PRADA

MILANO

DAL 1913

Interim Financial Report 2016

PRADA spa
(Hong Kong Stock code: 1913)

Interim Financial Report 2016

Index

Patrizio Bertelli

Miuccia Prada

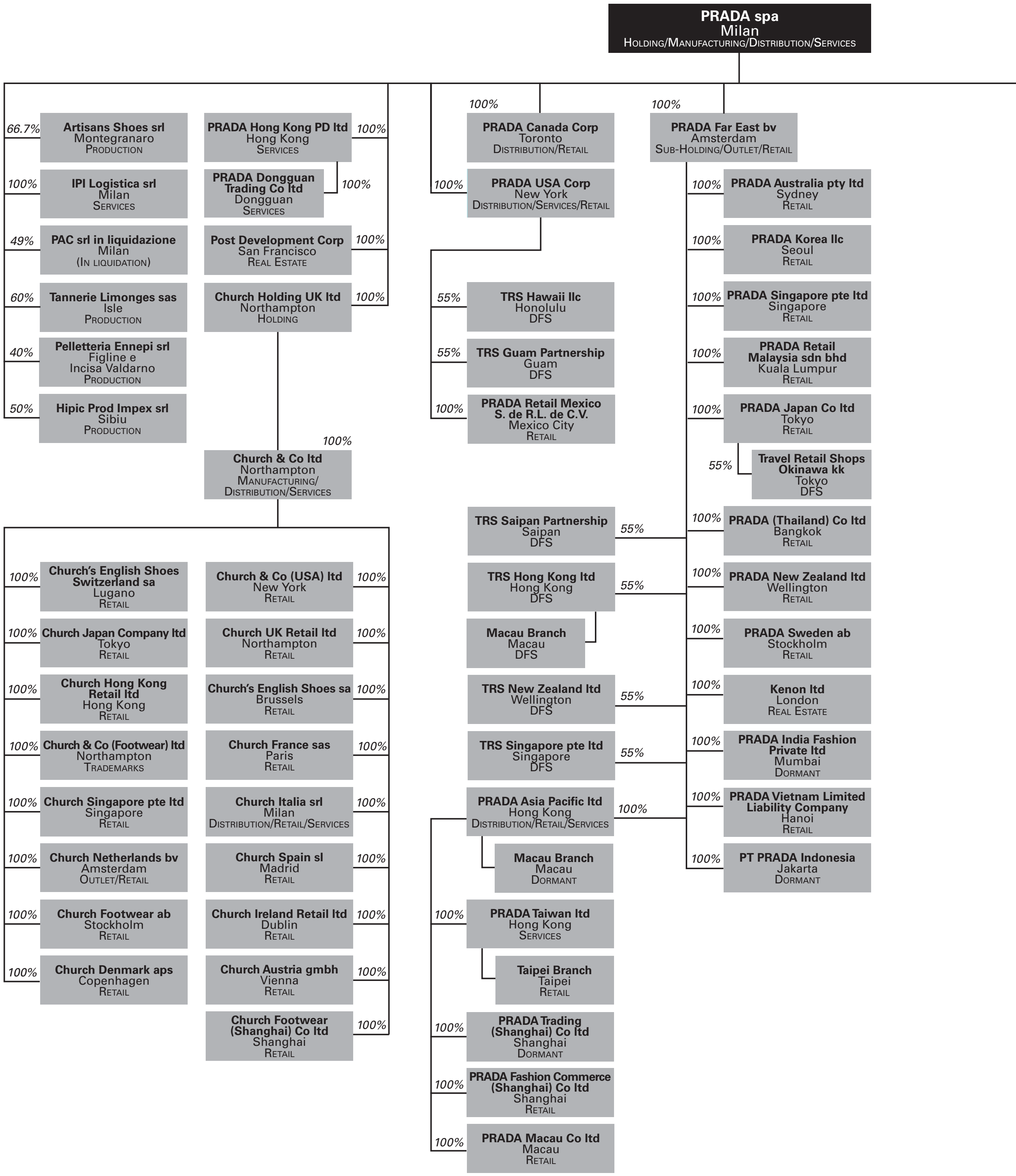
The PRADA Group

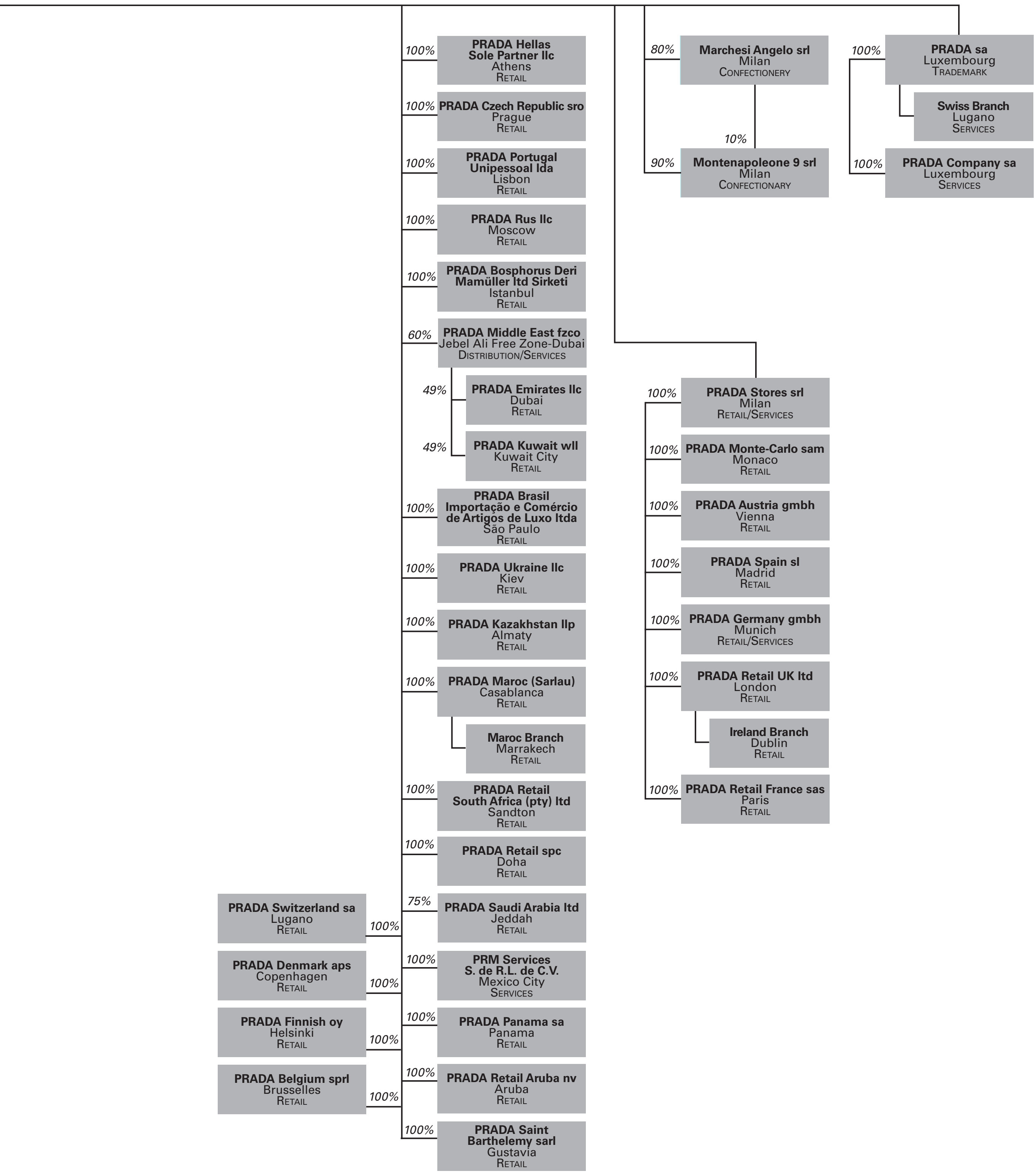
Corporate Information

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) Stefano Simontacchi (Non-Executive Director appointed first on April 8, 2016 and confirmed on May 24, 2016) Maurizio Cereda (Non-Executive Director appointed on May 24, 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 Gaetano Micciché (Non-Executive Director) resigned with effect from April 15, 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 Paolo De Paoli
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

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
100%
PRADA Saint Barthelemy sarl
Gustavia
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
Confectionery
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

Financial Review

The Board of Directors' Financial Review refers to the Group of companies controlled by PRADA spa (the "Company"), the operating parent company of the PRADA Group (the "Group"), and is based on the Group's unaudited Interim condensed financial statements for the six months ended July 31, 2016 prepared in accordance with "IAS 34 Interim Financial Reporting" and the IFRSs as adopted by the European Union. The Financial Review is to be read together with the 2016 unaudited Interim condensed consolidated financial statements.

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%
Retail	1,276,588	82.1%	1,552,393	85.1%
Wholesale	252,679	16.3%	248,963	13.6%
Royalties	24,905	1.6%	23,077	1.3%
Net revenues	1,554,172	100.0%	1,824,433	100.0%
Cost of goods sold	(432,231)	-27.8%	(498,520)	-27.3%
Gross margin	1,121,941	72.2%	1,325,913	72.7%
Operating expenses	(908,240)	-58.4%	(1,032,699)	-56.6%
EBIT	213,701	13.8%	293,214	16.1%
Interest and other financial expenses, net	(6,756)	-0.4%	(9,073)	-0.5%
Dividends from investments	558	0.0%	1,562	0.1%
Income before taxation	207,503	13.4%	285,703	15.7%
Taxation	(62,206)	-4.1%	(94,139)	-5.2%
Net income for the period	145,297	9.3%	191,564	10.5%
Net income - non-controlling interests	3,374	0.2%	2,971	0.2%
Net income - Group	141,923	9.1%	188,593	10.3%
Depreciation, amortization and impairment	116,290	7.5%	146,840	8.0%
EBITDA	329,991	21.2%	440,054	24.1%
Basic and diluted earnings per share (in Euro per share)	0.055		0.074	

Key financial information

Key figures from statement of profit or loss (amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	twelve months ended January 31 2016 (audited)	six months ended July 31 2015 (unaudited)	change % six months 2016 vs six months 2015
Net revenues	1,554,172	3,547,771	1,824,433	-14.8%
EBITDA	329,991	802,758	440,054	-25.0%
EBITDA %	21.2%	22.6%	24.1%	-
EBIT	213,701	502,893	293,214	-27.1%
EBIT %	13.8%	14.2%	16.1%	-
Net income of the Group	141,923	330,888	188,593	-24.7%
Earnings per share (Euro)	0.055	0.129	0.074	-25.7%
Capital expenditure	108,085	336,895	176,235	-
Net operating cash flows	266,728	368,465	63,374	n/a
Average number of employees	12,228	12,414	12,365	-1.1%

Key figures from statement of financial pos. (amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)	July 31 2015 (unaudited)	change July 2016 vs January 2016
Net operating working capital	674,446	665,156	747,574	9,290
Net invested capital	3,166,777	3,212,172	3,238,133	(45,395)
Net financial position surplus/(deficit)	(251,727)	(114,795)	(259,749)	(136,932)
Group shareholders' equity	2,894,984	3,080,340	2,960,909	(185,356)

Financial highlights

The net revenues for the first six months of fiscal year 2016 amounted to Euro 1,554.2 million, down by 14.8% compared to the same period of last year. The decrease was entirely attributable to a sales decline in the retail channel as the wholesales and royalties were positive.

In the six-month period, management undertook several initiatives to assist the retail performance in the context of an uncertain economy that did not show any significant improvement with respect to the previous year. So, leveraging its craftsmanship, manufacturing capacity and unique stylistic identity, the Group launched new collections in all product categories for all brands. These include, among others, the new iconic Prada Cahier, Prada Pionnère and Miu Miu Dahlia handbags, as well as several one-of-a-kind editions created to celebrate seasonal festivities, retail events and business partnerships. Despite good results in new products, sales were down almost everywhere, but, again, the most significant declines were in the leather goods division, especially in the Far East.

The Group combined its commitment to product design with effective advertising campaigns and communication activities, and directed its efforts toward additional enhancement of the customer experience. To this end the Group started to relocate or expand some of its most important shops, such as the Prada stores on Canton Road in Hong Kong and at Plaza 66 in Shanghai, and began to roll-out new retail concepts. At the same time, new stores were opened only in areas deemed strategic, such as Zurich and Moscow, and such openings were counterbalanced with selected store closings in secondary cities or where expiring leases could be not be renewed under conditions deemed in line with the market. As in the previous year, all these initiatives were accompanied by a continuous review of corporate processes and savings to limit the pressure on operating margins.

At the end of the six-month period the results of the cost containment actions, despite the sales contraction, allowed the Group to achieve an EBIT margin of 13.8%, compared to 16.1% for the same period of last year. The Group's net income was Euro 141.9 million, or 9.1% as a percentage of net revenues, whereas it was 10.3% for the same six-month period of 2015.

