income tax payable of Euro 43.7 million at January 31, 2015 to a net current income tax receivable of Euro 48.1 million (at January 31, 2016, tax receivables of Euro 97.8 million exceeded tax payables and provisions of Euro 49.7 million).

23. Other current liabilities

Other current liabilities are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Payables for capital expenditure	54,132	128,346
Accrued expenses and deferred income	16,379	17,354
Other payables	71,760	74,780
Total	142,271	220,480

The decrease in payables for capital expenditure is mainly explained by settlement of the final balance of Euro 55 million due for the purchase of the Milan property used as the Group's Headquarters.

Other payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Short term benefits for employees and other personnel	58,533	60,332
Customer advances	4,563	4,725
Returns from customers	5,488	7,813
Other	3,176	1,910
Total	71,760	74,780

24. Long-term financial payables

Long-term financial payables are analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Long-term bank borrowings	391,942	126,671
Bonds	130,000	130,000
Deferred costs on loans	(1,467)	(1,468)
Total	520,475	255,203

During the year, in order to increase its financial flexibility while taking advantage of favorable conditions available on the credit market, the Group arranged new medium/long-term bank loans as follows:

- Euro 90 million from Intesa Sanpaolo, Euro 60 million from Monte dei Paschi di Siena and Euro 60 million from Unicredit; these loans are subject to compliance with a number of covenants based on the PRADA spa Consolidated financial statements. The covenants were all respected at January 31, 2016.

- Bilateral loans totaling JPY 5 billion from several Japanese banks, as detailed in the table below.

On June 23, 2014, PRADA spa arranged with Intesa Sanpaolo Group a long-term loan secured by a mortgage on the property in Milan used as the Group's Headquarters. The loan was disbursed in 2015 in the amount of Euro 55 million and is repayable in equal installments from November 2015.

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

At the reporting date, some 66% of non-current loans were at fixed rates of interest (83% at January 31, 2015) with variable rate loans making up the remaining 34% (17% at January 31, 2015).

Details of long-term borrowing at January 31, 2016 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	60,000	Euro	Unicredit	03/2019	0.755%
PRADA spa	49,500	Euro	Intesa SanPaolo	05/2030	2.737%
PRADA spa	40,000	Euro	Intesa SanPaolo	02/2019	0.608%
PRADA spa	60,000	Euro	Monte dei Paschi di Siena	12/2018	0.558%
PRADA spa	33,334	Euro	Intesa SanPaolo	12/2018	0.600%
PRADA Fashion Commerce Ltd	20,889	Chinese Renminbi	Mizuho	12/2018	3.915%
PRADA Japan Co. Ltd	1,890	Japanese Yen	Mizuho Bank	03/2017	1.875%
PRADA Japan Co. Ltd	5,444	Japanese Yen	Syndicate loan	07/2018	1.057%
PRADA Japan Co. Ltd	18,147	Japanese Yen	Syndicate loan	01/2018	1.057%
PRADA Japan Co. Ltd	15,879	Japanese Yen	Mizuho Bank	03/2020	1.360%
PRADA Japan Co. Ltd	5,293	Japanese Yen	MUFG	03/2020	0.810%
PRADA Japan Co. Ltd	2,647	Japanese Yen	Sumitomo Mitsui Trust	03/2020	1.180%
PRADA Japan Co. Ltd	1,966	Japanese Yen	SMBC	03/2018	0.455%
Kenon Ltd	74,990	GB Pound	Unicredit	01/2029	4.477%
Church & Co. ltd	1,963	GB Pound	HSBC	05/2018	2.026%
Total	521,942				

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

Details of long-term borrowing at January 31, 2015 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 Middle East FZCO	4,105	US Dollar	ENBD	09/2016	3.155%
PRADA Japan. Co. Ltd	5,636	Japanese Yen	Mizhuo Bank	03/2017	1.875%
PRADA Japan Co. Ltd	3,757	Japanese Yen	Sumitomo Mitsui Trust	08/2016	0.680%
PRADA Japan Co. Ltd	9,017	Japanese Yen	Syndicate loan	07/2018	1.059%
PRADA Japan Co. Ltd	22,543	Japanese Yen	Syndicate loan	01/2018	1.059%
Kenon Ltd	78,285	GB Pound	Unicredit	01/2029	4.477%
Church and co. ltd	3,328	GB Pound	HSBC	05/2018	2.060%
Total	256,671				

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

The Bonds are reported at a net amount of Euro 129.4 million (nominal amount of Euro 130 million as adjusted by Euro 0.6 million following application of the amortized cost method). Their fair value at January 31, 2016 - as determined based on the official listed price on the Irish Stock Exchange – is Euro 136.9 million.

All bank borrowing is analyzed by security profile as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Secured	130,119	85,685
Unsecured	662,395	434,792
Total	792,514	520,477

All of the loans are analyzed by maturity date in the Liquidity Risk 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.

25. Post-employment benefits

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Post-employment benefits	44,579	45,638
Other long-term employee benefits	24,826	40,116
Total liabilities for long term benefits	69,405	85,754
Post-employment benefit (pension plan surplus)	7,778	2,515
Net liabilities for long term benefits	61,627	83,239

Post-employment benefits

Liabilities and assets for post-employment benefits reported at January 31, 2016 totaled Euro 44.6 million, net (Euro 45.6 million at January 31, 2015) and all were classed as defined benefit plans. The pension plan surplus relates to Group companies operating in the United Kingdom. It amounted to Euro 7.8 million at January 31, 2016 compared to Euro 2.5 million at January 31, 2015. This item is included in Other non-current assets, Note 18.

Post-employment benefits includes Euro 24.1 million (Euro 26.2 million at January 31, 2015) of liabilities recorded in the financial statements of Italian companies and Euro 20.5 million reported by non-Italian companies (Euro 19.4 million at January 31, 2015). 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 present 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, 2016.

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Balance at January 31, 2015	26,265	19,373	(2,515)	40,116	83,239
Acquisitions	557	-		-	557
Current service cost	168	3,478	533	8,230	12,409
Interest expenses (income)	28	182	(195)	52	67
Actuarial (gains)/losses	(975)	(530)	(5,025)	(341)	(6,871)
Benefits paid	(1,937)	(2,104)		(23,289)	(27,330)
Contributions	-		(906)	-	(906)
Exchange differences	-	105	330	(9)	426
Other movements	-	(31)		67	36
Balance at January 31, 2016	24,106	20,473	(7,778)	24,826	61,627

The actuarial gains and losses are determined as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Other Countries (including Japan)	Pension Funds in UK
Actuarial adjustments due to			
(a) Changes in financial assumptions	*1,015*	*(266)*	*(1,019)*
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	*(40)*	*796*	*6,044*
(c) Other	*-*	*-*	*-*
Actuarial (gains)/losses	**975**	**530**	**5,025**

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, 2016, these pension plans had a fair value of Euro 7.8 million (net surplus of Euro 2.5 million as at January 31, 2015). The fair value of the assets was determined based on the appraisal provided by independent UK-registered actuary Scottish Widows. They are analyzed as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Fair value of plan assets	62,256	69,413
Fair value of plan liabilities	(54,478)	(63,591)
Pension plan surplus	**7,778**	**5,822**
Restrictions on recognition of surplus applied during actuarial valuation of the plan	-	(3,307)
Net surplus	**7,778**	**2,515**

At the reporting date, the main pension plan assets were as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Equities	26,829	24,991
Alternatives	7,729	5,927
Bonds	26,956	36,800
Cash	742	1,695
Total	**62,256**	**69,413**

The main actuarial assumptions utilized at January 31, 2016 are as follows:

January 31, 2016	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.5	15.0	16.5
Discount rate	1.57%	3.80%	0.87%
Average increase in remuneration	1.80%	2.00%	3.01%
Rate of inflation	1.50%	1.80%	N/A

The main actuarial assumptions utilized at January 31, 2015 are as follows:

January 31, 2015	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	12.3	15.0	16.3
Discount rate	0.93%	3.00%	1.01%
Average increase in remuneration	1.80%	1.80%	3.01%
Rate of inflation	1.00%	1.60%	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.

