PRADA

MILANO

DAL 1913

Separate Financial Statements 2016

PRADA spa

(Hong Kong Stock code: 1913)

Separate Financial Statements 2016

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Patrizio Bertelli

Miuccia Prada

Corporate Information

PRADA S.p.A. 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

Report on Operations

Presentation

PRADA spa is the parent and holding company of the PRADA Group. Directly or through investments in subsidiaries and associates, it performs manufacturing, distribution, retail, and brand management operations in the luxury goods sector.

Its main activities are as follows :

- the production of leather goods, clothing, footwear, and accessories of all kinds bearing the Prada, Miu Miu, Car Shoe and Church's brands;
- the wholesale worldwide distribution of leather goods, footwear and clothing bearing the Prada, Miu Miu and Car Shoe brands;
- retail sales at sales outlets and stores in Italy and online;
- management of equity investments;
- services to Group companies, including:
  - retail management services (purchasing budgets, selection of product mix, visual displaying, store management);
  - advertising and promotional services, in particular media planning and design;
  - information technology services relating to the IT infrastructure and the centralized, integrated management of software;
  - engineering services for the opening, renovation and maintenance of stores;
  - financial services involving the granting of loans;
  - corporate services regarding legal affairs and tax advisory, administration/accounting, human resources, security and logistics consultancy.

The Report on Operations by the Board of Directors refers to PRADA spa (the "Company"), operational holding company of the PRADA Group. It is based on the separate financial statements as of January 31, 2017 (fiscal year 2016), prepared in accordance with the IFRS adopted by the European Union. The Report on Operations should be read together with the financial statements and the explanatory notes, which form an integral part of the Separate Financial Statements.

2016 highlights

2016 was a challenging year for the Prada Group, as it made concrete plans for brand development and launched an overhaul of its main operating processes.
The Company took the initiative on several fronts, starting as always from the development of new products that stand out for their innovative style and outstanding quality. New items were designed for Prada and Miu Miu in every category, particularly leather goods, with the creation of new, iconic handbag designs as well as special editions.
The recent redefinition of the digital strategy, with the formation of a highly qualified team, is the foundation of a new global vision whereby brands will be empowered to express their full potential. These efforts will generate sustainable growth based on product quality, strong innovation, and distribution/communication channels that permanently evolve in line with the habits of new generations of consumers.
In 2016 industrial changes were made under a three-year plan adopted in 2015, which aims to strengthen control over the production process by insourcing some of the most delicate phases. These investments will help preserve the craftsmanship at the heart of the Group's business model, while underscoring its ties to the Italian community and the sustainability of its manufacturing cycle.

Finally, efforts to streamline facilities and simplify processes took the form of new, transversal projects involving every unit and department while strengthening the cost reduction targets identified in 2015.

The organizational structure was streamlined with the absorption of the wholly-owned subsidiary Prada Stores Srl, formerly responsible for the retail operations of the Prada and Miu Miu brands in Italy, on November 1, 2016. The merger has a retroactive effective date of February 1, 2016 for accounting and tax purposes. Therefore, the figures in the financial statements include the effects of the merger and are not comparable with figures for the previous year.

During fiscal year 2016 the Group changed its distribution model in the Asia Pacific market as part of a restructuring project to simplify the transfer pricing policy. Under the new model, effective February 1, 2016 Prada SpA sells products directly to the subsidiaries operating in the Asia Pacific market (previously served by Prada Asia Pacific) and Prada Asia Pacific is a provider of business services to Prada SpA and a retail distributor through its stores.

The year ended with EBIT of Euro 199.7 million, or 12.6% of net revenues, while the net income came to Euro 183 million (11.6% of revenues).

The following tables show some key performance and financial indicators for the past two years.

(amounts in thousands of Euro)	January 31 2017	%	January 31 2016	%
Net revenues	1,583,750	100.0%	1,914,781	100.0%
Cost of goods sold	(732,605)	-46.3%	(890,721)	-46.5%
Gross margin	851,144	53.7%	1,024,060	53.5%
Operating expenses	(651,437)	-41.1%	(682,777)	-35.7%
Interest and other financial income (expenses), net	48,032	3.0%	7,569	0.4%
Income before tax	247,739	15.6%	348,853	18.2%
Income tax	(64,384)	-4.1%	(100,432)	-5.2%
Net income for the year	183,355	11.6%	248.421	13.0%
ROE	11.44%		15.46%	
ROI	9.99%		17.49%	
ROS	12.61%		17.82%	
Depreciation, amortization and impairment	48,841	3.1%	42,394	2.2%
EBIT	199,707	12.6%	341,284	17.8%
EBITDA	248,549	15.7%	383,677	20.0%

Net revenues for the year ended January 31, 2017 amounted to Euro 1,583.8 million, a decrease of 17.2% with respect to the previous year's revenues of Euro 1,914.8 million. The decrease is due to lower volume of sales in retail channel.