The net operating working capital at July 31, 2016 is Euro 674.4 million, practically unchanged from the Euro 665.2 million of January 31, 2016. The Group succeeded in optimizing the management of this item thanks to better retail planning and operations, thus benefiting the Group's net financial debt, which after the dividend payment of Euro 281.5 million in June 2016 stood at Euro 251.7 million at July 31, 2016.

Net sales analysis

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales of Directly Operated Stores (DOS)	1,276,588	82.1%	1,552,393	85.1%	-17.8%
Net sales to independent customers and franchisees	252,679	16.3%	248,963	13.6%	1.5%
Royalties	24,905	1.6%	23,077	1.3%	7.9%
Net revenues, total	1,554,172	100.0%	1,824,433	100.0%	-14.8%

Net sales of Directly Operated Stores (DOS)

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales of Directly Operated Stores (DOS) by geographical area					
Italy	158,485	12.4%	200,675	12.9%	-21.0%
Europe	271,034	21.2%	340,955	22.0%	-20.5%
Americas	168,496	13.2%	203,813	13.1%	-17.3%
Asia Pacific	434,984	34.1%	557,643	35.9%	-22.0%
Japan	189,736	14.9%	194,222	12.5%	-2.3%
Middle East	52,820	4.1%	53,418	3.5%	-1.1%
Other countries	1,033	0.1%	1,667	0.1%	-38.0%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%
Net sales of Directly Operated Stores (DOS) by brand					
Prada	1,028,497	80.6%	1,262,180	81.3%	-18.5%
Miu Miu	217,498	17.0%	257,926	16.6%	-15.7%
Church's	25,073	2.0%	25,777	1.7%	-2.7%
Other	5,520	0.4%	6,510	0.4%	-15.2%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%
Net sales of Directly Operated Stores (DOS) by product line					
Clothing	223,271	17.5%	248,927	16.0%	-10.3%
Leather goods	776,789	60.8%	997,078	64.2%	-22.1%
Footwear	247,585	19.4%	272,890	17.6%	-9.3%
Other	28,943	2.3%	33,498	2.2%	-13.6%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%

Net sales (retail channel)

Retail sales for the six months ended July 31, 2016 were Euro 1,276.6 million, down by 17.8% from the same period of 2015. At constant exchange rates, the decrease was 15.9%. The number of Directly Operated Stores ("DOS") increased from 618 at January 31, 2016 to 622 at July 31, 2016. Eighteen stores were opened in the six-month period, including at priority locations like Zurich and the GUM department store in Moscow. Fourteen stores that were no longer deemed strategic were closed down in the period.

Markets (retail channel)

The Far East market generated net sales of Euro 435 million, a decrease of 22% (-18% at constant exchange rates) compared to the first six-month of 2015. Hong Kong and Macau continued to weigh heavily on the region's contraction, although other areas, including Mainland China, also had lower sales compared to the same period of the previous year. Overall, the Greater China region generated retail sales of Euro 278.7 million, down by 24.4% at current exchange rates and by 21% at constant exchange rates.

Net sales in Europe were Euro 271 million, a decrease of 20.5% at current exchange rates and 16.3% at constant exchange rates. The reduction of traveler flows, resulting mainly from the publicized tragic events, had a significant impact on the sales performance in the region, while local consumption proved to be more resilient. The only exceptions in Europe were the double-digit growth rates in local currency in Russia and the positive signs in the UK which benefitted from the weak pound after the Brexit.

In Italy, the retail channel generated net sales of Euro 158.5 million, down by 21% from the first six months of 2015. The reasons for this performance were largely the same as those regarding Europe.

Net sales from the American market totaled Euro 168.5 million, down by 17.3% (-14.8% at constant exchange rates). The decrease in sales was caused by the decline in tourist flows as well as moderate sales with domestic customers. However, sales growth was achieved in Brazil and Mexico.

Japan had net sales of Euro 189.7 million, down by 2.3% from the same period of last year (-9.4% at constant exchange rates). The strong appreciation of the Japanese yen since the start of the year adversely affected the flow of tourists from China. The decline in Japan was marginally offset by sales growth in Hawaii.

Net sales in the Middle East region fell by 1.1% at current exchange rates (+0.2% at constant exchange rates). Sales were sustained by local consumption as the region continued to suffer from low tourist flows.

Products (retail channel)

Footwear generated net sales of Euro 247.6 million in the retail channel, a decrease of 9.3% at current exchange rates (-6.4% at constant exchange rates). The performance of this product division was affected by a general contraction in all regions except the Middle East, where the market delivered double-digit growth.

The clothing division produced net sales of Euro 223.3 million, a 10.3% decrease at current exchange rates (-7.8% at constant exchange rates). Sales were down in all geographical areas except Japan and the Middle East.

Net sales of leather goods were Euro 776.8 million, down by 22.1% compared to the same six-month period of last year (-20.7% at constant exchange rates). Negative trends were reported for all regions.

Brands (retail channel)

The Prada brand generated retail sales of Euro 1,028.5 million, an 18.5% decrease at current exchange rates (-16.6% at constant exchange rates). Sales fell in all regions; the Far East accounted for most of the decline, although sales in Japan were down just slightly.

Miu Miu generated net sales of Euro 217.5 million, a 15.7% decrease at current exchange rates (-14.2% at constant exchange rates). The Middle East region had double-digit growth for the brand, but sales fell in all other geographical areas compared to the same six-month period of 2015.

Net sales of the Church's brand were Euro 25.1 million through its DOS network, a 2.7% decrease compared to the same six-month period of 2015 (+1.5% at constant exchange rates). The brand achieved organic sales growth in Europe and Italy, its two main markets.

The "other" brand category consists largely of the Marchesi 1824 patisserie products, whose growth is benefitting from the expansion plan implemented in the second half of 2015, and the Car Shoe brand, which experienced a double-digit sales decline for the six-month period.

Net sales (independent customers and franchisees)

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales to independent customers and franchisees by brand					
Prada	205,100	81.2%	199,313	80.0%	2.9%
Miu Miu	31,654	12.5%	35,992	14.5%	-12.1%
Church's	14,673	5.8%	12,602	5.1%	16.4%
Other	1,252	0.5%	1,056	0.4%	18.6%
Total	252,679	100.0%	248,963	100.0%	1.5%

The performance of the Prada brand in the first six months of 2016 reflected the high-standing accounts selected by the Group pursuant to the long-term, thorough rationalization process undertaken. The increase for the period was essentially attributable to new partnerships forged with leading electronic retailers ("e-tailers").

The performance of the Miu Miu brand in this channel was affected by an adverse trend for leather goods, while shoes and clothing sales were up compared to the six months ended July 31, 2015.

The double-digit growth for the Church's brand compared to the previous period was even higher at constant exchange rates (+27.6%), and positive almost everywhere.

Royalties

In the six months ended July 31, 2016, licensing agreements generated royalty income of Euro 24.9 million, up by 7.9% from the same six-month period of 2015. The increase was largely due to the new Miu Miu fragrance, which was launched gradually from July 2015.

Number of stores

	as at July 31 2016		as at January 31 2016		as at July 31 2015	
	DOS	Franchises	DOS	Franchises	DOS	Franchises
Prada	388	23	386	26	372	27
Miu Miu	173	8	173	10	174	10
Church's	54	-	52	-	54	-
Car Shoe	5	-	5	-	5	-
Marchesi	2	-	2	-	1	-
Total	622	31	618	36	606	37

	as at July 31 2016		as at January 31 2016		as at July 31 2015	
	DOS	Franchises	DOS	Franchises	DOS	Franchises
Italy	53	4	54	5	53	5
Europe	171	-	167	-	167	-
Americas	115	-	117	-	113	-
Asia Pacific	184	22	183	26	181	27
Japan	77	-	74	-	72	-
Middle East	20	5	21	5	18	5
Africa	2	-	2	-	2	-
Total	622	31	618	36	606	37

Operating results

During the six-month period, management expanded the initiatives introduced last year with the result of limiting the pressure of the sales decline on the operating margin.

In the period the Directors revised the useful lives of certain depreciable tangible and intangible assets to better represent their use in the Group's processes, mainly in the retail area. As explained above the relevant impact on profit or loss was a Euro 27.3 million reduction of depreciation and amortization for the six-month period ended July 31, 2016: Euro 1.2 million at a cost of goods sold level and Euro 26.1 million at an operating expenses level.

The gross margin for the six months ended July 31, 2016 was Euro 1,121.9 million, or 72.2% of net revenues, fairly in line with that of the previous period.

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	% of net revenues	six months ended July 31 2015 (unaudited)	% of net revenues
Product design and development costs	64,484	4.1%	69,308	3.8%
Advertising and communications costs	76,594	4.9%	98,534	5.4%
Selling costs	682,026	43.9%	751,977	41.2%
General and administrative costs	85,136	5.5%	112,880	6.2%
Total Operating expenses	908,240	58.4%	1,032,699	56.6%

Operating expenses for the six months ended July 31, 2016 amounted to Euro 908.2 million, a decrease of Euro 124.5 million compared to the same period of 2015. As a percentage of net revenues, operating expenses rose from 56.6% in 2015 to 58.4% in the current period.

Selling costs decreased due to lower variable labor and lease costs, but also as a result of measures adopted to run the retail operations more efficiently. Notwithstanding such decrease, the incidence of selling costs on net revenues grew from 41.2% to 43.9% compared to the previous six-month period.

Advertising and communications as a percentage on net revenues fell from 5.4% to 4.9% in relation to a Euro 21.9 million decrease in their amount. The main differences emerged from a concentration of special events in the first half of 2015 and a different phasing of the media spending in the current year.

General and administrative costs decreased by Euro 27.7 million as a result of various initiatives on discretionary expenditure items, like consultancies and general services; their incidence on net revenues fell from 6.2% for the six months ended July 31, 2015 to 5.5% for the same period of 2016.

EBITDA for the six months ended July 31, 2016 was Euro 330 million, corresponding to 21.2% of net revenues, a dilution of 290 basis points compared to the same period of last year. The EBIT for the six-month period was Euro 213.7 million, or 13.8% of net revenues, compared to 16.1% for the same period of last year. The EBIT trend was from 6% on net revenues in the first three-month period of 2016 to 19% in the second three-month period.

Net income

The finance costs of the period were in line with those of the previous period, since the increase in the average gross bank debt was counterbalanced by lower borrowing rates, also thanks to the refinancing activities undertaken.

The tax rate was 30%, compared to 32.9% for the same six-month period of last year. The decrease is attributable primarily to favorable tax laws enacted in Italy and other countries, although the geographical composition of the sources of taxable income was less advantageous.

The Group’s net income for the six months amounted to Euro 141.9 million, or 9.1% of net revenues, compared to Euro 188.6 million or 10.3% for the same six-month period of 2015.

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)	July 31 2016 (unaudited)	January 31 2016 (audited)	July 31 2015 (unaudited)
Non-current assets (excluding deferred tax assets)	2,561,138	2,586,841	2,614,885
Trade receivables, net	314,340	254,183	347,493
Inventories, net	625,482	692,672	778,907
Trade payables	(265,376)	(281,699)	(378,826)
Net operating working capital	674,446	665,156	747,574
Other current assets (excluding items of financial position)	240,832	260,983	208,926
Other current liabilities (excluding items of financial position)	(223,457)	(234,496)	(291,241)
Other current assets/(liabilities), net	17,375	26,487	(82,315)
Provision for risks	(70,037)	(69,233)	(67,859)
Post-employment benefits	(64,287)	(69,405)	(65,904)
Other long-term liabilities	(190,609)	(171,364)	(164,043)
Deferred taxation, net	238,751	243,690	255,795
Other non-current assets/(liabilities)	(86,182)	(66,312)	(42,011)
Net invested capital	3,166,777	3,212,172	3,238,133
Shareholder's equity – Group	(2,894,984)	(3,080,340)	(2,960,909)
Shareholder's equity – Non-controlling interests	(20,066)	(17,037)	(17,475)
Total Consolidated shareholders' equity	(2,915,050)	(3,097,377)	(2,978,384)
Long-term financial payables	(586,735)	(519,772)	(428,088)
Short-term financial, net surplus/(deficit)	335,008	404,977	168,339
Net financial position surplus/(deficit)	(251,727)	(114,795)	(259,749)
Shareholders' equity and net financial position	(3,166,777)	(3,212,172)	(3,238,133)
Net Debt to Consolidated equity ratio	8.6%	3.7%	8.7%

At July 31, 2016, the Group maintains a solid balance-sheet structure, based on net invested capital of Euro 3,166.8 million, financed by net debt of Euro 251.7 million and the Group shareholder's equity of Euro 2,895 million.

The Euro 25.7 million decrease in non-current assets, consisting primarily of tangible and intangible assets, was due mainly to the Euro 116.3 million depreciation of the period, net of capital expenditures of Euro 108.1 million. These investments regarded mainly the retail network (Euro 70.3 million), as the Group undertook numerous projects to expand, relocate and renew the concepts of stores in order to further enhance the customer experience. The number of stores rose from 618 at January 31, 2016 to 622 at the reporting date. Other investments totaling Euro 37.8 million were incurred in the period for the industrial and corporate areas.