A sensitivity analysis performed on the main actuarial assumptions applied at January 31, 2016 i.e. discount rate, remuneration changes and rate of inflation. It did not show any significant variation in the liability except for the sensitivity analysis performed on the interest rate curve which should that a 50 basis point increase or decrease would lead to an increase or decrease in the Group's total DBO of up to Euro 5.8 million (i.e. 6.5% of the liability currently reported).

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

	January 31 2017	January 31 2018	January 31 2019	January 31 2020	After January 31 2020
Defined Benefit Plans in Italy (TFR)	1,637	1,164	1,222	1,255	24,029
Pension Funds UK	2,445	2,464	2,489	2,569	17,386
Defined Benefit Plans Japan	1,651	1,761	1,674	1,644	23,200
	5,733	5,389	5,385	5,468	64,615

The contributions expected for the 2016 fiscal year are as follows:

	twelve months ended January 31, 2017
Defined Benefit Plans in Italy (TFR)	-
Pension Funds UK	397
Defined Benefit Plans Japan	2,830
	3,227

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 in favor of Group employees. As at January 31, 2016, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 24.8 million (Euro 40.1 million as at January 31, 2015), as determined based on an independent actuarial appraisal. The decrease compared to January 31, 2015 mainly relates to benefits paid during the year (Euro 23.3 million) while the amount relating to new plans is Euro 8.2 million.

26. 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, 2015	1,876	25,537	36,282	63,695
Exchange differences	(1)	2	(165)	(164)
Reclassifications	70	(70)	-	-
Reversals	(101)	(264)	(228)	(593)
Utilized	(247)	(2,613)	(3,324)	(6,184)
Increases	444	254	11,781	12,479
Balance at January 31, 2016	2,041	22,846	44,346	69,233

Provisions for risks and charges represent the Directors' best estimate of maximum contingent liabilities. In the Directors' opinion and based on the information available to them, as also 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 could arise.

Provision for tax disputes

Details of the Group's main tax disputes are provided 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 2002 fiscal year. The assessments regarded the sales of the "Genny" and "Byblos" businesses which the authorities requalified 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. There were no further developments in 2015.

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. There were no further developments in 2015.

In May 2012, the Italian Customs Authority began an audit of PRADA spa for 2007-2011 tax years with reference to the method used to evaluate 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. 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 completion of the criminal proceedings which were discontinued in 2015. Even though, in 2014 and 2015, PRADA spa received two amended notices of assessment from the customs authorities in relation to customs duties (and related demands for payment), the Directors do not believe that any provision need be made. Indeed, the Company has submitted its comments in relation to the amended notices of assessment issued in 2014 and in relation to those issued in 2015. Moreover, after its petition for suspension of the demand for payment was rejected, Prada spa has paid the tax demands issued in the meantime while also filing the necessary appeals by the legally required deadlines.

In October 2012, October 2013 and October 2014, 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 tax years from 2010 to 2013. In order to reduce the risk of application of additional penalties in case of assessment, PRADA spa paid some Euro 67 million, including Euro 42 million recorded in the 2012 income statement, Euro 22 million in the 2013 income statement and Euro 3 million in the 2014 income statement (under taxation). The amounts paid represented the taxes due in Italy by PRADA spa on the taxable income of PRADA Far East bv. In October 2012, October 2013, May 2014 and October 2014, the Italian tax authorities also declared inadmissible the requests filed by PRADA spa for the tax years from 2010 to 2013 not to apply CFC rules to other Group countries operating in black list countries. In January 2013, January 2014, July 2014 and January 2015, 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 October 2015, the Italian tax authorities approved Prada spa's request for the non-application of CFC rules for 2014 in relation to Group subsidiaries operating in black list countries; this decision is effective from 2014 onwards upon condition that there are no significant changes to the structure of the companies involved. As for the Dutch sub-holding company PRADA Far East bv, the CFC ruling for the non-application of the CFC legislation was not submitted for the tax year 2014 due to the absence of the legal regulatory requirements to qualify said sub-holding as a CFC company. Consequently, no tax costs resulting from CFC rules have been recorded for said company in the 2015 income statement.

In February 2014, the French tax authorities commenced an inspection of PRADA Retail France for Direct Tax and VAT purposes for the 2010, 2011 and 2012 tax years. The inspection was completed in July 2014 and, in October 2014, the tax authorities finalized its proposed adjustment to the declared taxable income which the company accepted and recognized in full in the financial statements by creating a provision for Euro 2.6 million. Between August 2015 and November 2015, after the French tax authorities gave their final confirmation of the amount due, the company made the necessary payments and released the provision that had been created.

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 22.8 million carried at January 31, 2016 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 amount to Euro 2 million at January 31, 2016 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 amount to Euro 44.3 million as at January 31, 2016 and mainly related to contractual obligations to return commercial premises held under lease agreements in their original state. The increase of the year is mainly related to onerous leases.

27. Other non-current liabilities

Other non-current liabilities amount to Euro 161.3 million (Euro 128.8 million as at January 31, 2015). They mainly regarded liabilities to be recognized on a straight-line basis in relation to commercial lease costs.

28. Shareholders' equity - Group

Group shareholders' equity is as follows:

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	1,959,304	1,790,771
Actuarial reserve	(8,161)	(13,481)
Fair value reserve	933	11,115
Cash flow hedge reserve	(7,100)	(35,323)
Translation reserve	138,547	130,996
Net income for the period	330,888	450,730
Total	3,080,340	3,000,737

Share capital

At January 31, 2016, some 80% of the share capital of PRADA spa was held by PRADA Holding spa while the remainder was listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve of Euro 410 million is unchanged compared to January 31, 2015.

Translation reserve

Movements on this reserve relate to the translation of foreign currency financial statements of consolidated companies. The reserve passed has increased from Euro 131 million at January 31, 2015 to Euro 138.5 million. The positive change of Euro 7.6 million is mainly due to the strengthening of the Hong Kong Dollar and the US Dollar which have gained 3% and 3.4%, respectively, against the Euro. Meanwhile, the weakening of the Russian Ruble and Korean Won against the Euro has had a negative impact on the translation reserve.

Other reserves

At January 31, 2016, other reserves amount to Euro 1,959 million. They increased by Euro 168.5 million compared to January 31, 2015. The increase was mainly related to allocation of net income for the previous year (Euro 450.7 million) less the distribution of dividends to PRADA spa shareholders (Euro 281.5 million).

Net income for the year

The Group's net income for the year amounted to Euro 330.9 million (Euro 450.7 million for the twelve months ended January 31, 2015).

Capital gains 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).