The decrease in operating expenses is detailed in the Notes to the Financial Statements (Note 23).

EBITDA for the fiscal year came to Euro 248.5 million, down 35.2% with respect to 2015. The decline in EBITDA was driven by a decrease by Euro 173 million in gross margin, only partially compensated by the lower operating expenses.

Net financial income totaled Euro 48 million, comprised mainly of the following income and expenses:

- Euro 81 million in dividends received;
- Euro 3 million in net exchange losses;
- Euro 4 million in net interest expense;
- Euro 24.4 million in impairment adjustments and losses on the sale of subsidiaries;
- Euro 1.6 million in other financial expenses.

The tax burden for the fiscal year, stated as a percentage of income before taxation, was 26.0% compared with 28.8% for the prior fiscal year.

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

Analysis of the statement of financial position

The statement of financial position is reclassified below to provide a better view of net invested capital.

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Non-current assets excluding financial items	1,917,295	1,690,852
Current assets excluding financial assets	1,033,022	1,055,729
Current liabilities excluding financial liabilities	852,038	702,514
Net working capital	180,984	353,215
Long-term liabilities, including deferred taxation	31,698	31,940
Employee benefits	35,845	37,862
Provisions for risks	31,011	25,503
Net invested capital	1,999,725	1,948,761
Shareholders' equity	1,487,560	1,603,169
Long-term financial payables	358,214	313,926
Short-term financial payables (net of cash and cash equivalents)	153,951	31,665
Net financial indebtedness	512,165	345,592
Shareholders' equity and net financial indebtedness	1,999,725	1,948,761
Ratios		
Net financial indebtedness/Shareholders' equity	0.34	0.22
Current assets/Current liabilities	1.21	1.50

Net invested capital rose by Euro 50.9 million (2.6%) due to a Euro 226 million increase in non-current assets, including those contributed by the merger of Prada Stores Srl, combined with the effects of a Euro 172 million decrease in net working capital.

A breakdown of non-current assets, excluding financial items, is provided below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Property, plant and equipment	640.960	555,913
Intangible assets	171,932	125,837
Investments in subsidiaries and associated undertakings	1,047,465	945,527
Deferred tax assets	31,661	36,781
Other non-current assets	19,245	14,452
Derivative financial instruments, non-current	6,031	7,546
Financial receivables and other receivables from parent companies, subsidiaries, associates and related parties	-	4,796
Total non-current assets, excluding financial items	1,917,295	1,690,852
Proportion of property, plant and equipment already depreciated	0.64	0.66

Property, plant and equipment and intangible assets show a net increase of around Euro 131 million. Details of capital expenditure for the period are provided in Notes 7 and 8.

Investments in subsidiaries and associates increased by Euro 102 million, including the amounts from the merger of Prada Stores Srl and the capital injections described in Note 9.

The following table contains a breakdown of net working capital.

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade receivables	626,308	538,558
Inventories	222,026	320,717
Trade payables	(744,134)	(587,422)
Net operating working capital	104,200	271,853
Derivative financial instruments	(3,398)	2,058
Other receivables from parent, subsidiary, associated companies and related parties	17,618	26,312
Other current assets	37,562	29,792
Current tax receivables (payables)	110,501	120,004
Other liabilities to parent, subsidiary, associated companies and related parties	(3,673)	(4,139)
Other current liabilities	(81,826)	(92,664)
Other current assets (liabilities), net	76,784	81,362
Net working capital	180,984	353,215

The overall decrease of Euro 173 million in net working capital is due to a Euro 167.6 million reduction in net operating working capital, and by a Euro 5 million change in other current assets, net. In greater detail, the fair value of derivative instruments fell from a positive Euro 2 million to a negative Euro 3 million, while other current liabilities decreased by Euro 11 million. The decrease in other current liabilities is due to the reduction in provisions for returns.

The decrease in net operating working capital is explained by the increase by Euro 157 million in trade payables and the decrease in inventories (-Euro 99 million), offset in part by the increase in trade receivables (Euro 88 million).

Net financial position

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Long term financial payables	456,497	371,729
Financial receivables from parent companies, subsidiaries, associates and related parties	(98,283)	(55,803)
Long term financial payables /(receivables)	358,214	315,926
Bank overdraft and short term loans	62,871	208,228
Financial payables to parent company, subsidiaries, associates and related parties	306,182	49,718
Financial receivables from parent company, subsidiaries, associates and related parties	(102,319)	(69,170)
Cash and cash equivalents	(112,783)	(157,110)
Short-term financial payables	153,951	31,665
Net financial position	512,165	347,592
Net financial position, net of payables to parent company and other Group companies	406,586	422,847

As of January 31, 2017, the net financial position is indebtedness of Euro 512 million, up by Euro 166 million compared with the previous fiscal year.