At July 31, 2016, the net working capital amounts to Euro 674.4 million, fairly in line with January 31, 2016:

- Trade receivables increased by Euro 60.2 million, in line with the seasonal trend and the positive performance of the wholesale channel in the latter months of the period;
- Trade payables decreased by Euro 16.3 million, consistently with seasonal manufacturing trends and efficiencies achieved following the revision of some industrial and logistic processes;
- Inventory decreased overall by Euro 67.2 million, benefitting from the significant reduction of finished products (Euro 64.8 million); this achievement reflects the target to gradually reduce inventory, still in progress at the end of the period.

The other current assets (net) do not show a material departure from the balance at January 31, 2016. The Euro 5.2 million decrease was mainly attributable to tax liabilities accrued in the period and fair value changes in derivative contracts; such changes were partially offset by the settlement of payables for capital expenditures and payments of short-term benefits to employees.

The other non-current liabilities (net) increased from Euro 66.3 million at January 31, 2016 to Euro 86.2 million at July 31, 2016. The difference was attributable to increases in long-term deferred rent liabilities and fair value changes in derivative contracts expiring after twelve months.

At July 31, 2016, the Group shareholder's equity amounts to Euro 2,895 million. The Euro 185.3 million decrease from the Euro 3,080.3 million of January 31, 2016 was due largely to the Euro 281.5 million dividend payment to PRADA spa shareholders in June 2016, net of the Euro 141.9 million Group's net income of the six-month period and changes in IFRSs equity reserves.

Net financial position

The following table summarizes the items of the net financial position.

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)	July 31 2015 (unaudited)
Bonds	(130,000)	(130,000)	(130,000)
Bank borrowing – non-current	(456,735)	(390,475)	(298,829)
Total financial payables – non-current	(586,735)	(520,475)	(428,829)
Financial payables and bank overdrafts - current	(334,523)	(270,112)	(379,152)
Payables to parent company and related parties	(5,674)	(4,858)	(2,444)
Finance lease obligations – current	(218)	(654)	(7)
Total financial payables – current	(340,415)	(275,624)	(381,603)
Total financial payables	(927,150)	(796,099)	(810,432)
Financial receivables from related parties – non-current	-	703	741
Cash and cash equivalents	675,423	680,601	549,943
Total financial receivables and cash and cash equivalents	675,423	681,304	550,684
Net financial surplus/(deficit), total	(251,727)	(114,795)	(259,748)
Net financial surplus/(deficit) excluding related party balances	(246,053)	(110,640)	(258,045)
NFP/EBITDA ratio	-36.2%	-14.3%	-28.8%

At July 31, 2016, the Group's net financial debt is Euro 251.7 million. During the six-month period, net cash flows from operating activities amounting to Euro 266.7 million were used, together with new credit lines, to finance capital expenditures (Euro 114.7 million the cash out of the period) and to pay dividends to PRADA spa shareholders (Euro 281.5 million).

In the first six months of 2016 the Group, in keeping with the financial strategies adopted in the previous year, signed new medium/long-term loan agreements for a total value of Euro 120 million. These loans, thanks to favorable credit market conditions, allowed the Group to further reduce the average bank borrowing rate and simultaneously extend its loan maturities. The new loans are secured by financial covenants in line with those for existing loans and relating to the ratio of EBITDA to net financial position and EBITDA to net finance costs. All the ratios were fully respected at July 31, 2016.

The total amount of unused credit lines at July 31, 2016 is Euro 472.5 million.

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 the 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 adversely affect the demand for the Group's products and the access to credit, thereby 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 with customers who purchase goods during trips abroad. Consequently, an unfavorable economy, social unrest, geopolitical instability and natural disasters reducing the flows of travelers or volumes of travel have had in the past, and could have in the future, 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 websites 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 intellectual property rights and adopts rigorous, thorough measures worldwide. It uses a large team of in-house and external 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 competent authorities, customs officials and 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 communications activities in terms of public relations, advertising, marketing and the Group profile in general.

Preservation of 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 to constantly ensure 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 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 approximately 900 persons employed in design – where creativity is heightened by a strong mix of nationalities, cultures and talents – and development – where craft skills combined with tried-and-true industrial processes ensure that the Group continues to be competitive and keep up with consumer trends and emerging lifestyles.

Risk factors specific to PRADA Group

Foreign exchange risk

The Group has a vast international presence, and is therefore exposed to foreign exchange risk which can negatively impact revenue, costs, margins and profit. In order to hedge the foreign exchange risk, the Group enters into hedging derivatives designed to guarantee the Euro (or other functional currency) amount of the 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 concentrated in PRADA spa, the Group's parent 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 Interim condensed consolidated financial statements.

Interest rate risk

Interest rate risk is the risk that cash outflows might vary as a result of interest rate fluctuations. In order to hedge this risk, which is mainly concentrated in PRADA spa, the Group uses derivative contracts (e.g. Interest Rate Swaps) to convert variable-rate debt into fixed-rate debt or debt at rates within a negotiated range.

Interest rate risk management is described in more detail in the Notes to the Interim condensed 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 extensive experience in the fashion and luxury goods industry, and on Prada's ability to attract and retain personnel who are highly capable in terms of the design, marketing and merchandising of products.

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

Strategic risks

The Group's ability to increase revenues and improve profitability depends on the successful implementation of its strategy for each brand. This strategy is based on the continuous support and evolution of the retail channel that has reached a global footprint and is now expected to grow more organically than through new spaces.

The Group provides support to the operating performance and results of the retail channel by constantly checking and, if necessary, redesigning the main business processes, including localized marketing initiatives that reassert the distinctive strengths of the Group: strong brands identity, close controls over the entire value chain, an ability 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. Moreover, in order to ensure the success of the DOS network, the Group carefully assesses market conditions, consumer trends and stores productivity in order to ensure that the merchandise mix and the level of services are always aligned with the increasingly sophisticated luxury goods market consumer.

Risks regarding the outsourcing of manufacturing activities

The Group designs, checks and produces in-house most of its prototypes and samples while outsourcing the 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, all legal provisions and national collective agreements on labor and social security rules, and laws and regulations on health and safety in the workplace. It also requires them to read the PRADA Group Code of Ethics and to comply with the principles set out therein.

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction may cause 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 recognized in the financial statements. The Group believes that its credit risk regards mainly trade receivables generated in the wholesale channel and cash and cash equivalents. The Group manages credit risk and reduces the negative effects thereof through its commercial and financial strategy.

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

On the cash and cash equivalents side, the risk of default substantially relates to the use of bank deposits, which is the method most widely used by the Group, in accordance with its low-risk policy, to invest the surplus funds generated by operations. The default risk is mitigated by the allocation of the funds to bank deposits that are diversified in terms of countries, currencies and banks, as well as by the short-term nature of such investments. 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 best 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:

– 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;

– 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;

– risks associated with occupational health and safety in compliance with Italian Legislative Decree 81/08 and equivalent regulations in other countries;

– possible legal penalties for wrongful acts pursuant to Law 231/2001, as subsequently amended;

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

– the possibility of events adversely affecting 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 its various divisions and uses specialized external advisors as necessary in order to ensure that its processes and procedures are swiftly updated to comply with changes in rules and regulations, thereby reducing the risk of non-compliance to an acceptable level. Monitoring activities are performed by Divisional Managers and auditors as well as by specific entities and committees such as the Supervisory Board, the Internal Control Committee and the Industrial Compliance Committee.

Risks regarding personal 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 use inconsistent with assigned duties;

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

Related party disclosures

Information on the Group's balances 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 the statement of financial position. Although they are used by the Group's management, these measures are not universally or legally defined and are not regulated by IFRS, based on which the consolidated financial statements are prepared. Other companies operating in the luxury goods segment might use the same measures created with different calculation criteria; therefore, the non-IFRS measures should always be read together with the related notes and may not be direct comparable with those of other companies.

In this Interim Financial 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 period" 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 period" adjusted to exclude "interest and other financial income/(expense) and dividends from investments" and "taxes on income".

Net financial position: short-term and long-term financial payables due to third parties, related parties and under finance leases, less cash and cash equivalents, and short-term and long-term financial receivables due from third parties and related parties.

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

Tax rate: taxation on result before taxation

The following table shows the calculation of EBITDA and EBIT.

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	twelve months ended Jan 31 2016 (audited)	six months ended July 31 2015 (unaudited)
Consolidated net income for the period	145,297	333,338	191,564
Taxes on income	62,206	141,994	94,139
Interest and other financial (income)/expense and dividends from investments	6,198	27,561	7,511
EBIT (Earnings Before Interest and Taxation)	213,701	502,893	293,214
Depreciation, amortization and impairment	116,290	299,865	146,840
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization)	329,991	802,758	440,054

Outlook

The Prada Group has begun a phase of profound transformation that will enable it to respond quickly to the challenges and opportunities of a rapidly evolving market. Management sees 2016 as a turning point from where the Group will return to growth by focusing on the values that made Prada the iconic company it is today: quality, innovation and ability to lead and interpret trends.

The Group's business and marketing strategies are redefining the products by focusing fully on the needs of individual markets and strategic price points for the Group's brands, while promoting the collections by stepping up the digital communications.

The Group is also rationalizing its retail network and optimizing the spaces within the stores. This process will be accompanied by the roll-out of the new store concept - as seen in the recent restyling of Prada stores in Shanghai, Plaza 66, and GUM stores in Moscow - redesigned to guarantee a more exclusive shopping experience for increasingly sophisticated and demanding international customers.

The Group is confident that all the actions underway will enable it to pave the way for the growth in the future.

Milan, August 26, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months from February 1, 2016, to July 31, 2016 (the "Reviewed Period").

The Board

The Board of Directors of the Company (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 is composed of nine Directors of which four are executive Directors, two are non-executive Directors and three are Independent non-executive Directors.

As resolved at the shareholders' general meeting of the Company on May 24, 2016 ("the AGM date"), each of Mr. Stefano Simontacchi and Mr. Maurizio Cereda was elected as non-executive director of the Company - to fill the casual vacancies caused by the resignations of Mr. Donatello Galli and Mr. Gaetano Micciché respectively - for a term expiring at the same time as the other current Directors (i.e. on the date of the shareholders' general meeting to be called to approve the financial statements of the Company for the year ending January 31, 2018).

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is chaired by an independent non-executive director. The written terms of reference of each Committee are of no less than exacting terms than those set out in the Code and are available on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") websites.

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

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules of which at least one member possesses appropriate professional qualifications in accounting or related financial management expertise to discharge the responsibility of the Audit Committee. 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 activities of the Company's financial reporting process and internal control and risk management systems, to oversee the external audit process and the internal audit process and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. The Audit Committee held three meetings on April 8, 2016, June 30, 2016, and August 26, 2016, with an attendance rate of 100% to review with the senior management, the Group's internal and external auditors and the board of statutory auditors the audit plan for the year 2016, the auditing and internal controls activities, the Group's continuing connected transactions for 2015, the update on risk assessment and the financial reporting matters (including the annual results for the year 2015 and the interim results for the year 2016, before recommending them to the Board for approval), and to recommend the appointment of the external auditors of the Company for the three financial years ending January 31, 2019.

Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri, and one executive director, Mr. Carlo Mazzi. The Remuneration Committee held three meetings on April 7, 2016, May 24, 2016, and June 29, 2016, with an attendance rate of 100% to review and recommend certain updates to the long term incentive plan for executives and Directors and to review the management by objectives plan for the Company's executives.

Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of independent non-executive directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and adoption, where appropriate. The Nomination Committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu, and one executive director, Mr. Carlo Mazzi. The Nomination Committee held three meetings on February 19, 2016, April 8, 2016, and May 4, 2016, with an attendance rate of 100% to perform the annual review of the independence of independent non-executive directors, to acknowledge the resignations of an executive director (who was also the Chief Financial Officer) and a non-executive director and to recommend the appointment of new directors of the Company and the appointment of the Chief Financial Officer.

Supervisory Body

In compliance with the Decree, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including independent non-executive directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Paolo De Paoli, who replaced Mr. Franco Bertoli on June 30, 2016.

Board of Statutory Auditors

Under Italian law, the 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 law and the By-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and on its functioning.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors are Ms. Stefania Bettoni and Mr. Cristiano Proserpio.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in a general shareholders' meeting.

On April 8, 2016, the Board of the Company recommended the payment of a final dividend for the financial year 2015 of Euro/cents 11 per share in the capital of the Company, representing a total dividend of Euro 281,470,640. The Shareholders approved this dividend at the shareholders' general meeting of the Company held on May 24, 2016. The dividend was paid on June 13, 2016.