29. Shareholders'equity – non-controlling interests

The following table shows movements on the Shareholders' equity of Non-controlling interests during the years ended January 31, 2016 and January 31, 2015.

(amounts in thousands of Euro)	January 31 2016	January 31 2015
Opening balance	17,410	13,986
Translation differences	29	2,085
Dividends	(3,228)	(9,378)
Net income for the year	2,450	8,488
Actuarial reserve	6	(3)
Capital injection in subsidiaries	409	2,125
Acquisition of Marchesi Angelo srl	-	107
Transactions with non-controlling shareholders	(39)	-
Closing balance	17,037	17,410

The Capital injection in subsidiaries, amounting to Euro 0.4 million, refers to Pellettieri d'Italia Srl. In 2015, the remaining non-controlling interests (40%) in said company were acquired and it was merged through incorporation into direct parent PRADA spa.

30. Net revenues

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

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Net sales	3,504,344	3,513,436
Royalties	43,427	38,260
Total	3,547,771	3,551,696

A breakdown of net revenues by brand, distribution channel, geographical area and product is provided in the Financial Review.

31. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Purchases of raw materials and production costs	858,481	971,527
Logistics costs, duties and insurance	180,944	204,112
Change in inventories	(59,219)	(174,522)
Total	980,206	1,001,117

Cost of goods sold decreased from 28.2% of net revenues in 2014 to 27.6% in 2015. The improvement was achieved thanks to the effects of industrial efficiencies and price adjustments made to balance the spreads among countries. The favorable trend of foreign currencies had a further positive impact.

32. Operating expenses

Operating costs are analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	% of net revenues	twelve months ended January 31 2015	% of net revenues
Product design and development costs	134,272	3.8%	132,583	3.7%
Advertising and communications costs	191,695	5.4%	170,562	4.8%
Selling costs	1,517,443	42.8%	1,340,832	37.8%
General and administrative costs	221,262	6.2%	205,051	5.8%
Total	2,064,672	58.2%	1,849,028	52.1%

During the period in response to constant but unforeseeable changes to the economic environment which slowed down sales in some regions, management identified a range of measures designed to limit pressure on operating profit. Consequently, specific measures were adopted in order to make retail and industrial processes more efficient, contain discretionary costs and postpone certain capital expenditure projects.

Operating expenses increased as a percentage of net revenues essentially because of retail network espansion had a lack of sales growth. In fact, selling costs increased from Euro 1,340.8 million to Euro 1,517.4 million, or from 37.8% to 42.8% of net revenues in relation to the fixed costs included in this caption (labor costs, rents and depreciation).

As part of advertising and communication, which remain essential activities to sustain revenues, the Group favored initiatives aimed at strengthening brand identity e.g. sponsorships, institutional events and special projects and at supporting the relationships with customers, also through increasingly sophisticated use of the digital channel. In this regard, it is worth highlighting the Digital Retail project launched towards the end of the year and aimed at increasing the customer involvement through direct and personalized interactions.

Product design and development costs, totaling Euro 134.3 million or 3.8% of net sales, were in line with prior year.

General and administrative costs were also subject to cost containment measures although they were, at the same time, affected by certain non-recurring expenses such as indemnities and onerouse leases.

The following table shows the depreciation, amortization and impairment costs, labor costs and rental costs included in operating costs.

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Depreciation, amortization and impairment	268,165	240,655
Labor cost	599,865	542,042
Variable rent	359,093	312,011
Fixed rent	301,189	261,003
Total	1,528,312	1,355,711

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

Interest and other financial income/(expenses), net may be analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Interest expenses on borrowings	(14,779)	(12,891)
Interest expenses IAS 19	(44)	(400)
Interest income	3,816	3,314
Exchange gains / (losses) – realized	3,221	8,854
Exchange gains/ (losses) – unrealized	(17,489)	(30,045)
Other financial income / (expenses)	(4,597)	(3,136)
Total	(29,872)	(34,304)

Interest expenses on borrowings have increased compared to 2014 because of higher average bank borrowing during the year.

34. Dividends from investments

As at January 31, 2016, the Group held a 4.88% interest (unchanged on prior year) in Sitoy Group Holdings ltd, a company listed on Hong Kong Stock Exchange (HK: 1023). In 2015, the dividends accrued from said company amounted to Euro 2,311 thousand (Euro 455 thousand in 2014).

35. Income and Deferred taxes

Income taxes are analyzed as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Current taxation	158,157	252,712
Deferred taxation	(16,163)	(44,228)
Income taxes	141,994	208,484

In absolute terms, the tax burden for the year is lower than in prior year (down from Euro 208.5 million to Euro 142 million). Total income taxes have also decreased as a percentage of profit before taxation (from 31.2% in 2014 to 29.9% in 2015) because of a different geographical distribution of taxable income and tax losses.

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:

(amounts in thousands of Euro)	twelve months ended January 31 2016
Weighted average tax rate of the Group	28.1%
Costs and revenues not taxable/deductible	0.1%
Effect of utilization of tax loss carryforwards	0.3%
Prior year taxes	-1.1%
Withholdings	2.5%
Effective tax rate of Group	29.9%

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 2016	twelve months ended January 31 2015
Opening balance	239,349	158,574
Exchange differences	528	21,549
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	(10,684)	13,795
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences	(1,200)	306
Other movements	(466)	897
Deferred taxes for the period in income statement	16,163	44,228
Closing balance	243,690	239,349

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

(amounts in thousands of Euro)	January 31, 2016		January 31, 2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	140,922	-	137,815	-
Receivables and other assets	386	1,616	506	1,541
Useful life of non-current assets	60,255	9,848	54,478	13,248
Deferred taxes due to acquisitions	-	20,725	-	21,787
Provision for risks / accrued expenses	49,611	2,561	47,627	2,436
Non-deductible / taxable charges/income	12,653	446	10,896	1,795
Tax loss carryforwards	3,809	-	5,411	-
Derivative financial instruments	1,800	35	12,577	-
Long term employee benefits	9,268	1,401	10,041	507
Other	1,868	250	1,632	320
Total	280,572	36,882	280,983	41,634

Tax loss carryforwards at January 31, 2016, including those already accrued in the Group financial statements, are analyzed below:

(amounts in thousands of Euro)	January 31, 2016
Expiring within 5 years	12,401
Expiring after 5 years	36,616
Available for carryforward with no time limit	72,629
Total tax loss carryforwards	121,646

The Directors have updated their assessment of deferred tax assets recognized on tax loss carryforwards taking account of the general macroeconomic environment and developments regarding the business activities of each Group company.

36. 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 2016	twelve months ended January 31 2015
Group net income in Euro	330,888,425	450,730,284
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	0.129	0.176

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, 2016.

During the year ended January 31, 2016, the Company distributed dividends of Euro 281,470,640, as approved by the Shareholders' Meeting held on May 26, 2015 to approve the financial statements for the year ended January 31, 2015. Payment of the dividends and the related Italian withholding tax liability (Euro 11.3 million), arising from the application of the Italian ordinary withholding tax rate to the full 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, 2016.