Net long-term financial payables increased by Euro 42 million due to new bank loans of Euro 120 million raised and a decrease in net long-term financial receivables due from Group companies. The change includes the elimination of the Euro 135 million loan to Prada Stores (now incorporated into the Company). Net short-term third-party debt went down due to the repayment of Euro 125 million on the revolving credit facility arranged with a pool of banks in 2014. See Note 11, "Bank overdrafts and short-term loans," for further information.

At the reporting date, the Company had additional credit lines available totaling Euro 567 million (Euro 411 million as of January 31, 2016).

As shown in the Statement of Cash Flows, cash flows from operating activities amounted to Euro 322 million; they wholly funded the investing activities for the period (Euro 60 million) and contributed to the payment of dividends to shareholders (Euro 281.5 million).

Policy on hedging of financial risks

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

Research and development

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

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

Research and development activities aim to create innovative products through the search for new or improved materials, the research and definition of design concepts, and the development of prototypes.

Related party transactions

Details of related party transactions are provided in Note 26 to the financial statements.

Treasury stock

As of January 31, 2017, the Company did not hold any treasury stock.

Significant events of the reporting period

The "corporate information" and "significant acquisitions and divestments" sections of the Notes to the Financial Statements provide the information on the most significant events of the fiscal year.

Subsequent events

No significant events occurred after the reporting period.

Business outlook

The Company will leverage on its iconic heritage and creativity to continue to deliver unparalleled innovation and quality. At the same time, the omni-channel experience will be accelerated with enhanced online presence and in-store digital environment. This action plan, expected to deliver sales improvement in 2017, will be strengthened by the streamlined cost structure that will allow the Company to convert more easily future revenue into profitability.

Proposed allocation of net income for the period

The Board of Directors proposes to distribute Euro 307,058,880 to the shareholders, for a dividend of Euro 0.12 per share, as follows:

- Euro 183,355,460 representing net income for the period;
- Euro 123,703,420 through the use of retained earnings.

Patrizio Bertelli

Chief Executive Officer

Milan; April 12, 2017

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 such practices have complied with the code provisions set out in the Code for the entire financial year ended January 31, 2017 (the "Reviewed Period"). This Corporate Governance report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents of non-compliance during the Reviewed Period.

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

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which four are Executive Directors, two are Non-Executive Directors and three are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is relevant to the business activities and strategic development of the Company and the Group. The Company has maintained both on its own website and on the website of The Stock Exchange of Hong Kong Limited (the "HKSE") an updated list of its Directors, identifying their respective roles and functions and also specifying if they are an Independent Non-Executive Director.

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

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

b. Board Meetings

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual and interim results), and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings either in person or through electronic means was 88.7%.

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

c. Board Attendance

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

Directors	Board	Audit Committee	Remunera-tion Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		5/5	3/3	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	5/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	5/6				1/1
Ms. Alessandra COZZANI (also apppointed Chief Financial Officer on February 19, 2016)	6/6				1/1
Mr. Donatello GALLI (Chief Financial Officer resigned effective February 19, 2016)	0/1				n/a
Non-Executive Directors					
Mr. Stefano SIMONTACCHI (appointed on April 8, 2016)	4/4				1/1
Mr. Maurizio CEREDA (appointed on May 24, 2016)	4/4				1/1
Mr. Gaetano MICCICHÉ (resigned effective April 15, 2016)	0/2				n/a
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 1	6/6	4/4	5/5	3/3	1/1
Mr. Giancarlo FORESTIERI 2	6/6	4/4	5/5		1/1
Mr. Sing Cheong LIU 3	5/6	4/4		3/3	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6	4/4			1/1
Mr. Roberto SPADA	4/6	2/4			1/1
Mr. David TERRACINA	5/6	3/4			1/1
Date(s) of Meeting	Feb 19, 2016	Apr 8, 2016	April 4, 2016	Feb 19, 2016	May 24, 2016
	Apr 8, 2016	Jun 30, 2016	May 24, 2016	Apr 8, 2016	
	June 30, 2016	Aug 26, 2016	June 29, 2016	May 4, 2016	
	Aug 26, 2016	Jan 20, 2017	Jan 20, 2017		
	Jan 20, 2017		Jan 31, 2017		
	Jan 27, 2017				
Average Attendance Rate of Directors	88.7%	100%	100%	100%	88.8%

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

d. Roles and Responsibilities

The Board is vested with full powers for the ordinary and extraordinary management of the Company. The Board has the power to perform all acts it deems advisable for the successful implementation and attainment of the Company's corporate purposes, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' general meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. The Board reserves for its own consideration and decision all matters concerning the overall Group strategy, the Group's strategic objectives, major acquisitions and disposals, annual budgets, as well as annual and interim results, approval of major transactions, connected transactions and any other significant operational and financial matters. The Board is also responsible for evaluating the effectiveness of the risk management and internal control systems on an ongoing basis.