No dividends have been declared or paid by the Company in respect of the Reviewed Period.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Director since the Company's 2015 Annual Report is set out below:

Name of Director	Change
Sing Cheong LIU	**Ceased to be the Vice Chairman of Hongkong Sales (International) Limited**

As mentioned above Mr Maurizio Cereda was elected as non-executive Director of the Company at the shareholders' general meeting of the Company on May 24, 2016. His full biography was published in the Supplemental Circular issued by the Company on May 6, 2016 and there is no change to the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Listing Rule 13.51(2) from that date to July 31, 2016.

In addition, Mr Stefano Simontacchi was re-elected as non-executive Director of the Company at the shareholders' general meeting of the Company on May 24, 2016. His full biography was published in Company's 2015 Annual Report and there is no change to the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Listing Rule 13.51(2) from that date to July 31, 2016.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written procedures. Specific written confirmations 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 Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

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.

Directors' interests and short positions in securities

As at July 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 ("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 pursuant to the Model Code:

(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%

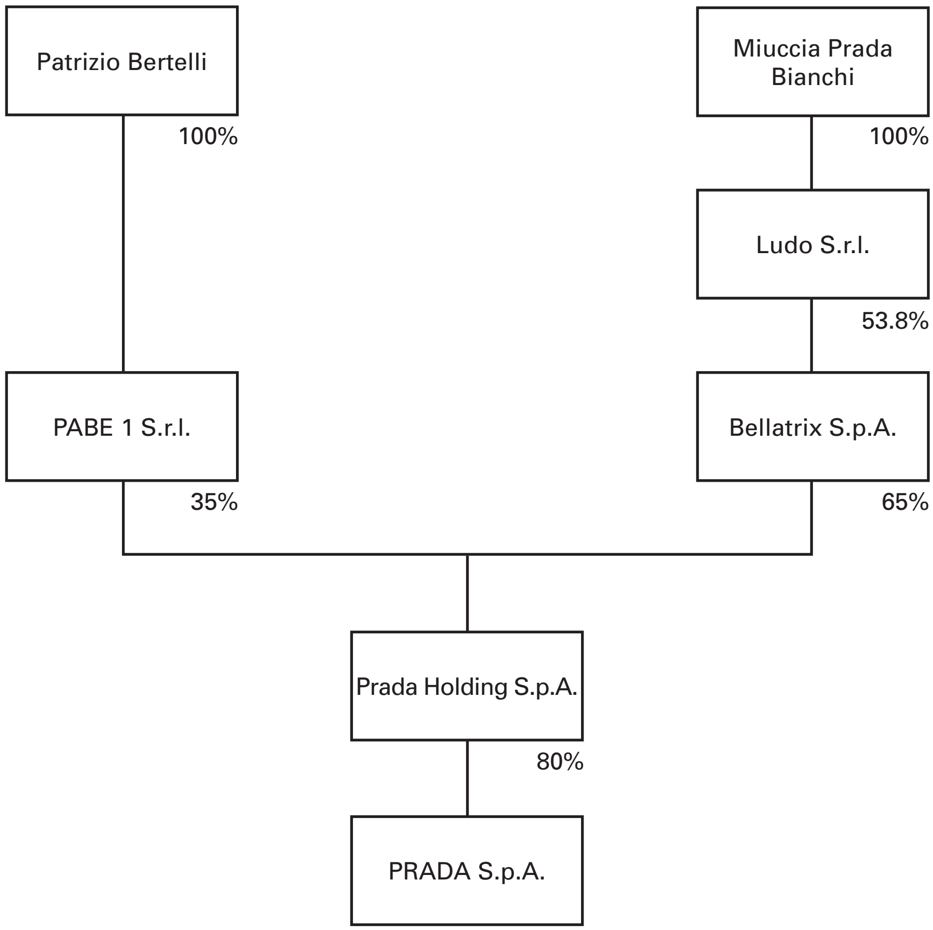
Notes:

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 deemed interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at July 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 Share	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 Share	1	As above	100%

Save as disclosed above, as at July 31, 2016, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at July 31, 2016, other than the interests of the Directors of the Company as disclosed above, the following persons held interests 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
Long Positions			
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%
JPMorgan Chase & Co.	Beneficial owner (2,592,011) Trustee (other than a bare trustee) (7,178) Custodian corporation / approved lending agent (134,642,111)	137,241,300	5.36%
Short Positions			
JPMorgan Chase & Co.	Beneficial owner	2,488,000	0.09%
Lending Pool			
JPMorgan Chase & Co.	Custodian corporation / approved lending agent	134,642,111	5.26%

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 held by Prada Holding S.p.A..

Save as disclosed above, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company as at July 31, 2016.

Interim condensed consolidated financial statements

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	July 31, 2016 (unaudited)	January 31, 2016 (audited)
Assets			
Current assets			
Cash and cash equivalents	6	675,423	680,601
Trade receivables, net	7	314,340	254,183
Inventories	8	625,482	692,672
Derivative financial instruments – current	9	11,423	11,682
Receivables from, and advance payments to, related parties – current	10	17,793	19,629
Other current assets	11	211,616	229,671
Total current assets		1,856,077	1,888,438
Non-current assets			
Property, plant and equipment	12	1,505,147	1,517,779
Intangible assets	13	918,685	932,238
Associated undertakings	14	16,689	17,354
Deferred tax assets	32	272,505	280,572
Other non-current assets	15	116,650	113,954
Derivative financial instruments – non current	9	204	721
Receivables from, and advance payments to, related parties – non-current	10	3,762	5,499
Total non-current assets		2,833,642	2,868,117
Total Assets		4,689,719	4,756,555
Liabilities and Shareholders' Equity			
Current liabilities			
Bank overdrafts and short-term loans	16	334,523	270,112
Payables to related parties – current	17	6,319	5,244
Trade payables	18	265,376	281,699
Tax payables	19	70,396	80,744
Derivative financial instruments – current	9	25,153	11,095
Obligations under finance leases – current		218	654
Other current liabilities	20	127,263	142,271
Total current liabilities		829,248	791,819
Non-current liabilities			
Long-term financial payables	21	586,735	520,475
Post-employment benefits	22	64,287	69,405
Provision for risks and charges	23	70,037	69,233
Deferred tax liabilities	32	33,754	36,882
Other non-current liabilities	24	174,344	161,317
Derivative financial instruments non-current	9	16,264	10,047
Total non-current liabilities		945,421	867,359
Total Liabilities		1,774,669	1,659,178
Share capital		255,882	255,882
Total other reserves		2,386,277	2,355,023
Translation reserve		110,902	138,547
Net income for the year		141,923	330,888
Equity attributable to owners of Group	25	2,894,984	3,080,340
Equity attributable to Non-controlling interests	26	20,066	17,037
Total Equity		2,915,050	3,097,377
Total Liabilities and Total Equity		4,689,719	4,756,555
Net current assets		1,026,829	1,096,619
Total assets less current liabilities		3,860,471	3,964,736

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	Note	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%
Net revenues	27	1,554,172	100.0%	1,824,433	100.0%
Cost of goods sold	28	(432,231)	-27.8%	(498,520)	-27.3%
Gross margin		1,121,941	72.2%	1,325,913	72.7%
Operating expenses	29	(908,240)	-58.4%	(1,032,699)	-56.6%
EBIT		213,701	13.8%	293,214	16.1%
Interest and other financial income/(expenses), net	30	(6,756)	-0.4%	(9,073)	-0.5%
Dividends from investments	31	558	0.0%	1,562	0.1%
Income before taxes		207,503	13.4%	285,703	15.7%
Taxation	32	(62,206)	-4.1%	(94,139)	-5.2%
Net income for the period from continuing operations		145,297	9.3%	191,564	10.5%
Net income – Non-controlling interests	26	3,374	0.2%	2,971	0.2%
Net income – Group		141,923	9.1%	188,593	10.3%
Basic and diluted earnings per share (in Euro per share)	33	0.055		0.074	

Consolidated statement of cash flows

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Income before taxation	207,503	285,703
Income Statement adjustments		
Depreciation and amortization from continuing operations	112,703	145,802
Impairment of property, plant and equipment and intangible assets	3,588	1,037
Non-monetary financial (income) expenses	118	(1,985)
Other non-monetary charges	1,517	3,380
Balance Sheet changes		
Other non-current assets and liabilities	(9,841)	(44,342)
Trade receivables, net	(57,234)	(654)
Inventories, net	68,426	(119,316)
Trade payables	(16,554)	(61,319)
Other current assets and liabilities	3,318	(17,705)
Cash flows from operating activities	313,544	190,601
Interest paid, net – third parties	(8,464)	(6,869)
Taxes paid	(38,352)	(120,358)
Net cash flows from operating activities	266,728	63,374
Purchases of property, plant and equipment and intangible assets	(114,335)	(239,496)
Disposals of property, plant and equipment and intangible assets	708	2,806
Dividends from investments	575	1,562
Transactions with Non-controlling shareholders	-	(761)
Business combination	(1,623)	-
Net cash flows utilized by investing activities	(114,675)	(235,889)
Dividends paid to shareholders of PRADA spa	(281,471)	(281,471)
Dividends paid to non-controlling shareholders	(369)	(3,229)
New loans from related companies	1,000	-
Repayment of short term portion of long term borrowings - third parties	(46,550)	(21,376)
Arrangement of long-term borrowings – third parties	120,000	192,346
Change in short-term borrowings – third parties	51,038	115,223
Share capital increases by non-controlling shareholders of subsidiaries	109	409
Cash flows generated/(utilized) by financing activities	(156,243)	1,902
Change in cash and cash equivalents, net of bank overdrafts	(4,190)	(170,613)
Foreign exchange differences	(986)	11,653
Opening cash and cash equivalents, net of bank overdraft	680,595	708,873
Closing cash and cash equivalents, net of bank overdraft	675,419	549,913
Cash and cash equivalents	675,423	549,943
Bank overdraft	(4)	(30)
Closing cash and cash equivalents, net of bank overdraft	675,419	549,913

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

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation Reserve	Share premium reserve	Cash flow hedge reserve	Actuarial Reserve	Fair Value Available for sale Reserve	Other reserves	Total Other Reserves	Net income	Equity		
											Equity attributable to owners of Group	Non-controlling interests	Total Equity
Balance at January 31, 2015 (audited)	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)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(719)	(719)	-	(719)	(39)	(758)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	409	409
Comprehensive income for the six months (recyclable to P&L)	-	-	39,974	-	16,044	-	(3,571)	-	12,473	188,593	241,040	2,923	243,963
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	1,322	-	-	1,322	-	1,322	-	1,322
Balance at July 31, 2015 (unaudited)	2,558,824,000	255,882	170,970	410,047	(19,279)	(12,159)	7,544	1,959,311	2,345,464	188,593	2,960,909	17,475	2,978,384
Transactions with non-controlling interests	-	-	-	-	-	-	-	(7)	(7)	-	(7)	-	(7)
Comprehensive income for the six months (recyclable to P&L)	-	-	(32,423)	-	12,179	-	(6,611)	-	5,568	142,295	115,440	(444)	114,996
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	3,998	-	-	3,998	-	3,998	6	4,004
Balance at January 31, 2016 (audited)	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
Allocation of 2015 net income	-	-	-	-	-	-	-	330,888	330,888	(330,888)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(369)	(281,840)
Transactions with non-controlling interests	-	-	-	-	-	-	-	(1,283)	(1,283)	-	(1,283)	(249)	(1,532)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	109	109
Comprehensive income for the six months (recyclable to P&L)	-	-	(27,645)	-	(14,130)	-	(486)	-	(14,616)	141,923	99,662	3,538	103,200
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	(2,264)	-	-	(2,264)	-	(2,264)	-	(2,264)
Balance at July 31, 2016 (unaudited)	2,558,824,000	255,882	110,902	410,047	(21,230)	(10,425)	447	2,007,438	2,386,277	141,923	2,894,984	20,066	2,915,050

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	twelve months ended January 31 2016 (audited)	six months ended July 31 2015 (unaudited)
Net income for the period – Consolidated	145,297	333,338	191,564
A) Items recyclable to P&L:			
Change in Translation reserve	(27,480)	7,580	39,927
Tax impact	-	-	-
Change in Translation reserve less tax impact	(27,480)	7,580	39,927
Change in Cash Flow Hedge reserve	(18,080)	38,907	21,734
Tax impact	3,950	(10,684)	(5,690)
Change in Cash Flow Hedge reserve less tax impact	(14,130)	28,223	16,044
Change in Fair Value reserve	(648)	(13,576)	(4,761)
Tax impact	162	3,394	1,190
Change in Fair Value reserve less tax impact	(486)	(10,182)	(3,571)
B) Item not recyclable to P&L:			
Change in Actuarial reserve	(2,409)	6,526	1,823
Tax impact	145	(1,200)	(501)
Change in Actuarial reserve less tax impact	(2,264)	5,326	1,322
Consolidated comprehensive income for the period	100,937	364,285	245,286
Comprehensive income for the period – Non-controlling Interests	3,538	2,485	2,923
Comprehensive income for the period – Group	97,399	361,800	242,363

The accounting policies and the notes constitute an integral part of the Interim condensed consolidated financial statements.