Details of the dividends paid in the last three years are provided below:

	Financial statements ended January 31, 2015	Financial statements ended January 31, 2014	Financial statements ended January 31, 2013
Total dividends paid (Euro)	281,470,640	281,470,640	230,294,160
Dividends per Share (Euro)	0.11	0.11	0.09
Date of approval by Shareholders' Meeting	26/05/2015	22/05/2014	23/05/2013
Date of payment	June 2015	June 2014	June 2013

37. Additional information

The average headcount by functional area in twelve months ended January 31, 2016 and January 31, 2015 was as shown below:

(number of employees)	twelve months ended January 31 2016	twelve months ended January 31 2015
Production	2,114	2,013
Product design and development	1,038	973
Advertising and Communications	119	115
Selling	8,129	7,866
General and administrative services	1,014	995
Total	12,414	11,962

Employee remuneration

Employee remuneration by functional area for the twelve months ended January 31, 2016 and January 31, 2015 is analyzed below:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Production	102,714	96,905
Product design and development	67,608	66,783
Advertising and Communications	13,157	12,066
Selling	418,931	376,724
General and administrative services	100,133	86,469
Total	702,543	638,947

Employee remuneration by nature for the twelve months ended January 31, 2016, and January 31, 2015 is analyzed below:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Wages and salaries	527,975	482,826
Post-employment benefits and other long-term benefits	32,985	29,105
Social contributions	109,191	104,544
Other	32,392	22,472
Total	702,543	638,947

Distributable reserves of parent company PRADA spa

(amounts in thousands of Euro)	January 31 2016	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882				
Share premium reserve	410,047	A, B, C	410,047		
Legal reserve	51,176	B			
Other reserves	182,899	A, B, C	182,899		
Retained earnings	454,651	A, B, C	434,135	-	588,530
Cash flow hedge reserve	93				
Distributable amount			1,027,081		588,530

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

Under Italian law (art. 2431 of 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 Statement of Profit or Loss prepared in other currencies as at January 31, 2016 and January 31, 2015 are shown below:

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.103	1.313	1.092	1.131
Canadian Dollar	1.429	1.460	1.536	1.432
GB Pound	0.725	0.801	0.764	0.751
Swiss Franc	1.067	1.203	1.114	1.047
Australian Dollar	1.486	1.464	1.539	1.454
Korean Won	1,259.326	1,383.862	1,318.600	1,246.540
Japanese Yen	133.531	140.037	132.250	133.080
Hong Kong Dollar	8.557	10.179	8.510	8.764
Singapore Dollar	1.525	1.669	1.555	1.529
Thai Baht	38.100	42.614	38.973	37.055
Taiwan Dollar	35.201	39.909	36.572	35.582
Russian Ruble	68.752	53.420	82.847	79.925
Czech Koruna	27.213	27.566	27.026	27.797
Macau Pataca	8.813	10.484	8.764	9.027
Chinese Renminbi	6.966	8.106	7.181	7.064
New Zealand Dollar	1.603	1.590	1.679	1.557
Malaysian Ringgit	4.378	4.320	4.530	4.110
Turkish Lira	3.070	2.882	3.237	2.758
Brazilian Real	3.799	3.108	4.429	3.011
Mexican Peso	17.811	17.588	20.005	16.838
UAE Dirham	4.053	4.821	4.011	4.152
Ukrainian Hryvna	24.920	16.331	27.423	18.283
Moroccan Dirham	10.811	11.145	10.767	10.837
Kuwait Dinar	0.333	0.375	0.332	0.334
Danish Kronor	7.460	7.453	7.463	7.444
Swedish Kronor	9.341	9.144	9.348	9.361
Kazakhstani Tenge	262.094	238.559	397.880	209.180
Qatari Riyal	4.019	4.780	3.952	4.127
Indian Rupee	71.274	80.067	74.104	70.113
Saudi Riyal	4.139	4.924	4.095	4.252
South African Rand	14.509	14.298	17.493	13.103
Vietnamese Dong	23,961.811	27,822.140	23,922.500	24,308.000
Indonesian Rupiah	14,901.001	15,602.414	14,967.640	14,342.100

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, 2016 and January 31, 2015, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Provided to	twelve months ended January 31, 2016	twelve months ended January 31, 2015
Audit services	Deloitte & Touche spa	PRADA spa	485	480
Audit services	Deloitte & Touche spa	Subsidiaries	162	174
Audit services	Deloitte Network	Subsidiaries	1,294	1,210
Total audit fees accruing			1,941	1,864
Other advisory services	Deloitte Network	PRADA spa	880	14
Other advisory services	Deloitte Network	PRADA spa and subsidiaries	247	265
Total non-audit fees accruing			1,127	279
Out of pocket expenses			99	50
Total independent auditor's compensation accruing			3,167	2,193

The Other advisory services amounting to Euro 880 thousand provided by the Deloitte Network to PRADA spa mainly relate to advisory services to support the analysis of Human Resources data management, to the organization process aimed at creating a Data Warehouse and some customer segmentation activities.

38. 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, 2016

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	January 31, 2016
Carlo Mazzi	1,020	-	-	83	16	1,119
Miuccia Prada Bianchi	10,561	2,675	-	-	21	13,257
Patrizio Bertelli	10,561	1,500	1,250	-	21	13,332
Donatello Galli	50	407	208	40	186	891
Alessandra Cozzani	50	190	97	13	94	444
Gaetano Micciché	46	-	-	-	-	46
Gian Franco Oliviero Mattei	147	-	-	-	13	160
Giancarlo Forestieri	70	-	-	-	11	81
Sing Cheong Liu	70	-	-	-	15	85
Totale	22,575	4,772	1,555	136	377	29,415

Remuneration of the PRADA spa Board of Directors for the year ended January 31, 2015

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	January 31, 2015
Carlo Mazzi	1,020	-	-	84	24	1,128
Miuccia Prada Bianchi	1,000	10,700	2,502(*)	-	21	14,223
Patrizio Bertelli	1,000	6,000	6,244(*)	-	21	13,265
Donatello Galli	40	411	155	38	193	837
Alessandra Cozzani	40	178	80	13	96	407
Gaetano Micciché	40	-	-	-	-	40
Gian Franco Oliviero Mattei	140	-	-	-	13	153
Giancarlo Forestieri	60	-	-	-	9	69
Sing Cheong Liu	60	-	-	-	12	72
Total	3,400	17,289	8,981	135	389	30,194

(*) Bonuses and other incentives includes Other long-term benefits in favor of Patrizio Bertelli and Miuccia Prada Bianchi for an amount of Euro 2,494 thousand and Euro 2,501 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 25.

Remuneration of the five highest paid individuals

The Group's five highest paid individuals include two Directors for both years. The total remuneration of the remaining three of the five highest paid individuals in the twelve months ended January 31, 2016, and the remaining three of the five highest paid individuals in the period ended January 31, 2015, was as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Remuneration and other benefits	10,644	9,463
Bonuses and other incentives	1,607	2,245
Non-monetary benefits	218	181
Pension/social security, healthcare and TFR contributions	397	361
Total	12,866	12,250

The remuneration of the five highest paid individuals fell into the following ranges:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2016	twelve months ended January 31 2015
Less than HKD 12,500,000	-	-
Between HKD 12,500,000 and HKD 20,000,000	2	2
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 2016	twelve months ended January 31 2015
Remuneration and other benefits	19,872	17,968
Bonuses and other incentives	5,207	5,691
Non-monetary benefits	1,458	2,421
Pension/social security, healthcare and TFR contributions	3,159	3,141
Total	29,696	29,221

The Senior Managers at January 31, 2016 are 31, while they were 35 in prior year.