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

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

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

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

e. Non-Executive Directors

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

f. Independent Non-Executive Directors

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 11, 2017. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

g. Liability Insurance for the Directors

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

h. Directors' Training

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

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes to and developments of the

Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. In addition, all Directors (i.e. Mr. Carlo Mazzi, Ms. Miuccia Prada Bianchi Mr. Patrizio Bertelli, Ms. Alessandra Cozzani, Mr. Stefano Simontacchi, Mr. Maurizio Cereda, Mr. Gian Franco Oliviero Mattei, Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu) attended an in-house seminar conducted by the Joint Company Secretaries covering the latest amendment of the Code: risk management and internal control and ESG reporting obligations. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

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

Chairman and Chief Executive Officers

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

Appointment of Directors

At the shareholders' general meeting of the Company held on May 26, 2015, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the shareholders' general meeting called to approve the financial statements of the Company for the year ending January 31, 2018.

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

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

On April 8, 2016, the Nomination Committee recommended and, on the same date, the Board approved, the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation, until the first shareholders' general meeting held after his appointment.

Before the shareholders' general meeting of the Company on May 24, 2016 (the "2016 AGM"), the Company received a notice from Prada Holding S.p.A., its substantial shareholder, proposing that Mr. Stefano Simontacchi be re-elected as a Director of the Company at the 2016 AGM. The appointment of Mr. Stefano Simontacchi as Non-Executive Director was also recommended by the Nomination Committee.

The Company also received a notice from Prada Holding S.p.A proposing that Mr. Maurizio Cereda be elected as a Director of the Company at the 2016 AGM to fill the casual vacancy caused by the resignation of Mr. Gaetano Miccichè, rendered with effect from April 15, 2016. The appointment of Mr. Maurizio Cereda as Non-Executive

Director was also recommended by the Nomination Committee.

Mr. Stefano Simontacchi and Mr. Maurizio Cereda were elected as Directors of the Company at the 2016 AGM and each of their mandate will expire at the same time as the other current Directors (i.e. on the date of the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ending January 31, 2018).

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

Corporate Governance Functions of the Board

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

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

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

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

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

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

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

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

(i) reviewed connected transactions of the Company;

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

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

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

Board Committees

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

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 231 of June 8, 2001.

a. Audit Committee

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

During the Reviewed Period, the Audit Committee held four meetings (with an attendance rate of 100%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covers the audit plans as well as the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group, tax updates and financial reporting matters (including the annual results for the year ended January 31, 2016 and the interim financial results as of July 31, 2016) before recommending them to the Board for approval.

The Audit Committee has also held two meetings on April 6 and 12, 2017 to review the annual results for the year ended January 31, 2017, before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the Consolidated financial statements and the Separate financial statements for the year ended January 31, 2017, together with non-audit services rendered to Prada S.p.A. amounting to Euro 1,559 thousand, are illustrated below.

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche S.p.A.	514
Other advisory services	Deloitte Network	1,045
Total fees of audit firm for period ended January 31, 2017		1,559

Other advisory services for Prada S.p.A. mainly relate to services to assist the Company with the production of a new website, with processes aimed at creating a data warehouse and in developing its customer cluster analysis.

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration package of Directors and senior management and the establishment of a formal and transparent procedure for developing policies on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two

Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Executive Director, Mr. Carlo Mazzi.

During the Reviewed Period, the Remuneration Committee held five meetings (with an attendance rate of 100%) mainly to recommend certain updates regarding the long-term incentive plan connected to the Group's results and the management by objectives incentives for the 2016 financial year.

Remuneration Policy

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

The Company has an incentive system that links compensation with the annual performance of the Group, taking into account the Group's objectives in net sales, as well as the objectives of each department.

The Company has adopted long term cash incentive plans for senior managers and key managers for retention purposes, under which the benefit of a senior manager or a key manager under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period. In addition, technicians of the Company may receive a collection bonus that is provided to them following the development of a seasonal collection.

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

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees, salaries and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

The Company has established a Nomination Committee in compliance with the Code. The primary duties of the Nomination Committee are to determine the policy for the nomination of Directors and to make recommendations to the Board regarding the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses the independence of Independent Non-Executive Directors. The recommendations of the Nomination Committee are then put forward to the Board for consideration and, where appropriate, adoption. The Nomination Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Sing Cheong Liu and one Executive Director, Mr. Carlo Mazzi.

During the Reviewed Period, the Nomination Committee held three meetings (with an attendance rate of 100%) to assess and confirm the independence of the Independent Non-Executive Directors of the Company for 2015 financial year and to recommend to the shareholders the election of Mr. Stefano Simontacchi and Mr. Maurizio Cereda as directors of the Company at the shareholders' general meeting held on May 24, 2016.