Notes to the Interim condensed 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, and, starting from 2014, in the food & beverage business through the historical Milanese patisserie Marchesi 1824. Its products are sold in 70 countries worldwide through a network that included 622 Directly Operated Stores (DOS) at July 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 A. Fogazzaro 28, Milan, Italy. At the date of these unaudited Interim condensed 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 Interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of PRADA spa on August 26, 2016.

2. Basis of preparation

The unaudited 2016 Interim condensed consolidated financial statements of the PRADA Group for the six months ended July 31, 2016, including the "Consolidated statement of financial position", the "Consolidated Statement of Profit or Loss", the "Consolidated statement of cash flows", the "Statement of changes in consolidated shareholders' equity", the "Statement of consolidated comprehensive income" and the "Notes to the Interim condensed consolidated financial statements" have been prepared in accordance with "IAS 34 Interim Financial Reporting" as endorsed by the European Union.

These Interim condensed consolidated financial statements should be read together with the Consolidated financial statements of the PRADA Group for the twelve months ended January 31, 2016 that were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union.

At the date of presentation of these Interim condensed consolidated financial statements, there were no differences between IFRSs 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 Interim condensed 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 relevant Notes. 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 was 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.

In accordance with IFRSs, the preparation of consolidated financial statements requires management to make estimates and assumptions when determining the values of certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

In the six-month period, in accordance with the aforementioned applicable accounting standards, the Directors revised the estimated useful lives of some depreciable assets, mainly for the retail area, as shown below:

	retail area	
category of depreciable asset	useful life used until Jan. 31, 2016	useful life used from Feb. 1, 2016
Improvements to leased retail premises	shorter of lease term and 10 years	lease term (*)
Furniture and fixtures in leased premises	5 – 10 years	lease term (*)
Storelease acquisition	shorter of lease term and 10 years	lease term (*)

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonable

The Prada Group has amassed experience in the development and management of retail premises under its long-term expansion plan and continuous improvements in practices and processes. The experience and information accumulated over the years led management to consider the 10-year limit as no longer representative of the useful life of improvements made to retail premises. In fact, the average life of a store exceeds ten years and the benefits from improvements made to retail space and from the furniture and fixtures installed there, especially when a new store is opened, continue to flow to the Group until the store is closed down.

February 1, 2016 has been conventionally identified as the date on which the aforementioned accounting estimates were changed. The extension of the useful lives affected profit or loss by reducing the depreciation and amortization charges by Euro 27.3 million for the six months ended July 31, 2016: Euro 1.2 million at a cost of goods sold level and Euro 26.1 million at an operating expenses level.

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, 2016

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, 2016. These changes do not have any significant impact on the Group as of the date of these consolidated financial statements:

- 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.

- 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.

– *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.

– Annual Improvements to IFRSs (2012–2014 Cycle) 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

New Standards

– "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 is 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). 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.

- “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.

Amendments

- 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.

- 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.

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

- Clarification to IFRS 15 revenue from contracts with customers. This amendment regards three of the five topics identified (identifying performance obligations, principal versus agent considerations and licensing) and provide some transition relief for modified contracts and completed contracts.

– Amendments to IFRS 2 Share-based Payment.

As at the date of these Interim Financial Report 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 Leases" will be material.

4. Acquisitions and incorporation of companies

In the month of April 2016, PRADA spa and its 100% controlled company PRADA Stores srl drew and approved the merger by incorporation of the latter into PRADA spa. The merger is expected to be completed by the end of fiscal year.

On April 15, 2016, the parent company PRADA spa acquired 50% of the share capital of the Romanian company Hipic Prod Impex srl, a supplier for leather products. The agreements signed with the partner allowed the Group to acquire the control, as defined in "IFRS 10 Consolidated Financial Statements". The net cash-out for the acquisition was Euro 2.1 million and the goodwill arising from the acquisition amounted to Euro 2.4 million, as shown below:

(amounts in thousands of Euro)	fair value of net assets acquired
Cash / (Bank overdraft)	(18)
Property, plant and equipment	719
Other current assets/(liabilities)	(1,179)
Other non-current assets/(liabilities)	(22)
Net assets acquired	(500)
Non-controlling interests (measured in proportion to net assets acquired)	(250)
Consideration paid	2,125
Goodwill	2,375

On April 18, 2016, the Group incorporated PRADA Saint Barthelemy sarl. The company will operate the retail business and is 100% controlled by PRADA spa.

5. 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 channel, brand, geographical area and product as well as 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)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales of Directly Operated Stores (DOS)	1,276,588	82.1%	1,552,393	85.1%	-17.8%
Net sales to independent customers and franchisees	252,679	16.3%	248,963	13.6%	1.5%
Royalties	24,905	1.6%	23,077	1.3%	7.9%
Net revenues, total	1,554,172	100.0%	1,824,433	100.0%	-14.8%

Net sales of Directly Operated Stores (DOS)

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales of Directly Operated Stores (DOS) by geographical area					
Italy	158,485	12.4%	200,675	12.9%	-21.0%
Europe	271,034	21.2%	340,955	22.0%	-20.5%
Americas	168,496	13.2%	203,813	13.1%	-17.3%
Asia Pacific	434,984	34.1%	557,643	35.9%	-22.0%
Japan	189,736	14.9%	194,222	12.5%	-2.3%
Middle East	52,820	4.1%	53,418	3.5%	-1.1%
Other countries	1,033	0.1%	1,667	0.1%	-38.0%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%
Net sales of Directly Operated Stores (DOS) by brand					
Prada	1,028,497	80.6%	1,262,180	81.3%	-18.5%
Miu Miu	217,498	17.0%	257,926	16.6%	-15.7%
Church's	25,073	2.0%	25,777	1.7%	-2.7%
Other	5,520	0.4%	6,510	0.4%	-15.2%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%
Net sales of Directly Operated Stores (DOS) by product line					
Clothing	223,271	17.5%	248,927	16.0%	-10.3%
Leather goods	776,789	60.8%	997,078	64.2%	-22.1%
Footwear	247,585	19.4%	272,890	17.6%	-9.3%
Other	28,943	2.3%	33,498	2.2%	-13.6%
Total	1,276,588	100.0%	1,552,393	100.0%	-17.8%

Net sales to independent customers and franchisees

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	%	six months ended July 31 2015 (unaudited)	%	% change
Net sales to independent customers and franchisees by brand					
Prada	205,100	81.2%	199,313	80.0%	2.9%
Miu Miu	31,654	12.5%	35,992	14.5%	-12.1%
Church's	14,673	5.8%	12,602	5.1%	16.4%
Other	1,252	0.5%	1,056	0.4%	18.6%
Total	252,679	100.0%	248,963	100.0%	1.5%

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)	July 31 2016 (unaudited)	January 31 2016 (audited)
Italy	830,945	829,524
Europe	1,080,831	1,108,104
Americas	214,491	220,403
Asia Pacific	294,904	295,089
Japan	101,791	91,264
Middle East	27,488	30,854
Africa	3,442	3,808
Total	2,553,892	2,579,046

The total amount of Euro 2,554 million (Euro 2,579 million at January 31, 2016) 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.

6. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Cash on hand	46,762	46,290
Bank deposit accounts	356,082	357,159
Bank current accounts	272,579	277,152
Total	675,423	680,601

At July 31, 2016, bank current accounts and deposit accounts generated interest income of between 0.0% and 14.1% per annum (between 0.0% and 9.3% at January 31, 2016).

Bank deposit accounts are broken down by currency as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Euro	-	24,100
US Dollar	31,554	36,393
Korean Won	32,081	17,443
Hong Kong Dollar	241,404	228,529
Chinese Renminbi	40,994	-
Other currencies	10,049	50,694
Total bank deposit accounts	356,082	357,159

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 are broken down by currency as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Euro	158,663	154,807
US Dollar	44,625	52,830
Korean Won	2,054	1,535
Hong Kong Dollar	6,465	4,724
GB Pound	10,736	10,103
Other currencies	50,036	53,153
Total bank current accounts	272,579	277,152

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 a result, the number of parties involved is fragmented.

7. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Trade receivables – third parties	292,552	235,718
Allowance for bad and doubtful debts	(6,604)	(6,546)
Trade receivables – related parties	28,392	25,011
Total	314,340	254,183

Trade receivables increased by Euro 60.2 million, in line with the seasonal trend and the positive performance of the wholesale channel occurred in the latter months of the period.

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.

Movements during the period were as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Opening balance (audited)	6,546	7,784
Exchange differences	(59)	(47)
Increases	206	418
Utilized	(49)	(1,321)
Reversals	(40)	(288)
Closing balance (unaudited)	6,604	6,546

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	320,944	267,527	18,696	5,903	6,308	7,352	15,158
Total	320,944	267,527	18,696	5,903	6,308	7,352	15,158

(amounts in thousands of Euro)	January 31 2016 (audited)	Current	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

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)	July 31 2016 (unaudited)	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	314,340	267,021	18,679	5,903	6,308	7,352	9,077
Total	314,340	267,021	18,679	5,903	6,308	7,352	9,077

(amounts in thousands of Euro)	January 31 2016 (audited)	Current	Overdue (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

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

8. Inventories, net

Inventories are analyzed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Raw materials	105,065	107,782
Work in progress	21,242	20,925
Finished products	549,307	614,423
Allowance for obsolete and slow moving inventories	(50,132)	(50,458)
Total	625,482	692,672

The reduction in finished products amounting to Euro 64.8 million represents the result of actions undertaken to gradually lowering the level of inventories.

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, 2016 (audited)	26,757	23,701	50,458
Exchange differences	(5)	(10)	(15)
Increases	-	173	173
Utilization	-	(484)	(484)
Balance at July 31, 2016 (unaudited)	26,752	23,380	50,132

9. Derivative financial instruments: assets and liabilities

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Financial assets regarding derivative instruments – current	11,423	11,682
Financial assets regarding derivative instruments – non-current	204	721
Total Financial Assets - Derivative financial instruments	11,627	12,403
Financial liabilities regarding derivative instruments – current	(25,153)	(11,095)
Financial liabilities regarding derivative instruments – non-current	(16,264)	(10,047)
Total Financial Liabilities – Derivative financial instruments	(41,417)	(21,142)
Net carrying amount – current and non-current portion	(29,790)	(8,739)

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)	IFRS7 Category
Forward contracts	8,218	10,094	Level II
Options	3,409	2,309	Level II
Positive fair value	11,627	12,403	
Forward contracts	(18,584)	(5,854)	Level II
Options	(4,122)	(2,479)	Level II
Interest rate swaps	(18,711)	(12,809)	Level II
Negative fair value	(41,417)	(21,142)	
Net carrying amount – current and non-current	(29,790)	(8,739)	

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.

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 July 31, 2016) were as stated below.

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

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	July 31 2016 (unaudited)
Currency				
Hong Kong Dollar	29,579	-	(53,567)	(23,988)
US Dollar	73,787	-	(19,347)	54,440
Chinese Renminbi	-	66,975	(29,815)	37,160
Japanese Yen	29,609	139,119	-	168,728
GB Pound	26,303	37,678	-	63,981
Korean Won	-	22,938	-	22,938
Swiss Franc	-	12,843	(417)	12,426
Other currencies	7,226	48,363	(2,042)	53,547
Total	166,504	327,916	(105,188)	389,233

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

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

(amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	July 31 2016 (unaudited)
Currency				
Swiss Franc	-	45,274	-	45,274
GB Pound	-	39,265	(8,294)	30,971
Japanese Yen	-	28,216	-	28,216
US Dollar	-	10,686	(57,140)	(46,454)
Other	-	9,436	(2,741)	6,695
Total	-	132,877	(68,175)	64,701

All of the contracts in place at July 31, 2016 are scheduled to mature within 12 months, except for several forward contracts to hedge future financial cash flows which mature after July 31, 2017 and whose notional net amount is Euro 13.8 million (wholly consisting of forward sale contracts).