The remuneration of the Senior Managers fell into the following ranges:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2016	twelve months ended January 31 2015
Less than HKD 4,000,000	6	6
between HKD 4,000,000 and HKD 8,000,000	21	25
between HKD 8,000,000 and HKD 16,000,000	3	3
between HKD 16,000,000 and HKD 50,000,000	-	-
More than HKD 50,000,000	1	1
Total Senior Managers	31	35

39. Related party transactions

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 the impact of related party transactions in terms of statement of financial position balances at the reporting date and the total of transactions with an income statement impact.

Statement of financial position amounts at January 31, 2016

(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	Other Liabilities
STICHTING Prada (ex Stiching Fondazione Prada)	(1)	-	-	-	-	-	-
Progetto Prada Arte Srl	(12)	-	703	(503)	-	-	-
Progetto Prada Arte Srl (Galleria) (*)			1,632				
HMP Srl	8	-	-	-	-	-	-
Al Tayer Group LLC	-	-	-	4	-	-	-
Al Tayer Insignia LLC	-	-	-	21	2,455	-	-
Danzas LLC - UAE	-	-	-	-	37	-	-
DFS Hawaii	-	-	-	660	-	-	-
DFS New Zealand Limited	-	-	-	35	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	44	-	-	-
Luna Rossa Challenge 2013 Srl	56	13,626	3,164	7	26	-	-
Al Tayer Motors	-	-	-	1	-	-	-
Secva Srl	-	5,848	-	4,279	-	-	-
DFS DFS Cotai limitada	54	-	-	905	-	-	-
Al Tayer Trends	14	-	-	-	-	-	-
Al Sanam Rent a Car LLC	-	-	-	2	-	-	-
Peschiera Immobiliare srl	-	-	-	64	-	-	-
Premiata Srl	63	-	-	476	-	-	-
La Mazza srl	63	-	-	823	-	-	-
Friuli 64 srl	-	-	-	152	-	-	-
SPELM SA	-	75	-	-	-	-	-
Conceria Superior S.p.A.	2	-	-	3,083	-	-	-
PRADA HOLDING S.P.A.	502	-	-	-	-	-	-
Fratelli Prada SpA	24,118	-	-	1,496	322	-	-
PRA 1 S.r.l.	-	80	-	144	-	-	-
Perseo srl	21	-	-	1,222	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	123	-	-	2,083	2,404	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	2,652
Relatives of members of the Board of Directors	-	-	-	-	-	-	72
Total at January 31, 2016	25,011	19,629	5,499	14,998	5,244	-	2,724

(*)The non-current receivable of Euro 1,632 thousand recognized in relation to Progetto Prada Arte srl represents deferred rental income upon application of "IAS 17 Leases" to the temporary business partnership between PRADA spa and Progetto Prada Arte srl.

Statement of financial position amounts at January 31, 2015

(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	Other Liabilities
DFS Hawaii	-	-	-	707	-	-	-
DFS Venture Singapore pte ltd	-	-	-	57	-	-	-
DFS Cotai ltd	89	-	-	1,478	-	-	-
DFS New Zealand ltd	-	-	-	49	-	-	-
F.lli PRADA spa (franchising)	29,291	-	-	2,639	322	-	-
F.lli PRADA spa (Galleria) (*) (***)	912	-	3,174	-	-	-	-
Al Tayer Travels	-	-	-	51	-	-	-
Al Tayer Insignia llc	-	-	-	88	2,371	-	-
Al Tayer Logistics	-	-	-	-	-	-	-
Al Tayer Motors	-	-	-	1	-	-	-
Al Tayer Trends	13	-	-	-	-	-	-
Danzas llc UAE	-	-	-	27	112	-	-
Rubaiyat Modern Lux Prod ltd	2,342	-	-	-	-	-	-
Luna Rossa Challenge 2013 NZ ltd	1,294	-	-	-	-	-	-
Luna Rossa Challenge 2013 srl	721	11	12,379	154	21	-	-
Aati Contracs	-	-	-	-	-	-	-
Stiching Fondazione Prada	526	25	-	36	32	-	-
Stiching Prada	354	-	-	-	-	-	-
Progetto Prada Arte srl	355	88	741	1,784	211	-	-
Progetto Prada Arte srl (Galleria) (**) (****)	566	-	1,135	-	-	-	-
HMP srl	8	-	-	-	-	-	-
PRA 1 srl	-	90	-	75	-	-	-
Premiata srl	182	-	-	2,211	-	-	-
Friuli 64 srl	-	-	-	151	-	-	-
SPELM sa	-	-	-	183	-	-	-
La Mazza srl	105	-	-	867	-	-	-
Conceria Superior spa	1	-	-	12,418	-	-	-
Peschiera Immobiliare srl	-	82	-	-	-	-	-
Chora srl	-	2,924	-	3,233	-	-	-
FinReta srl	-	-	-	190	-	13,384	-
Pelletteria Reta srl	-	15	-	38	13	-	-
Other	2	-	-	5	1	-	-
PRADA Holding spa	160	5	-	1	-	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	143
Relatives of members of the Board of Directors	-	-	-	-	-	-	432
Total at January 31, 2015	36,921	3,240	17,429	26,443	3,083	13,384	575

(*)The non-current receivable of Euro 3,174 thousand recognized in relation to Fratelli Prada spa represents deferred rental income upon application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa.
(**)The non-current receivable of Euro 1,135 thousand recognized in relation to Progetto Prada Arte srl represents deferred rental income upon application of "IAS 17 Leases" to the temporary business partnership between PRADA spa and Progetto Prada Arte srl.
(***)The receivable of Euro 912 thousand represents the business management fee due by Fratelli Prada spa to PRADA spa for the conduct of retail business in the premises in Galleria Vittorio Emanuele II, Milan, under the business management agreement between Fratelli Prada spa and PRADA spa.
(****)The receivable of Euro 566 thousand represents the portion of rental expenses for use of the premises in Galleria Vittorio Emanuele II, Milan, by Progetto Prada Arte srl in compliance with temporary business partnership between PRADA spa and Progetto Prada Arte srl.

Statement of Profit or Loss for the twelve months ended January 31, 2016

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
STICHTING Prada (ex Stiching Fondazione Prada)	16	-	(152)	-	-	-
Progetto Prada Arte Srl	-	459	(242)	-	19	-
Progetto Prada Arte Srl (Galleria) (**)			(1,318)			
HMP Srl	-	-	13	-	-	-
Al Tayer Group LLC	-	-	48	-	-	-
Al Tayer Insignia LLC	-	43	359	-	-	-
Danzas LLC - UAE	-	981	125	-	-	-
Al Tayer Travels	-	6	42	-	-	-
DFS Hawaii	(2)	-	4,436	-	-	-
DFS New Zealand Limited	-	-	300	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	316	-	-	-
Luna Rossa Challenge 2013 Srl	18	-	13,544	-	-	-
Al Tayer Motors	-	-	8	-	-	-
Secva Srl	-	-	2,605	-	-	1
DFS DFS Cotai limitada	-	-	6,170	-	-	-
Al Sanam Rent a Car LLC	-	-	11	-	-	-
Peschiera Immobiliare srl	-	-	522	-	-	-
Premiata Srl	-	3,156	1	-	-	-
La Mazza srl	-	2,032	16	-	-	-
Fin_Reta Srl	-	-	125	-	-	-
Pelletteria Reta srl	-	17	51	-	-	-
Friuli 64 srl	-	-	718	-	-	-
SPELM SA	-	-	468	-	-	-
Gran Caffè snc	-	7	1	-	-	-
Rubaiyat Modern Lux. Prod. Ltd	-	-	(858)	212	-	-
Conceria Superior S.p.A.	-	22,750	130	-	-	-
PRADA HOLDING S.P.A.	-	-	(347)	-	-	-
Fratelli Prada SpA (franchising)	30,349	125	(558)	908	-	-
Fratelli Prada (galleria) (*)	-		2,677			
PRA 1 S.r.l.	-	-	1,187	-	-	-
PABE-RE LLC.	-	-	8,342	-	-	-
Perseo srl	-	1,154	-	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	6,621	6,443	(23)	-	-	-
Relative of PRADA spa Director	-	-	742	-	-	-
Total at January 31, 2016	37,002	37,173	39.459	1,120	19	1

(*) This amount contains non-monetary income in the form of deferred rental income of Euro 3,174 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 387 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.