On April 11, 2017, the Nomination Committee assessed and confirmed the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period.

d. Supervisory Body

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Paolo De Paoli.

Board of statutory auditors

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

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

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

Directors' responsibility and auditors' responsibility for Separate financial statements

The Directors are responsible for preparing the Separate financial statements of the Company for the year ended January 31, 2017 with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Company itself. In preparing these Separate financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Separate financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

In addition the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function during the Reviewed Period.

As regards the auditor of the Company, its responsibilities are stated in the auditor's reports on the Separate financial statements.

Internal control and risk management

The Group's internal control system has mainly been designed to safeguard the assets of the Group itself, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with the relevant laws and regulations.

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

Group's operations.

The Board places great importance on maintaining a sound and effective system of risk management and internal control to safeguard the shareholders' investment and the Company's assets.

The Board has acknowledged its responsibility for the risk management and internal control systems - including financial, operational and compliance controls functions - and for the ongoing monitoring and review of their effectiveness. Such systems are designed to manage rather than eliminate risks and are aimed at providing reasonable and not absolute assurance against material misstatement or loss.

The management with the support of the Internal Audit Department has been granted by the Board with the responsibility on the process to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve material internal control defects in the event such defects arise.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control and the risk management systems. The audit plan is discussed and agreed every year by the Audit Committee and then submitted to the Board for approval. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. The risk assessment documents are periodically updated by the Internal Audit Department - with the support of the management - then reviewed by the Audit Committee and submitted to the Board for the relevant approval.

The Board has received a specific confirmation from the relevant management of the Company on the effectiveness of the Company's risk management and the internal control systems throughout the Reviewed Period.

During the Reviewed Period, no significant control failings or weaknesses were identified.

The Board - also through the support of the Audit Committee – has been reviewing on an ongoing basis (with the same frequency as regular Board meetings were held) and is generally satisfied that the internal control and the risk management systems have functioned effectively and have been adequate for the Group as a whole, throughout the Reviewed Period.

Moreover, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's internal audit and risk management function during the Reviewed Period.

Inside Information

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Company:

– has adopted certain policies to ensure potential inside information is captured and confidentiality is maintained until timely and proper disclosure is made (the "Policy on Inside Information");

– has made available on the Company's intranet the Policy on Inside Information in order to ensure immediate access to it by all the Group's staff;

– has included in the procedures governing Directors and relevant employees a prohibition on dealing in the Company's shares whilst in possession of inside information; and

– has authorized only the Executive Directors and few selected members of management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman, the Chief Executive Officer, Mr. Patrizio Bertelli, and the Chairman of the Audit Committee. The Inside Information Committee has been delegated with the power to assess, if necessary, any potential inside information, and to keep all other Directors timely informed about its decisions.

Joint Company Secretaries

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries.

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

During the Reviewed Period each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge.

Shareholders' Rights

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

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

b. Putting forward proposals at shareholders' general meeting

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

c. Making an enquiry to the Board

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

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

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

Constitutional Documents

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

Communication with Shareholders

a. Investor relations and communications

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

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

b. Shareholders' Meetings

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

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

The 2016 AGM of the Company was held on May 24, 2016 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2016 AGM.

Separate resolutions were proposed at the 2016 AGM relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 24, 2016. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Ordinary Resolutions passed at the 2016 AGM	Number of Votes cast in favour (%)
1. To approve the Audited Separate Financial Statements and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2016 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,427,147,145 (100.00%)
2. To approve the distribution of the net income for the year ended January 31, 2016 to Shareholders and the utilization of retained earnings, in the form of a final dividend of Euro 11 cents per share.	2,427,147,245 (100.00%)
3.a) To elect Mr. Stefano SIMONTACCHI as a Non-Executive Director of the Company.	2,422,431,868 (99.81%)
3.b) To elect Mr. Maurizio CEREDA as a Non-Executive Director of the Company.	2,426,174,275 (99.96%)
4. To appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years and to approve its remuneration.	2,426,572,255 (99.98%)

All resolutions put to the shareholders at the 2016 AGM were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2016 AGM.