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

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

	Interest Rate Swap (IRS) Agreement					Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	fair value July 31 2016 (unaudited)	Currency	Lending institution	Amount	Expiry
					(amounts in thousands of Euro)				
IRS	Euro/000	51,333	1.457%	23/05/2030	(4,472)	Euro/000	Intesa-Sanpaolo	47,667	05/2030
IRS	Euro/000	60,000	0.105%	09/03/2019	(754)	Euro/000	Unicredit	60,000	03/2019
IRS	Euro/000	90,000	0.013%	09/02/2021	(1,402)	Euro/000	Unicredit	90,000	02/2021
IRS	GBP/000	58,050	2.828%	31/01/2029	(11,683)	GBP/000	Unicredit	58,050	01/2029
IRS	Yen/000	500,000	1.875%	31/03/2017	(36)	Yen/000	Mizuho	500,000	03/2017
IRS	Yen/000	2,400,000	1.360%	30/03/2020	(364)	Yen/000	Mizuho	2,400,000	03/2020
Total					(18,711)				

	Interest Rate Swap (IRS) Agreement					Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	fair value January 31 2016 (audited)	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)				

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, 2015, may be analyzed as follows:

(amounts in thousands of Euro)	
Closing balance at January 31, 2015 (audited)	(47,630)
Change in the translation reserve	-
Change in fair value, recognized in Equity	(10,564)
Change in fair value, charged to Profit or Loss	49,471
Closing balance at January 31, 2016 (audited)	(8,723)
Change in the translation reserve	(13)
Change in fair value, recognized in Equity	(23,212)
Change in fair value, charged to Profit or Loss	5,127
Closing balance at July 31, 2016 (unaudited)	(26,821)

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

10. 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)	July 31 2016 (unaudited)	January 31 2016 (audited)
Prepaid sponsorship	11,686	13,626
Other receivables and advances	6,107	6,003
Receivables from and advances to related parties – current	17,793	19,629

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Prepaid sponsorship	2,946	3,164
Deferred rental income – long-term	816	1,632
Loans	-	703
Receivables from and advances to related parties – non-current	3,762	5,499

Prepaid sponsorship, both current and non-current, regards the amount paid to Luna Rossa Challenge srl in compliance with agreements in force at July 31, 2016. Further information on related party transactions is provided in Note 36.

11. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
VAT	44,091	59,917
Income tax and other tax receivables	78,227	100,838
Other assets	24,211	12,242
Prepayments	59,511	51,863
Deposits	5,576	4,811
Total	211,616	229,671

Other assets

Other assets are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Advertising contributions under license agreements	7,597	721
Advances to suppliers	2,591	1,282
Incentives for retail investments	5,596	4,628
Advances to employees	640	694
Other receivables	7,787	4,917
Total	24,211	12,242

Prepayments

Prepayments are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Rental costs	23,145	19,391
Insurance	3,119	2,510
Design costs	12,071	13,914
Fashion shows and advances on advertising campaigns	5,890	3,416
Consulting	58	198
Amortized costs on loans	1,219	1,020
Other	14,009	11,414
Total	59,511	51,863

Prepaid design costs mainly include costs incurred for the conception and realization of collections that will generate revenue after the reporting period.

Deposits

Deposits mainly include guarantee deposits paid under commercial lease agreements.

12. Property, plant and equipment

Changes in historical cost and accumulated depreciation in the last periods 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	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 (audited)	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 (audited)	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779
Historical cost	709,371	152,867	1,355,581	438,832	168,765	89,430	2,914,846
Accumulated depreciation	(85,092)	(122,501)	(859,989)	(257,447)	(84,670)	-	(1,409,699)
Net carrying amount at July 31, 2016 (unaudited)	624,279	30,366	495,592	181,385	84,095	89,430	1,505,147

Changes in net carrying amount during the six months ended July 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 historical cost
Balance at January 31, 2016 (audited)	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779
Change in consolidation area	92	597	-	28	-	1	718
Additions	3,344	3,552	44,993	8,631	3,828	36,055	100,403
Depreciation	(8,747)	(3,751)	(59,986)	(17,763)	(6,731)	-	(96,978)
Disposals	(1,316)	(57)	(103)	(256)	(46)	(27)	(1,805)
Exchange differences	(17,054)	(95)	6,041	(1,090)	224	76	(11,898)
Other movements	8,129	1,429	28,649	4,756	740	(43,190)	513
Impairment	-	-	(2,719)	(608)	(29)	(229)	(3,585)
Balance at July 31, 2016 (unaudited)	624,279	30,366	495,592	181,385	84,095	89,430	1,505,147

Change in the consolidation area refers to the acquisition of the company Hipic Prod Impex srl, a leather manufacturer.

The additions of the period mainly related to the strategy aimed at strengthening the retail network of the Group as well as to investments in the industrial area. In the six months the Group completed important expansion and renovation projects, such as the Prada store in Hong Kong (Canton Road) and Shangai (Plaza 66). The latter, together with other important unveiling of the period such as the Prada stores in Moscow, convey a new store concept that deftly combines the tradition and history of Prada with the continuous research and evolution that has always characterized the brand. The opening of the period were only those deemed strategic, like Zurich.

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

13. Intangible assets

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

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total historical cost
Historical cost	402,604	545,054	227,813	78,775	65,011	18,813	1,338,070
Accumulated depreciation	(125,372)	(31,840)	(121,321)	(67,947)	(48,286)	-	(394,766)
Net carrying amount at January 31, 2015 (audited)	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 depreciation	(136,265)	(31,170)	(139,145)	(71,718)	(49,994)	-	(428,292)
Net carrying amount at January 31, 2016 (audited)	265,238	513,218	97,510	15,037	14,987	26,248	932,238
Historical cost	393,513	544,142	238,145	94,293	64,998	22,369	1,357,460
Accumulated depreciation	(138,793)	(29,244)	(145,120)	(74,594)	(51,024)	-	(438,775)
Net carrying amount at July 31, 2016 (unaudited)	254,720	514,898	93,025	19,699	13,974	22,369	918,685

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

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total Net carrying amount
Balance at January 31, 2016 (audited)	265,238	513,218	97,510	15,037	14,987	26,248	932,238
Change in consolidation area	-	2,375	-	-	2	-	2,377
Additions	87	263	-	1,009	13	3,215	4,587
Amortization	(5,593)	(13)	(6,158)	(2,933)	(1,028)	-	(15,725)
Disposals	-	-	-	-	-	-	-
Exchange differences	(5,012)	(945)	1,125	28	-	38	(4,766)
Other movements	-	-	548	6,560	-	(7,132)	(24)
Impairment	-	-	-	(2)	-	-	(2)
Balance at July 31, 2016 (unaudited)	254,720	514,898	93,025	19,699	13,974	22,369	918,685

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Miu Miu	151,463	154,236
Church's	90,300	97,323
Prada	3,742	3,823
Other	9,215	9,856
Total	254,720	265,238

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

Total capital expenditure on Property, plant and equipment and Intangible assets for the six months ended July 31, 2016 was Euro 108.1 million, as analyzed below.

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Retail	70,256	175,019
Production and logistics	12,424	57,849
Corporate	25,405	104,027
Total	108,085	336,895

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 July 31, 2016, Goodwill amounted to Euro 514.9 million, detailed by Cash Generating Unit (CGU) as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
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	6,291	3,667
Church's	9,027	9,971
Marchesi Angelo	7,975	7,975
Total	514,898	513,218

No evidence emerged during the period under review to suggest any indication of impairment. However, as value in use is measured based on estimates, the Group cannot guarantee that the value of goodwill or other intangible assets will not be impaired in future.

14. Associated undertakings

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Investment in associated undertaking	2,138	2,138
Investment available for sale	14,551	15,201
Other investments	-	15
Total	16,689	17,354

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 July 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 change of Euro 0.6 million in fair value compared to January 31, 2016 has been recognized in a specific equity reserve, net of the taxation effect (Euro 0.2 million). In these six months of 2016 the Group accrued net dividends totaling HKD 4.8 million (Euro 0.6 million) from Sitoy Group Holdings.

15. Other non-current assets

Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Guarantee deposits	73,984	73,974
Deferred rental income	16,877	13,716
Pension fund surplus	7,041	7,778
Other long-term assets	18,748	18,486
Total	116,650	113,954

At July 31, 2016, Other non-current assets includes Euro 7 million representing the actuarial valuation of the pension plans the Group has in the United Kingdom (Note 22).

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Nature:		
Stores	68,824	68,576
Offices	3,981	4,076
Warehouses	181	180
Other	998	1,142
Total	73,984	73,974

(amounts in thousands of Euro)	July 31 2016 (unaudited)
Maturity:	
By 31.07.2018	15,783
By 31.07.2019	19,155
By 31.07.2020	15,050
By 31.07.2021	4,160
After 31.07.2021	19,836
Total	73,984

16. Bank overdrafts and Short-term loans

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Bank overdrafts and commercial lines of credit	4	7
Short-term bank loans	272,994	216,522
Current portion of long-term loans	62,038	54,043
Deferred costs on loans	(513)	(460)
Total	334,523	270,112

Short-term bank loans mainly include a loan of Euro 160 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 July 31, 2016.

Short-term bank loans also include a loan of Euro 30 million extended for an additional year by PRADA spa with Mitsubishi Bank of Tokyo and repayable in the first half of 2017. The remaining Euro 45 million part of short-term bank loans is made up of uncommitted lines in Euro and JPY.

Short-term bank loans also include committed line of credit arranged by PRADA Japan co ltd which is also subject to a series of covenants based on the financial statements of PRADA Japan co ltd; the covenants were respected in full at July 31, 2016. The total amount of this loan at July 31, 2016 was Euro 26.1 million.

The current portion of long-term bank loans includes an amount of Euro 3.7 million at July 31, 2016 (Euro 3.7 million at January 31, 2016) regarding a mortgage loan by IntesaSanpaolo to 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 July 31, 2016, the current portion of long-term bank loans also includes Euro 2 million (Euro 2 million at January 31, 2016) 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)	July 31 2016 (unaudited)	January 31 2016 (audited)
Euro	266,302	207,631
Japanese Yen	64,095	50,769
Other currencies	4,635	12,165
Total	335,033	270,565

The Group mainly borrows at variable rates of interest and manages the interest rate risk by entering into hedging agreements as described in Note 9.

Considering hedges in place at the reporting date, some 48% of the current portion of medium/long-term loans consisted of fixed rate loans (34% at January 31, 2016) with variable rate loans making up the remaining 52% (66% at January 31, 2016).

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).

17. Payables to related parties – current

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Financial payables	5,674	4,858
Other payables	645	386
Payables to related parties – current	6,319	5,244

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 36.

18. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Trade payables – third parties	253,663	266,701
Trade payables – related parties	11,713	14,998
Total	265,376	281,699

Trade payables decreased by Euro 16.3 million, consistently primarily with seasonal manufacturing trends and efficiencies achieved following the revision of industrial and logistic processes.

The following table summarizes trade payables by maturity date:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	265,376	235,764	13,386	5,684	1,000	1,322	8,220
Total	265,376	235,764	13,386	5,684	1,000	1,322	8,220

(amounts in thousands of Euro)	January 31 2016 (audited)	Not overdue	Overdue (in 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

19. Tax payables

Tax payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Current income taxes	39,360	49,700
VAT and other taxes	31,036	31,044
Total	70,396	80,744

20. Other current liabilities

Other current liabilities are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Payables for capital expenditure	34,246	54,132
Accrued expenses and deferred income	17,050	16,379
Other payables	75,967	71,760
Total	127,263	142,271

Other payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Short term benefits for employees and other personnel	52,321	58,533
Customer advances	15,718	4,563
Returns from customers	5,490	5,488
Other	2,438	3,176
Total	75,967	71,760

21. Long-term financial payables

Long-term financial payables are analyzed as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Long-term bank borrowings	458,225	391,942
Bonds	130,000	130,000
Deferred costs on loans	(1,490)	(1,467)
Total	586,735	520,475

During first six months of 2016 the Group arranged new medium/long-term bank loans for Euro 30 million with Banca Popolare di Milano and for Euro 90 million with 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 July 31, 2016.

The Group mainly borrows at variable rates of interest and manages the interest rate risk by entering into hedging agreements as described in Note 9.

At the reporting date, some 75% of non-current loans were at fixed rates of interest (66% at January 31, 2016) with variable rate loans making up the remaining 25% (34% at January 31, 2016).

Details of long-term borrowing at July 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	47,667	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	0.422%
PRADA spa	25,000	Euro	Intesa SanPaolo	12/2018	0.600%
PRADA spa	90,000	Euro	Unicredit	02/2021	0,963%
PRADA spa	20,000	Euro	Banca Popolare di Milano	03/2019	0,710%
PRADA Japan Co. Ltd	4,180	Japanese Yen	Syndicate loan	07/2018	0.909%
PRADA Japan Co. Ltd	18,287	Japanese Yen	Syndicate loan	01/2018	0.909%
PRADA Japan Co. Ltd	15,675	Japanese Yen	Mizuho Bank	03/2020	1.360%
PRADA Japan Co. Ltd	5,225	Japanese Yen	MUFG	03/2020	0.810%
PRADA Japan Co. Ltd	2,613	Japanese Yen	Sumitomo Mitsui Trust	03/2020	1.180%
PRADA Japan Co. Ltd	1,568	Japanese Yen	SMBC	03/2018	0.455%
Kenon Ltd	66,825	GB Pound	Unicredit	01/2029	4.477%
Church & Co. ltd	1,185	GB Pound	HSBC	05/2018	2.088%
Total	588,225				

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

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

The Bonds are reported at a net amount of Euro 129.6 million (nominal amount of Euro 130 million as adjusted by Euro 0.4 million following application of the amortized cost method). Their fair value at July 31, 2016 - as determined based on the official listed price on the Irish Stock Exchange – is Euro 135.7 million.