Statement of Profit or Loss for the twelve months ended January 31, 2015

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
PRADA Holding spa	-	-	(129)	-	-	-
Other subsidiaries of PRADA Holding spa	-	-	(6)	-	-	-
EXHL Italia	-	-	(6)	-	-	-
Other related parties	36,858	28,677	35,940	1,283	22	152
F.lli PRADA spa (*franchising*)	36,848	95	(2,264)	1,116	-	-
F.lli PRADA spa (Galleria) (*)	-	-	(4,645)	-	-	-
Danzas llc	-	1,272	215	-	-	-
DFS Hawaii	-	-	4,503	-	-	-
DFS New Zealand ltd	-	-	474	-	-	-
Rubaiyat Modern Lux Prod ltd	-	-	(2,172)	167	-	-
DFS Cotai ltd	-	-	8,338	-	-	-
DFS Venture Singapore pte ltd	-	-	304	-	-	-
Al Tayer Travels	-	13	431	-	-	-
Al Tayer Group llc	-	-	30	-	-	-
Al Tayer Insignia llc	-	77	268	-	-	-
Al Tayer Motors	-	-	2	-	-	-
Al Sanam Rent a Car llc	-	-	8	-	-	-
Chora srl	-	-	3,156	-	-	15
Luna Rossa Challenge 2013 NZ ltd	-	-	6	-	-	-
Luna Rossa Challenge 2013 srl	8	-	12,157	-	3	-
HMP srl	-	-	35	-	-	-
Stiching Fondazione Prada	-	-	6,700	-	-	-
Progetto Prada Arte srl	2	229	(435)	-	19	-
Progetto Prada Arte srl (*sponsorship*)	-	-	7,940	-	-	-
Progetto Prada Arte srl (Galleria) (**)	-	-	(1,517)	-	-	-
Peschiera Immobiliare srl	-	-	505	-	-	-
Premiata srl	-	5,786	-	-	-	-
La Mazza srl	-	1,715	3	-	-	-
SPELM sa	-	-	242	-	-	-
Friuli 64 srl	-	-	690	-	-	-
PRA 1 srl	-	-	797	-	-	-
LUDO srl	-	-	(3)	-	-	-
Conceria Superior spa	-	18,730	34	-	-	-
Fin_Reta srl (***)	-	531	120		-	137
Pelletteria Reta srl	-	220	9	-	-	-
Other	-	9	9	-	-	-
Relative of PRADA spa Director	-	-	652	-	-	-
Total at January 31, 2015	36,858	28,677	36,457	1,283	22	152

(*)This amount contains non-monetary income in the form of deferred rental income of Euro 2,324 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 498 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 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 "PABE-RE LLC" refer to the transaction between PABE-RE LLC and Prada Japan in relation to the rental contract for the Aoyama Building in Tokyo. The transactions reported for the twelve months ended January 31, 2016 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 is contained in the PRADA spa Announcement dated July 15, 2015.

The transactions with related party "Fratelli Prada spa – franchising" refer to transactions between the PRADA Group 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, 2016 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 is contained in the PRADA spa Announcement dated January 29, 2014 while a summary update is reported in the Corporate Governance section of this 2015 Annual Report.

The transactions with related party "Fratelli Prada spa – Galleria" refer to the transactions between the PRADA Group 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 refer to the period from February 1 to April 1, 2015, following the termination agreement signed by the parties on March 31, 2015, details of which were reported in the Prada spa Announcement of April 2, 2015.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between the PRADA Group and Progetto Prada Arte srl in relation to the temporary business partnership 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, 2016 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 while a summary update is reported in the Corporate Governance section of this 2015 Annual Report.

The transactions with related party Luna Rossa Challenge 2013 srl reported for the twelve months ended January 31, 2016 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 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 February 27, 2014 while a summary update is reported in the Corporate Governance section of this 2015 Annual Report.

Other than the "non-exempt continuing connected transactions", the "non-exempt connected transactions", no other transaction reported in the 2015 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.

40. Commitments

Operating leases

At January 31, 2016 and January 31, 2015, operating lease commitments by maturity date were as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Within a year	435,241	406,528
After between one year and five years	1,218,665	1,228,000
After more than five years	1,053,674	850,197
Total	2,707,580	2,484,725

Operating lease commitments for the 2015 reporting period include Euro 2,636 million regarding lease agreements for retail premises (Euro 2,398 million for 2014).

The increase in operating lease commitments is mainly due to the expansion of the retail network.

The amounts recorded in the income statement in relation to lease agreements for the twelve months ended January 31, 2016 and January 31, 2015 are shown below:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Fixed minimum lease expenses	303,451	261,003
Variable lease expenses	359,093	312,011
Total	662,544	573,014

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

At January 31, 2016 and January 31, 2015, future rental income under current operating leases for properties owned by the Group was analyzed by maturity as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2016	twelve months ended January 31 2015
Within a year	6,776	13,471
After between one year and five years	23,709	50,277
After more than five years	19,286	95,427
Total	49,771	159,175

The decrease in future rental income mainly regards the termination of the business management agreement between PRADA spa and the related party Fratelli Prada as reported in Note 39.

Other commitments

At January 31, 2016, the Group had no significant binding purchase commitments.