c. Corporate Communications

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

Financial Statements

Statement of financial position

(amounts in Euro)	Note	January 31 2017	January 31 2016
Assets			
Current assets			
Cash and cash equivalents	1	112,782,785	157,110,449
Trade receivables, net	2	626,308,421	538,558,345
Inventories	3	222,025,714	320,716,642
Derivative financial instruments	4	8,407,542	11,275,512
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	119,937,078	95,481,368
Other current assets	6	158,662,329	158,866,447
Total current assets		1,248,123,869	1,282,008,763
Non-current assets			
Property, plant and equipment	7	640,960,368	555,912,576
Intangible assets	8	171,932,258	125,837,147
Investments in subsidiaries and associated undertakings	9	1,047,464,952	945,527,134
Deferred tax assets	25	31,661,128	36,781,398
Other non-current assets	10	19,245,057	16,451,780
Derivative financial instruments - non current	4	6,031,023	7,545,907
Financial and other receivables from parent company, subsidiaries, associates and related parties	5	112,161,011	330,164,119
Total non-current assets		2,029,455,797	2,018,220,061
Total assets		3,277,579,666	3,300,228,824
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	11	62,870,977	208,227,930
Financial and other payables to parent company, subsidiaries, associates and related parties	12	309,854,452	53,856,528
Trade payables	13	744,134,273	587,421,931
Current tax liabilities	14	10,598,950	9,070,686
Derivative financial instruments	4	11,805,871	9,217,812
Other current liabilities	15	81,826,189	92,664,475
Total current liabilities		1,221,090,711	960,459,362
Non-current liabilities			
Long-term financial payables	16	456,497,466	371,729,170
Employee benefits	17	35,844,728	37,862,381
Provisions	18	31,010,624	25,502,846
Deferred tax liabilities	25	3,979,696	4,844,617
Other non-current liabilities	19	20,110,302	17,257,004
Derivative financial instruments - non current	4	7,607,801	9,838,701
Financial and other payables to parent company, subsidiaries, associates and related parties	12	13,877,911	269,565,537
Total non current liabilities		568,928,527	736,600,256
Total liabilities		1,790,019,238	1,697,059,618
Share capital		255,882,400	255,882,400
Other reserves		1,048,322,568	1,098,865,988
Net income/(loss) of the year		183,355,460	248,420,818
Shareholders' equity	20	1,487,560,428	1,603,169,206
Total liabilities and shareholders' equity		3,277,579,666	3,300,228,824

Statement of Profit or Loss

(amounts in Euro)	Note	January 31 2017	January 31 2016
Net revenues	21	1,583,749,633	1,914,781,496
Cost of goods sold	22	(732,605,256)	(890,721,141)
Gross Margin		851,144,377	1,024,060,355
Operating expenses	23	(651,437,252)	(682,776,702)
Interest and other financial income (expenses), net	24	48,031,851	7,568,880
Income before taxation		247,738,976	348,852,533
Income taxes	25	(64,383,515)	(100,431,715)
Net income for the year		183,355,460	248,420,818

Statement of Comprehensive Income

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Net income for the period	183,355	248,421
Items recycled to P&L:		
Change in Cash Flow Hedge reserve	(2,236)	38,711
Tax impact	541	(10,646)
Change in Cash Flow Hedge reserve less tax impact	(1,695)	28,066
Items not recycled to P&L:		
Change in Actuarial reserve	(755)	830
Tax impact	46	-
Change in Actuarial reserve less tax impact	(709)	830
Comprehensive income for the period	180,951	277,317

Statement of Cash Flows

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Cash flows generated by operating activities:		
Income before taxation	247,739	348,853
Adjustments for:		
Depreciation and amortization	47,437	41,779
Impairment of fixed assets	1,404	615
Losses/(gains) on disposal of fixed assets	112	(22)
Impairment of investments	24,328	28,793
Non-monetary financial income (expenses)	(76,698)	(47,947)
Provisions and other non-monetary charges	11,512	24,251
Changes in statement of financial position:		
Trade receivables, net	(126,128)	197,322
Inventories, net	114,861	(30,345)
Trade payables	157,028	(54,139)
Other current assets and liabilities	(6,705)	(36,800)
Other non-current assets and liabilities	(8,528)	(1,623)
Cash flows generated by operating activities	386,362	470,737
Interest paid, net	(9,488)	(7,862)
Income taxes paid, net	(54,769)	(147,325)
Net cash flows generated by operating activities	322,105	315,550
Cash flow generated (used) by investing activities:		
Purchase of property, plant and equipment	(80,022)	(174,164)
Disposal of property, plant and equipment	2,456	-
Purchase of intangible assets	(13,568)	(24,429)
Disposal of intangible assets	-	97
Investments in subsidiaries	(49,243)	(13,161)
Dividends received	80,739	42,039
Cash flows generated (used) by investing activities	(59,638)	(169,618)
Cash flows generated (used) by financing activities		
Dividends paid	(281,469)	(281,470)
Change in short-term bank loans	(148,841)	49,125
Change in short-term intercompany loans	14,034	(48,629)
Repayment of loans from subsidiaries	-	25,095
(Disbursement) of loans to subsidiaries	(15,394)	(118,700)
Repayment (Disbursement of) long-term loans to related parties	-	38
Repayment of short-term portion of long-term bank loans	(436)	(7,636)
New long term borrowings arranged	95,102	265,654
Cash flow generated (used) by financing activities	(306,791)	(116,523)
Change in cash and cash equivalents net of bank overdraft	(44,324)	29,409
Exchange differences	(1)	(1)
Opening cash and cash equivalents, net of bank overdraft	157,107	127,699
Closing cash and cash equivalents, net of bank overdraft	112,783	157,107
Cash and bank balances	112,783	157,110
Bank overdraft	-	(3)
Closing cash and cash equivalents, net of bank overdraft	112,783	157,107