All bank borrowing is analyzed by security profile as follows.

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Secured	120,113	130,119
Unsecured	803,148	662,395
Total	923,261	792,514

Other than PRADA spa, no Group company had issued any debt securities at July 31, 2016.

22. Post-employment benefits

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Post-employment benefits	50,195	44,579
Other long term employee benefits	14,093	24,826
Total liabilities for long term benefits	64,288	69,405
Post-employment benefit (pension plan surplus)	7,041	7,778
Net liabilities for long term benefits	57,247	61,627

Liabilities and assets for post-employment benefits reported at July 31, 2016 totaled Euro 50.2 million, net (Euro 44.6 million at January 31, 2016) 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 million at July 31, 2016 compared to Euro 7.8 million at January 31, 2016 and the change is only related to devaluation of the GB Pound. This item is included in Other non-current assets, Note 15.

Post-employment benefits includes Euro 26.2 million (Euro 24.1 million at January 31, 2016) of liabilities recorded in the financial statements of Italian companies and Euro 24 million reported by non-Italian companies (Euro 20.5 million at January 31, 2016). 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 six months ended July 31, 2016.

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds UK	Other long-term employee benefits	Total
Balance at January 31, 2016 (audited)	24,106	20,473	(7,778)	24,826	61,627
Current service cost	354	794	-	526	1,674
Interest expenses (income)	-	-	-	(89)	(89)
Actuarial (gains)/losses	2,409	-	-	(2,140)	269
Benefits paid	(706)	(129)	-	(9,080)	(9,915)
Exchange differences	-	2,894	737	50	3,681
Balance at July 31, 2016 (unaudited)	26,163	24,032	(7,041)	14,093	57,247

The current service cost and the interest cost/(revenue) were recognized through profit or loss. For Other long-term employee benefits only, actuarial differences were also recognized through profit or loss.

The TFR liability was determined based on an independent appraisal by Federica Zappari, an Italian registered actuary (no 1134) of *Ordine Nazionale degli Attuari*.

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 July 31, 2016, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 14.1 million (Euro 24.8 million as at January 31, 2016), as determined based on an independent actuarial appraisal. The decrease compared to January 31, 2016 was mainly related to benefits paid during the period and amounting to Euro 9 million.

23. 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, 2016 (audited)	2,041	22,846	44,346	69,233
Exchange differences	(16)	(2)	147	129
Reversals	(81)	-	-	(81)
Utilized	(225)	(79)	(970)	(1,274)
Increases	25	74	1,931	2,030
Balance at July 31, 2016 (unaudited)	1,744	22,839	45,454	70,037

Provisions represent the Directors' best estimate of maximum contingent liabilities at the reporting date. In the Directors' opinion and based on the information available to them as supported by the opinions of independent experts, the total amount provided for risks and charges is reasonable considering the liabilities that might arise. During the six months ended July 31, 2016, there were no significant developments regarding litigation ongoing at January 31, 2016. Moreover, no new contingencies requiring significant adjustment to the provisions for risks and charges reported at July 31, 2016, emerged.

24. Other non-current liabilities

Other non-current liabilities amount to Euro 174.3 million (Euro 161.3 million as at January 31, 2016). They mainly regarded liabilities to be recognized on a straight-line basis in relation to commercial lease costs.

25. Shareholders' equity - Group

Group shareholders' equity is as follows:

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,007,438	1,959,304
Actuarial reserve	(10,425)	(8,161)
Fair value reserve	447	933
Cash flow hedge reserve	(21,230)	(7,100)
Translation reserve	110,902	138,547
Net income for the period	141,923	330,888
Total	2,894,984	3,080,340

Share capital

At July 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, 2016.

Translation reserve

Movements on this reserve relate to the translation of foreign currency financial statements of consolidated companies. The reserve decreased from Euro 138.5 million at January 31, 2016 to Euro 110.9 million. The negative change of Euro 27.6 million is mainly due to the devaluation of the GB Pound against the Euro.

Other reserves

At July 31, 2016, other reserves amount to Euro 2,007.4 million. They increased by Euro 48.1 million compared to January 31, 2016. The increase was mainly related to allocation of net income for the previous year (Euro 330.9 million) less the distribution of dividends to PRADA spa shareholders (Euro 281.5 million).

Net income for the period

The Group's net income for the six months ended July 31, 2016 amounted to Euro 141.9 million (Euro 330.9 million for the twelve months ended January 31, 2016).

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).

26. Shareholders'equity – Non-controlling interests

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

(amounts in thousands of Euro)	July 31 2016 (unaudited)	January 31 2016 (audited)
Opening balance	17,037	17,410
Translation differences	164	29
Dividends	(369)	(3,228)
Net income for the period	3,374	2,450
Actuarial reserve	-	6
Capital injection in subsidiaries	109	409
Transactions with non-controlling shareholders	(249)	(39)
Closing balance	20,066	17,037

27. 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)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Net sales	1,529,267	1,801,356
Royalties	24,905	23,077
Total	1,554,172	1,824,433

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

28. Cost of goods sold

Cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Purchases of raw materials and production costs	297,339	510,894
Logistics costs, duties and insurance	65,404	100,628
Change in inventories	69,488	(113,002)
Total	432,231	498,520

The cost of goods sold for the six months ended July 31, 2016 amounted to Euro 432.2 million, or 27.8% of net revenues, slightly up from the 27.3% achieved in the same six-month period of 2015.

29. Operating expenses

Operating costs are analyzed as follows:

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	% of net revenues	six months ended July 31 2015 (unaudited)	% of net revenues
Product design and development costs	64,484	4.1%	69,308	3.8%
Advertising and communications costs	76,594	4.9%	98,534	5.4%
Selling costs	682,026	43.9%	751,977	41.2%
General and administrative costs	85,136	5.5%	112,880	6.2%
Total Operating expenses	908,240	58.4%	1,032,699	56.6%

During the six-month period, management expanded the initiatives introduced last year with the result of limiting the pressure of the sales decline on the operating margin. Operating expenses for the six months ended July 31, 2016 amounted to Euro 908.2 million, with a decrease of Euro 124.5 million compared to the same period of 2015. As a percentage of net revenues, operating expenses raised from 56.6% in 2015 to 58.4%.

Selling costs decreased due to lower variable labor and lease costs, but also as a result of measures adopted to run the retail operations more efficiently. Notwithstanding such decrease, the incidence of selling costs on net revenues grew from 41.2% to 43.9% compared to the previous six-month period.

Advertising and communications as a percentage on net revenues fell from 5.4% to 4.9% in relation to a Euro 21.9 million decrease in their amount. The main differences emerged from a concentration of special events in the first half of 2015 and a different phasing of the media spending in the current year.

General and administrative costs decreased by Euro 27.7 million as a result of various initiatives on discretionary expenditure items, like consultancies and general services; their incidence on net revenues fell from 6.2% for the six months ended July 31, 2015 to 5.5% for the same period of 2016.

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

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Depreciation, amortization and impairment	109,733	139,796
Labor cost	285,347	301,518
Variable rent	168,941	180,735
Fixed rent	148,627	145,296
Total	712,648	767,345

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

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

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Interest expenses on borrowings	(7,722)	(7,592)
Interest expenses IAS 19	(89)	(58)
Interest income	2,008	1,548
Exchange gains / (losses) – realized	2,943	3,930
Exchange gains/ (losses) – unrealized	(2,615)	(5,360)
Other financial income / (expenses)	(1,281)	(1,541)
Total	(6,756)	(9,073)

The interest expenses on borrowings of the period were almost in line with the previous period as the increase in the average bank debt was balanced by lower borrowing rates, also thanks to the refinancing activities undertaken. Moreover, the impact of exchange rates was neutral in 2016 given the mix of signs that characterized the trends of the Euro against the other main currencies in the period.

31. Dividends from investments

As at July 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). During these six months of 2016 the dividends accrued from said company amounted to Euro 558 thousand (Euro 1,562 thousand in the same period of last year (July 31, 2015) and Euro 2,311 thousand for the twelve months of 2015).

32. Taxation

Current and deferred taxes are analyzed as follows:

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Current taxation	49,047	114,514
Deferred taxation	13,159	(20,375)
Income taxes	62,206	94,139

The tax rate was 30%, compared to 32.9% for the same six-month period of last year. The decrease is attributable primarily to favorable tax laws enacted in Italy and other countries, although the geographical composition of the sources of taxable income was less advantageous.

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

(amounts in thousands of Euro)	six months ended July 31 2016	twelve months ended January 31 2016
Opening balance	243,690	239,349
Exchange differences	3,962	528
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	3,950	(10,684)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	145	(1,200)
Other movements	163	(466)
Deferred taxes for the period in income statement	(13,159)	16,163
Closing balance	238,751	243,690

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

(amounts in thousands of Euro)	July 31, 2016		January 31, 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	127,326	-	140,922	-
Receivables and other assets	391	1,408	386	1,616
Useful life of non-current assets	63,784	9,518	60,255	9,848
Deferred taxes due to acquisitions	-	18,346	-	20,725
Provision for risks / accrued expenses	50,988	2,338	49,611	2,561
Non-deductible / taxable charges/income	8,538	597	12,653	446
Tax loss carryforwards	3,396	-	3,809	-
Derivative financial instruments	5,699	35	1,800	35
Long term employee benefits	10,499	1,268	9,268	1,401
Other	1,884	244	1,868	250
Total	272,505	33,754	280,572	36,882

33. 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.

	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Group net income in Euro	141,923,268	188,593,497
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	0.055	0.074

Dividends per share

During the six months ended July 31, 2016, the Company distributed dividends of Euro 281,470,640, as approved by the Shareholders' Meeting held on May 24, 2016 to approve the financial statements for the year ended January 31, 2016.

The payment of the dividends and the related Italian withholding tax liability (Euro 14.6

million), arising from the application of the Italian ordinary withholding tax rate to the whole amount of dividends paid to beneficial owners of the Company shares held through the Hong Kong Central Clearing and Settlement System, was completed by July 31, 2016.

34. Additional information

The average headcount by functional area is as follows:

(number of employees)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Production	2,170	2,067
Product Design and Development	1,000	1,045
Advertising and Communications	119	120
Selling	7,925	8,110
General and Administrative services	1,014	1,023
Total	12,228	12,365

Employee remuneration

Employee remuneration by functional area is as follows:

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Production	53,666	51,837
Product Design and Development	34,122	36,170
Advertising and Communications	6,517	7,190
Selling	194,889	210,402
General and Administrative services	49,819	47,756
Total	339,013	353,355

Employee remuneration by nature is as follows:

(amounts in thousands of Euro)	six months ended July 31 2016 (unaudited)	six months ended July 31 2015 (unaudited)
Wages and salaries	257,961	267,357
Post-employment benefits and other long-term benefits	12,512	16,840
Social contributions	53,785	55,056
Other	14,755	14,102
Total	339,013	353,355

Distributable reserves of parent company PRADA spa

(amounts in thousands of Euro)	July 31, 2016 (unaudited)	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	419,397	A, B, C	387,940	-	(793,235)
Cash flow hedge reserve	(10,940)		-	-	-
Distributable amount			980,886		(793,235)

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

Under Italian law (art. 2431 Codice Civile), the share premium reserve is fully distributable as the legal reserve has reached an amount equal to 20% of share capital.

The retained earnings are non-distributable for an amount equal to Euro 20,516 thousand following the application of Art. 7 of Legislative Decree 38/2005 and for Euro 10,940 thousand being the coverage of the negative value of the Cash flow hedge reserve.