41. Historical Statement of Profit or Loss and statement of financial position highlights

(amounts in thousands of Euro)	January 31 2016	January 31 2015	January 31 2014	January 31 2013	January 31 2012
Net revenues	**3,547,771**	**3,551,696**	**3,587,347**	**3,297,219**	**2,555,606**
Gross margin	**2,567,565**	**2,550,579**	**2,648,649**	**2,376,541**	**1,828,025**
Operating income (EBIT)	**502,893**	**701,551**	**939,237**	**889,781**	**628,935**
Group net income	**330,888**	**450,730**	**627,785**	**625,681**	**431,929**
Total assets	**4,756,555**	**4,738,877**	**3,888,292**	**3,385,279**	**2,943,568**
Total liabilities	**1,659,178**	**1,720,730**	**1,186,752**	**1,054,787**	**1,112,601**
Total Group shareholders' equity	**3,080,340**	**3,000,737**	**2,687,554**	**2,320,022**	**1,822,743**

42. Consolidated companies

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
Italy						
PRADA Spa	EUR	255,882		Milan, IT		Group Holding / Production/Distribution
Artisans Shoes Srl (*)	EUR	1,000	66.70	Montegranaro, IT	09/02/1977	Production
IPI Logistica Srl (*)	EUR	600	100.00	Milan, IT	26/01/1999	Services
PRADA Stores Srl (*)	EUR	520	100.00	Milan, IT	11/04/2001	Retail/ Services
Church Italia Srl	EUR	51	100.00	Milan, IT	31/01/1992	Distribution/Retail
Marchesi Angelo Srl (*)	EUR	23	80.00	Milan, IT	10/07/2013	Confectionary
Montenapoleone 9 Srl (*)	EUR	250	98.00	Milan, IT	22/04/2015	Confectionary
Europe						
PRADA Retail UK Ltd	GBP	5,000	100.00	London, UK	07/01/1997	Retail
PRADA Germany Gmbh	EUR	215	100.00	Munich, GE	20/03/1995	Retail
PRADA Austria Gmbh	EUR	40	100.00	Vienna, AT	14/03/1996	Retail
PRADA Spain Sl	EUR	240	100.00	Madrid, ES	14/05/1986	Retail
PRADA Retail France Sas	EUR	4,000	100.00	Paris, FR	10/10/1984	Retail
PRADA Hellas Sole Partner Llc (*)	EUR	2,850	100.00	Athens, GR	19/12/2007	Retail
PRADA Monte-Carlo Sam	EUR	150	100.00	Monte-Carlo, FR	25/05/1999	Retail
PRADA Sa (*)	EUR	31	100.00	Luxembourg, LU	29/07/1994	Trademark Owner/ Services
PRADA Company Sa	EUR	3,204	100.00	Luxembourg, LU	12/04/1999	Service
PRADA Far East Bv (*)	EUR	20	100.00	Amsterdam, NL	27/03/2000	Sub-Holding
Church Denmark Aps	DKK	50	100.00	Copenhagen, DK	13/03/2014	Retail
Church Holding UK Ltd (*)	GBP	78,126	100.00	Northampton, UK	22/07/1999	Sub-Holding
Church France Sas	EUR	241	100.00	Paris, FR	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, CH	29/12/2000	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	16/01/1926	Sub-Holding/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, BE	25/02/1963	Retail
PRADA Czech Republic Sro (*)	CZK	2,500	100.00	Prague, CZ	25/06/2008	Retail
PRADA Portugal Unipessoal Lda (*)	EUR	5	100.00	Lisbon, PT	07/08/2008	Retail
PRADA Rus Llc (*)	RUB	250	100.00	Moscow, RU	07/11/2008	Retail
Church Spain Sl	EUR	3	100.00	Madrid, ES	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	41,000	100.00	Istanbul, TR	26/02/2009	Retail
PRADA Ukraine Llc (*)	UAH	30,000	100.00	Kiev, UA	14/10/2011	Retail
Church Netherlands Bv	EUR	18	100.00	Amsterdam, NL	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100.00	Dublin, IE	20/11/2011	Retail
Church Austria Gmbh	EUR	35	100.00	Vienna, AT	17/01/2012	Retail
Prada Sweden Ab	SEK	500	100.00	Stockholm, SE	18/12/2012	Retail
Church Footwear Ab	SEK	100	100.00	Stockholm, SE	18/12/2012	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
Europe						
Prada Switzerland Sa (*)	CHF	24,000	100.00	Lugano, CH	28/09/2012	Retail
Prada Kazakhstan Llp (*)	KZT	500,000	100.00	Almaty, KZ	24/06/2013	Retail
Kenon Ltd	GBP	84,000	100.00	London, UK	07/02/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	1,200	60.00	Isle, FR	19/08/2014	Production
Prada Denmark Aps (*)	DKK	50	100.00	Copenhagen, DK	19/05/2015	Retail
Prada Finnish Oy (*)	EUR	2.5	100.00	Helsinki, FI	09/11/2015	Retail
Prada Belgium Sprl (*)	EUR	800	100.00	Brussels, BE	04/12/2012	Retail
Americas						
PRADA USA Corp. (*)	USD	152,211	100.00	New York, US	25/10/1993	Services/Distribution/ Retail
TRS Hawaii Llc	USD	400	55.00	Honolulu, US	17/11/1999	Duty-free stores
PRADA Canada Corp. (*)	CAD	300	100.00	Toronto, CA	01/05/1998	Distribution/Retail
Church & Co. (USA) Ltd	USD	85	100.00	New York, US	08/09/1930	Retail
Post Development Corp (*)	USD	45,138	100.00	San Francisco, US	18/02/1997	Real estate
PRADA Retail Mexico, S. de R.L. de C.V. (*)	MXN	142,058	100.00	Mexico City, MX	12/07/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	87,000	100.00	Sao Paulo, BR	12/04/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100.00	Mexico City, MX	27/02/2014	Services
PRADA Panama Sa (*)	PAB	30	100.00	Panama, PA	15/09/2014	Retail
PRADA Retail Aruba Nv (*)	USD	2,012	100.00	Oranjestad, AW	25/09/2014	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific Ltd	HKD	3,000	100.00	Hong Kong, HK	12/09/1997	Retail /Distribution/ Services
PRADA Taiwan Ltd	TWD	3,800	100.00	Hong Kong, HK	16/09/1993	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Kuala Lumpur, MY	23/01/2002	Retail
TRS Hong Kong	HKD	500	55.00	Hong Kong, HK	23/02/2001	Duty-free stores
PRADA Singapore Pte Ltd	SGD	1,000	100.00	Singapore, SG	31/10/1992	Retail
TRS Singapore Pte Ltd	SGD	500	55.00	Singapore, SG	08/08/2002	Duty-free stores
PRADA Korea Llc	KRW	8,125,000	100.00	Seoul, KR	27/11/1995	Retail
PRADA (Thailand) co Ltd	THB	372,000	100.00	Bangkok, TH	19/06/1997	Retail
PRADA Japan co Ltd	JPY	1,200,000	100.00	Tokyo, JP	01/03/1991	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam, GU	01/07/1999	Duty-free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan, MP	01/07/1999	Duty-free stores
TRS New Zealand ltd	NZD	100	55.00	Wellington, NZ	04/11/1999	Duty-free stores
PRADA Australia Pty Ltd	AUD	10,500	100.00	Sydney, AU	21/04/1997	Retail
PRADA Trading (Shanghai) co Ltd	RMB	1,653	100.00	Shanghai, CN Limited Liability Company	09/02/2004	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, JP	21/01/2005	Duty-free stores
PRADA Fashion Commerce (Shanghai) co Ltd	RMB	474,950	100.00	Shanghai, CN Limited Liability Company	31/10/2005	Retail
Church Japan co Ltd	JPY	31,525	100.00	Tokyo, JP	17/04/1992	Retail
Church Hong Kong Retail Ltd	HKD	1,000	100.00	Hong Kong, HK	04/06/2004	Retail
Church Singapore Pte. Ltd	SGD	500	100.00	Singapore, SG	18/08/2009	Retail
PRADA Hong Kong P.D. Ltd (*)	HKD	11,000	100.00	Hong Kong, HK	15/12/2011	Service company
Prada Dongguan Trading Co., Ltd	RMB	8,500	100.00	Dongguan, CN Limited Liability Company	28/11/2012	Service company
Church Footwear (Shanghai) Co., Ltd	RMB	21,900	100.00	Shanghai, CN Limited Liability Company	05/12/2012	Retail
Prada New Zealand Ltd	NZD	3,500	100.00	Wellington, NZ	05/07/2013	Retail
PRADA India Fashion Private Ltd	INR	100	100.00	Mumbai, IN	30/09/2013	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
PRADA Vietnam Limited Liability Company	VND	10,641,570	100.00	Hanoi City, VN	09/09/2014	Retail
PT PRADA Indonesia	IDR	3,023,844	100.00	Jakarta, ID	15/10/2014	Distribution
PRADA Macau Co Ltd	MOP	25	100.00	Macau, MO	22/01/2015	Retail
Middle East						
PRADA Middle East Fzco (*)	AED	18,000	60.00	Jebel Ali Free Zone, AE	25/05/2011	Distribution/Services
PRADA Emirates Llc (**)	AED	300	49.00	Dubai, AE	04/08/2011	Retail
PRADA Kuwait Wll (**)	KWD	50	49.00	Kuwait city, KW	18/09/2012	Retail
PRADA Retail Spc (*)	QAR	15,000	100.00	Doha, QA	03/02/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75.00	Jeddah, SA	02/07/2014	Retail
Other countries						
PRADA Maroc Sarlau (*)	MAD	95,000	100.00	Casablanca, MA	11/11/2011	Retail
PRADA Retail South Africa pty Ltd (*)	ZAR	50,000	100.00	Sandton, ZA	06/09/2014	Retail