Statement of Changes in Equity (amounts in thousands of Euros, except number of shares)

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income (loss) for the year	Share-holders' equity
Balance at January 31, 2015	2,558,824,000	255,882	410,047	51,176	182,899	349,862	(27,973)	385,429	1,607,323
Allocation of 2014 net income	-	-	-	-	-	385,429	-	(385,429)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	28,066	248,421	276,486
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	830	-	-	830
Balance at January 31, 2016	2,558,824,000	255,882	410,047	51,176	182,899	454,651	93	248,421	1,603,169
Allocation of 2015 net income	-	-	-	-	-	248,421	-	(248,421)	-
Other movements	-	-	-	-	-	(15,089)	-	-	(15,089)
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(1,695)	183,355	181,661
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(709)	-	-	(709)
Balance at January 31, 2017	2,558,824,000	255,882	410,047	51,176	182,899	405,803	(1,602)	183,355	1,487,560

Statement of Financial Position of acquiring company PRADA spa and merged company PRADA Stores srl at January 31, 2016

(Amounts in thousands of Euro)	PRADA spa	PRADA Stores srl
Assets		
Current assets		
Cash and cash equivalents	157,110	2,374
Trade receivables, net	538,558	25,634
Inventories	320,717	16,118
Derivative financial instruments	11,276	-
Financial and other receivables from parent company, subsidiaries, associates and related parties	95,481	962
Other current assets	158,867	8,558
Total current assets	1,282,009	53,646
Non-current assets		
Property, plant and equipment	555,913	48,918
Intangible assets	125,837	38,246
Investments in subsidiaries and associated undertakings	945,527	113,200
Deferred tax assets	36,781	10,120
Other non-current assets	16,452	3,395
Derivative financial instruments - non current	7,546	-
Financial and other receivables from parent company, subsidiaries, associates and related parties	330,164	26,990
Total non-current assets	2,018,220	240,869
Total assets	3,300,229	294,515
Liabilities and Shareholders' equity		
Current liabilities		
Bank overdrafts and short-term loans	208,228	-
Financial and other payables to parent company, subsidiaries, associates and related parties	53,857	12,603
Trade payables	587,422	54,708
Current tax liabilities	9,071	235
Derivative financial instruments	9,218	-
Other current liabilities	92,664	15,257
Total current liabilities	960,459	82,803
Non-current liabilities		
Long-term financial payables	371,729	-
Employee benefits	37,862	1,313
Provisions	25,503	739
Deferred tax liabilities	4,845	3,347
Other non-current liabilities	17,257	5,207
Derivative financial instruments - non current	9,839	-
Financial and other payables to parent company, subsidiaries, associates and related parties	269,566	135,956
Total non current liabilities	736,601	146,562
Total liabilities	1,697,060	229,365
Share capital	255,882	520
Other reserves	1,098,866	85,926
Net income/(loss) of the year	248,421	(21,296)
Shareholders' equity	1,603,169	65,150
Total liabilities and shareholders’ equity	3,300,229	294,515

Statement of Profit or Loss of acquiring company PRADA spa and merged company PRADA Stores srl at January 31, 2016

(Amounts in thousands of Euro)	PRADA spa	PRADA Stores srl
Net revenues	1,914,781	107,130
Cost of goods sold	(890,721)	(52,106)
Gross Margin	1,024,060	55,024
Operating expenses	(682,777)	(73,148)
Interest and other financial income (expenses), net	7,570	(2,922)
Income before taxation	348,853	(21,046)
Income taxes	(100,432)	(250)
Net income for the year	248,421	(21,296)

Notes to the Financial Statements

Corporate information

PRADA spa is a joint-stock company, registered and domiciled in Italy. Its registered office is in via A. Fogazzaro 28, Milan, Italy. At January 31, 2017, 79.98% of the share capital was owned by PRADA Holding spa, an Italian company, while the remaining shares were listed on the Main Board of the Hong Kong Stock Exchange.

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

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

These Financial Statements were approved by the Board of Directors on April 12, 2017.

Basis of preparation

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

The Financial Statements have been prepared on a going concern basis.