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 July 31, 2016 are shown below:

Currency	Average rate	Average rate in prior six month period	Closing rate	Opening rate
US Dollar	1.120	1.106	1.111	1.092
Canadian Dollar	1.469	1.379	1.464	1.536
GB Pound	0.792	0.723	0.844	0.764
Swiss Franc	1.095	1.049	1.082	1.114
Australian Dollar	1.509	1.433	1.478	1.539
Korean Won	1,312.197	1,225.970	1,246.830	1,318.600
Japanese Yen	122.404	133.887	114.830	132.250
Hong Kong Dollar	8.692	8.574	8.621	8.510
Singapore Dollar	1.531	1.497	1.502	1.555
Thai Baht	39.492	36.721	38.712	38.973
Taiwan Dollar	36.449	34.395	35.435	36.572
Russian Ruble	76.390	62.702	74.488	82.847
Czech Koruna	27.042	27.371	27.031	27.026
Macau Pataca	8.953	8.830	8.880	8.764
Chinese Renminbi	7.338	6.877	7.391	7.181
New Zealand Dollar	1.630	1.527	1.562	1.679
Malaysian Ringgit	4.532	4.065	4.520	4.530
Turkish Lira	3.260	2.905	3.352	3.237
Brazilian Real	4.008	3.385	3.648	4.429
Mexican Peso	20.326	16.959	21.029	20.005
UAE Dirham	4.112	4.061	4.082	4.011
Ukrainian Hryvna	28.616	24.806	27.501	27.423
Moroccan Dirham	10.900	10.802	10.905	10.767
Kuwait Dinar	0.337	0.332	0.336	0.332
Danish Kronor	7.446	7.460	7.437	7.463
Swedish Kronor	9.334	9.333	9.567	9.348
Kazakhstani Tenge	382.878	205.404	391.280	397.880
Qatari Riyal	4.078	4.027	4.066	3.952
Indian Rupee	75.214	69.762	74.407	74.104
Saudi Riyal	4.199	4.147	4.168	4.095
South African Rand	16.910	13.342	15.730	17.493
Vietnamese Dong	24,496.816	23,831.722	24,231.000	23,922.500
Indonesian Rupiah	14,873.899	14,485.430	14,559.700	14,967.640

35. Remuneration of Board of Directors

Remuneration of the PRADA spa Board of Directors for the six months ended July 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	July 31 2016 (unaudited)
Carlo Mazzi	510	-	-	39	8	557
Miuccia Prada Bianchi	6,000	-	-	-	-	6,000
Patrizio Bertelli	6,000	-	-	-	-	6,000
Alessandra Cozzani	25	100	-	7	68	200
Stefano Simontacchi	13	-	-	-	-	13
Maurizio Cereda	8	-	-	-	-	8
Gian Franco Oliviero Mattei	75	-	-	-	-	75
Giancarlo Forestieri	35	-	-	-	5	40
Sing Cheong Liu	35	-	-	-	7	42
Total	12,701	100	-	46	88	12,935

Remuneration of the PRADA spa Board of Directors for the six months ended July 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	July 31 2015 (unaudited)
Carlo Mazzi	510	-	-	42	2	554
Miuccia Prada Bianchi	4,352	2,675	-	-	-	7,027
Patrizio Bertelli	4,352	1,500	1,250	-	-	7,102
Donatello Galli	22	203	125	20	88	458
Alessandra Cozzani	22	95	56	6	42	221
Gaetano Micciché	22	-	-	-	-	22
Gian Franco Oliviero Mattei	75	-	-	-	-	75
Giancarlo Forestieri	32	-	-	-	5	37
Sing Cheong Liu	32	-	-	-	6	38
Total	9,419	4,473	1,431	68	143	15,534

36. 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 July 31, 2016 (unaudited)

(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
Progetto Prada Arte Srl	277	-	816	(503)	-	-	-
HMP Srl	8	-	-	-	-	-	-
Al Tayer Group LLC	-	-	-	6	-	-	-
Al Tayer Insignia LLC	-	-	-	59	2,412	-	-
Danzas LLC - UAE	-	-	-	2	23	-	-
DFS Hawaii	-	-	-	742	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	26	23	-	-
Luna Rossa Challenge 2013 Srl	64	11,687	2,946	8	37	-	-
Al Tayer Motors	-	-	-	2	-	-	-
Chora srl	-	5,848	-	3,109	-	-	-
DFS DFS Cotai limitada	44	-	-	330	334	-	-
Al Tayer Trends	13	-	-	-	-	-	-
Al Sanam Rent a Car LLC	-	-	-	2	-	-	-
Peschiera Immobiliare srl	-	89	-	164	-	-	-
Premiata Srl	5	-	-	361	-	-	-
La Mazza Srl	61	-	-	597	-	-	-
Friuli 64 Srl	-	-	-	134	-	-	-
SPELM SA	-	77	-	-	-	-	-
Conceria Superior SpA	148	-	-	4,034	-	-	-
PRADA HOLDING SpA	684	-	-	-	-	-	-
Fratelli Prada SpA	26,956	-	-	1,280	228	-	-
PRA 1 Srl	-	92	-	64	-	-	-
Petranera Srl	2	-	-	-	-	-	-
Perseo Srl	130	-	-	1,296	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	-	3,262	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	2,734
Relatives of members of the Board of Directors	-	-	-	-	-	-	86
Total at July 31, 2016	28,392	17,793	3,762	11,713	6,319	-	2,820

Statement of financial position amounts at January 31, 2016 (audited)

(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	-	-	-
Chora 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 Profit or Loss for the six months ended July 31, 2016 (unaudited)

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
Progetto Prada Arte Srl	-	-	(1)	-	-	-
Progetto Prada Arte Srl (Galleria) (*)			624			
Al Tayer Group LLC	-	-	21	-	-	-
Al Tayer Insignia LLC	-	-	125	-	-	-
Danzas LLC – UAE	-	282	23	-	-	-
DFS Hawaii	-	-	2,159	-	-	-
DFS New Zealand Limited	-	-	119	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	143	-	-	-
Luna Rossa Challenge 2013 Srl	2	-	5,822	-	-	-
Al Tayer Motors	-	-	5	-	-	-
Chora Srl	-	-	888	-	-	32
DFS DFS Cotai limitada	-	-	2,191	-	-	-
Al Sanam Rent a Car LLC	-	-	5	-	-	-
Peschiera Immobiliare Srl	-	-	270	-	-	-
Premiata Srl	-	583	-	-	-	-
La Mazza Srl	-	536	-	-	-	-
Friuli 64 Srl	-	-	285	-	-	-
SPELM SA	-	-	228	-	-	-
Conceria Superior SpA	191	6,219	27	-	-	-
PRADA HOLDING SpA	-	-	(129)	-	-	-
Fratelli Prada SpA	14,097	385	(280)	428	-	-
Petranera Srl	-	-	(2)	-	-	-
PABE-RE LLC.	-	-	8,336	-	-	-
PRA 1 Srl			584			
Perseo Srl	-	1,339	-	-	-	-
Relative of PRADA spa Director	-	-	311	-	-	-
Total at July 31, 2016	14,290	9,344	21,754	428	-	32

(*) This amount includes non-monetary expense in the form of derecognition of deferred rental income of Euro 816 thousand recognized in previous years 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 (such contract was terminated on April 8, 2016).

Statement of Profit or Loss for the six months ended July 31, 2015 (unaudited)

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
EXHL Italia Srl	-	-	(3)	-	-	-
STICHTING Prada	16	-	857	-	-	-
Progetto Prada Arte srl	-	260	273	-	9	-
Progetto Prada Arte srl (Galleria) (*)			(756)			
HMP Srl	-	-	13	-	-	-
Al Tayer Group LLC	-	-	31	-	-	-
Al Tayer Insignia LLC	-	-	242	-	-	-
Danzas LLC - UAE	-	642	83	-	-	-
Al Tayer Travels	-	-	45	-	-	-
DFS Hawaii	(2)	-	2,141	-	-	-
DFS New Zealand Limited	-	-	153	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	172	-	-	-
DFS Cotai limitada	-	-	3,528	-	-	-
Luna Rossa Challenge 2013 Srl	13	-	6,693	-	-	-
Al Tayer Motors	-	-	3	-	-	-
Chora Srl	-	-	1,499	-	-	-
Al Sanam Rent a Car LLC	-	-	5	-	-	-
Peschiera Immobiliare Srl	-	-	251	-	-	-
Premiata Srl	-	1,914	1	-	-	-
La Mazza Srl	-	903	8	-	-	-
Fin_Reta srl	-	125	-	-	-	-
Pelletteria Reta Srl	-	53	1	-	-	-
Friuli 64 Srl	-	-	371	-	-	-
SPELM SA	-	-	238	-	-	-
Gran Caffè snc	-	4	4	-	-	-
Rubaiyat Modern Lux. Prod. Ltd	165	-	(858)	165	-	-
Conceria Superior spa	-	18,543	76	-	-	-
PRADA HOLDING spa (Main Shareholder)	-	-	(199)	-	-	-
F.lli Prada spa (franchising)	14,244	94	(717)	406	-	-
F.lli Prada spa (Galleria) (**)			1,200			
PRA 1 Srl	-	-	558	-	-	-
Isarcodue Srl	-	(30)	-	-	-	-
PABE-RE LLC.	-	-	745	-	-	-
Perseo Srl	-	(68)	-	-	-	-
Relative of Director of PRADA spa	-	-	427	-	-	-
Total at July 31, 2015 (unaudited)	14,436	22,440	17,085	571	9	-

(*) This amount includes non-monetary income in the form of deferred rental income of Euro 249 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.

(**) This amount includes non-monetary expense in the form of derecognition of deferred rental income of Euro 1,587 thousand recognized in relation to Fratelli Prada spa in application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Fratelli Prada spa (such contract was terminated on March 31,2015.

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 co ltd in relation to the rental contract for the Aoyama Building in Tokyo. The transactions reported for the six months ended July 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 six months ended July 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.

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 refer to the period from February 1 to April 8, 2016, following the termination agreement signed by the parties on the same date, details of which were reported in the PRADA spa Announcement of April 8, 2016.

The transactions with related party Luna Rossa Challenge 2013 srl reported for the six months ended July 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.

Unlike the "non-exempt continuing connected transactions" and the "non-exempt connected transactions" no other transaction reported in the unaudited Interim condensed consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" provided by Chapter 14A of the Listing Rules or, if it does fall under the definition of "connected transaction" or "continuing connected transaction" in terms of said Chapter 14A, is exempted from reporting, disclosure and independent shareholders' approval requirements again under Chapter 14A.

37. Commitments

Operating leases

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

(amounts in thousands of Euro)	six months ended July 31, 2016 (unaudited)	twelve months ended January 31, 2016 (audited)
Within a year	445,902	435,241
After between one year and five years	1,209,626	1,218,665
After more than five years	1,083,145	1,053,674
Total	2,738,673	2,707,580

Operating lease commitments for the 2016 reporting period include Euro 2,671 million regarding lease agreements for retail premises (Euro 2,636 million for 2015).

The amounts recognized in the profit or loss in relation to lease agreements were as follows:

(amounts in thousands of Euro)	six months ended July 31, 2016 (unaudited)	six months ended July 31, 2015 (unaudited)
Fixed minimum lease expenses	149,790	146,511
Variable lease expenses	168,941	180,735
Total	318,731	327,246

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

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

(amounts in thousands of Euro)	six months ended July 31, 2016 (unaudited)	twelve months ended January 31, 2016 (audited)
Within a year	7,605	6,776
After between one year and five years	28,995	23,709
After more than five years	18,713	19,286
Total	55,313	49,771

Other commitments

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

38. 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

39. Consolidated companies

Company	Local currency	Share Capital (000s of LC)	% 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/ Services
Marchesi Angelo Srl (*)	EUR	23	80.00	Milan, IT	10/07/2013	Confectionary
Montenapoleone 9 Srl (*)	EUR	1,000	98.00	Milan, IT	22/04/2015	Confectionary

Company	Local currency	Share Capital (000s of LC)	% Interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
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/Services
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	2,000	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	65,500	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
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	20,412	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
Hipic Prod Impex Srl	RON	200	50.00	Sibiu, RO	15/04/2016	Production

Company	Local currency	Share Capital (000s of LC)	% Interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
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	269,058	100.00	Mexico City, MX	12/07/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	198,000	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
PRADA St. Barthelemy Sarl (*)	EUR	320	100.00	Gustavia, BL	01/04/2016	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 Ltd	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	13,500	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 Company 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
PRADA Vietnam Limited Liability Company	VND	21,906,570	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

Company	Local currency	Share Capital (000s of LC)	% Interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
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 at January 31, 2016	Percentage direct interest 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

40. Information on Non-Controlling Interests

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 July 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	26,645	7,878	26,909	928	369
TRS Hawaii Llc	60.00	USD	9,215	4,364	8,319	(48)	-
TRS Hong Kong Ltd	55.00	HKD	818	746	-	(52)	-
TRS Singapore Pte Limited	55.00	SGD	3,160	2,602	1,664	286	-
TRS Guam	55.00	USD	6,747	5,685	6,108	988	-
TRS Saipan	55.00	USD	2,978	2,636	1,996	312	-
TRS New Zealand Pty Ltd	55.00	NZD	3,234	2,306	1,322	181	-
TRS Okinawa	55.00	JPY	926,165	695,343	638,859	83,426	-
TRS Hong Kong Macau	55.00	MOP	150,185	84,663	110,443	26,677	-
Prada United Arab Emirates (*)	49.00	AED	166,135	(28,151)	98,682	(12,706)	-
Prada Middle East FZCO	60.00	AED	296,068	194,295	123,410	23,411	-
Prada Kuwait (*)	49.00	KWD	6,230	(252)	4,463	151	-
Prada Saudi Arabia	75.00	SAR	85,892	14,319	33,849	(2,353)	-
Marchesi Angelo Srl	80.00	EUR	1,109	368	864	(552)	-
Montenapoleone 9 Srl	98.00	EUR	2,570	(129)	1,368	(2,038)	-
Tannerie Limoges S.A.S.	60.00	EUR	6,028	648	1,142	(223)	-
Hipic Prod Impex Srl (*)	50.00	EUR	5,967	(3,170)	-	(935)	-

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

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

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 exercised and, therefore, measure the fair value of the option

41. Events after the reporting period

Nothing to mention.