(*) Company owned directly by PRADA spa
(**) Company consolidated based on definition of control per IFRS 10

Companies not included in scope of consolidation:

Company	Percentage direct interest as at January 31, 2016	Percentage direct interest as at January 31, 2015	Note	Consolidation method
PAC Srl (in liquidation)	49.00	49.00	Associate	Equity method
Pelletteria Ennepì Srl	40.00	-	Associate	Equity method

During the year PAC srl has almost completed the liquidation of the above mentioned company, although some formalities had not yet been concluded at year end. Accordingly, at January 31, 2016, the value of the investment was written off as reported in Note 17.

In 2015, PRADA spa acquired 40% of the quotas of Pelletteria Ennepì srl, a company specializing in production of wallets, travel items, bags and small leather goods. At January 31, 2016, the investment in this company was measured using the equity method.

43. Information on Non-Controlling Interests in the Group

Financial information on the companies not entirely controlled by the Group is provided below, as required by IFRS 12. The amounts below are stated before consolidation adjustments:

Financial statements at January 31, 2016:

Company (amounts in thousands)	Percentage interest held	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss) for year	Dividends paid to non-controlling shareholders
Artisans Shoes Srl	67.00	EUR	27,556	8,059	56,980	1,126	1,018
TRS Hawaii Llc	60.00	USD	8,486	4,413	17,153	(581)	-
TRS Hong Kong Ltd	55.00	HKD	978	797	-	(91)	22,500
TRS Singapore Pte Limited	55.00	SGD	3,012	2,315	3,669	498	-
TRS Guam	55.00	USD	6,000	4,697	12,536	(1,069)	-
TRS Saipan	55.00	USD	2,982	2,324	5,925	681	-
TRS New Zealand Pty Ltd	55.00	NZD	2,625	2,125	3,407	466	-
TRS Okinawa	55.00	JPY	928,706	611,917	1,615,184	226,390	-
TRS Hong Kong Macau	55.00	MOP	104,465	57,987	325,079	45,175	-
Prada United Arab Emirates	49.00	AED	175,547	(15,445)	224,236	(35,096)	-
Prada Middle East FZCO	60.00	AED	319,288	170,885	289,841	55,846	-
Prada Kuwait	49.00	KWD	6,031	(403)	8,537	(486)	-
Prada Saudi Arabia	75.00	SAR	110,618	16,672	21,011	(6,762)	-
Marchesi Angelo Srl	80.00	EUR	1,865	920	3,380	175	-
Montenapoleone 9 Srl	98.00	EUR	2,584	(1,149)	1,533	(2,149)	-
Tannerie Limoges S.A.S.	60.00	EUR	5,281	108	610	(666)	-

(*) Company consolidated based on definition of control per IFRS 10

Compared to the financial statements for the period ended January 31, 2015, information regarding Pellettieri d'Italia srl is no longer provided because, in 2015, the Group acquired the remaining non-controlling interests (40%). Later in 2015, the company in question was merged through incorporation into direct parent PRADA spa.

Financial statements at January 31, 2015:

Company (amounts in thousands)	Percentage interest held	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss) for year	Dividends paid to non-controlling shareholders
Artisans Shoes Srl	67.00	EUR	36,868	9,990	75,439	3,064	510
Pellettieri d'Italia Srl	60.00	EUR	490	(926)	-	(1,021)	-
TRS Hawaii Llc	55.00	USD	8,748	4,994	20,514	1,073	-
TRS Hong Kong	55.00	HKD	1,067	889	-	(168)	63,000
TRS Singapore	55.00	SGD	2,795	1,818	3,929	535	900
TRS Guam Partnership	55.00	USD	7,448	5,766	16,070	1,000	1,375
TRS Saipan Partnership	55.00	USD	2,440	1,643	7,315	1,211	450
TRS New Zealand ltd	55.00	NZD	2,299	1,659	5,291	905	585
TRS Okinawa KK	55.00	JPY	713,380	383,617	1,491,121	178,948	90,000
TRS Hong Kong branch in Macau	55.00	MOP	144,425	64,312	555,432	125,399	-
PRADA Emirates Llc (*)	49.00	AED	189,768	19,652	258,920	(2,253)	-
PRADA Middle East fzco	60.00	AED	282,303	115,039	268,481	33,639	-
Prada Kuwait Wll (*)	49.00	KWD	6,523	83	8,633	57	-
Marchesi Angelo Srl	80.00	EUR	1,601	744	2,479	212	-
PSC Sas	60.00	EUR	1,402	774	-	(426)	-

(*) Company consolidated based on definition of control per IFRS 10

At the date of these consolidated financial statements, there were no significant restrictions on the Group's ability to access or utilize its assets and settle its liabilities.

In 2011, PRADA spa and Al Tayer Insignia llc signed an agreement with the objective of developing the PRADA and MIU MIU brands in the retail business in the Middle East. The agreement gives PRADA spa a call option on up to 20% of the share capital of PRADA Middle East Fzco. At the reporting date, PRADA spa is not reasonably certain that it can estimate the likelihood that the option will be exercise and, therefore, measure the fair value of the option.

44. Events after the reporting period

As reported in the Announcement published by the Company on February 19, 2016, Director Donatello Galli resigned from the role of Executive Director and CFO with effect from the same day. The Board of Directors then appointed Alessandra Cozzani – already an Executive Director– as the new CFO. On April 8, 2016, the Board also approved the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from the same day, to fill the casual vacancy caused by Mr. Galli's resignation.

Independent Auditors' Report

Deloitte.

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

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

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

To the Shareholders of
PRADA S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying 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, 2016, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and the explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Prada Group as at January 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Prada S.p.A., with the consolidated financial statements of the Prada Group as at January 31, 2016. In our opinion the report on operations is consistent with the consolidated financial statements of Prada Group as at January 31, 2016.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti
Partner

Milan, Italy
April 8th, 2016