New IFRSs and amendments to IFRSs

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the Company from February 1, 2016

Amendments to existing standards	Effective Date for the Company	EU endorsement status
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	February 1, 2016	Endorsed on December 2015
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	February 1, 2016	Endorsed on November 2016
Disclosure Initiative: Amendments to "IAS 1 Presentation of Financial Statements"	February 1, 2016	Endorsed on December 2015
2012–2014 Cycle that impacted IFRS 5, IFRS 7, IAS 19, IAS 34	February 1, 2016	Endorsed on December 2015
IAS 27 Separate Financial Statements	February 1, 2016	Endorsed on December 2015

These changes above did not have significant impacts on these Financial Statements

New standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the Company as effective from annual periods beginning on or after January 1, 2017.

New standards	Effective Date for the Company	Date of EU endorsement
IFRS 9 Financial instruments	February 1, 2018	Endorsed on November 2016
IFRS 15 Revenue from contracts with Customers	February 1, 2018	Endorsed on September 2016

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

New standards	Effective Date for the Company	EU endorsement status
IFRS 14 Regulatory Deferral Accounts	February 1, 2016	Not yet endorsed
IFRS 16 Leases	February 1, 2019	Not yet endorsed

Amendments to existing standards	Effective Date for the Company	Date of EU endorsement
IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinitely deferred	Not yet endorsed
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	February 1, 2017	Not yet endorsed
IAS 7 Cash flow statement	February 1, 2017	Not yet endorsed
2014–2016 Cycle that impacted IFRS 1, IAS 28, IFRS 12	February 1, 2017	Not yet endorsed
Clarification to IFRS 15 revenue from contracts with customers	February 1, 2018	Not yet endorsed
IFRS 2 Classification and measurement of Share-based Payment	February 1, 2018	Not yet endorsed
IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contract	February 1, 2018	Not yet endorsed
IAS 40: Transfer of Investment Property	February 1, 2018	Not yet endorsed
IFRIC interpretation 22 Foreign Currency Transactions and Advance consideration	February 1, 2018	Not yet endorsed

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

Financial statements

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

The Income Statement is classified by destination.

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

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

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

Main accounting policies

Cash and cash equivalents

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

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

Trade receivables and payables

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

Trade payables are recorded at nominal amount.

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

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

Inventories

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

Derivative financial instruments

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

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

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

Derivative instruments designated not to be hedges are recorded at fair value through profit or loss.

Assets held for sale

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

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses.

Ordinary maintenance expenses are charged in full to profit or loss for the year they are incurred. Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included under leasehold improvements relate to refurbishment work carried out on premises, mainly commercial, not owned by the Company.

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

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

Category of Property, Plant and Machinery	Depreciation rate or period
Buildings	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	shorter of useful life and lease term (*)
Improvements to leased industrial and corporate premises	shorter of useful life and lease term (*)
Furniture and fixture retail	shorter of useful life and lease term (*)
Furniture and fixture corporate	7% - 25%
Other tangible fixed assets	4% - 50%

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

When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the profit or loss. If a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of property, plant and equipment allocated on it is adjusted consistently.

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

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

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

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

Impairment losses are recorded immediately in the income statement.

Intangible assets

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

Store lease acquisition costs represent expenditures incurred to enter into or take over retail store lease agreements. These costs are capitalized and amortized over the period of the lease term. If a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of store lease acquisition allocated on it is adjusted consistently.

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

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

Category of intangible assets	Amortization rate or period
Store lease acquisition costs	shorter of useful life and lease term (*)
Software	10% - 33%
Development costs and other intangible assets	10% - 33%

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

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

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

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

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

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

Impairment of assets

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

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

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

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

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

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

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

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

Investments

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

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

Deferred tax assets

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

– deductible temporary differences;

– carryforward of unused tax losses.

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

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

Deferred tax assets are not discounted.

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

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

Obligations under finance leases

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

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

Non-current financial liabilities

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

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

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

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

Employee benefits

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

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

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

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

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

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

Provisions for risks and charges

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

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

Deferred tax liabilities

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

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

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

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

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

Deferred tax liabilities are not discounted.

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

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

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

Revenue recognition

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

- the significant risks and rewards of ownership are transferred to the buyer;
- the amount of the revenues can be reliably measured;
- the Company's effective control over the goods sold has ceased;
- the economic benefits generated by the transaction will probably be enjoyed by the Company;
- the costs pertaining to the transaction can be reliably measured.

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

Dividends are booked in the income statement when the shareholders' become entitled to receive payment.

Accounting for costs

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

– an expense does not generate any future economic benefit;

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

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

Operating leases

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

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

Store opening costs

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the income statement when incurred, except for those capitalized as leasehold improvements. If a store is closed in advance with respect to the initial estimate of the lease term, the net book value of the leasehold improvements, less the expected recoverable amount, is charged to the income statement.

Financial expenses

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

Income taxes

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

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

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

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

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

Financial risk management

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

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

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

Exchange rate risk

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

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

Interest rate risk

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

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

Meanwhile, for non-hedging derivatives qualified as fair value through profit or loss, fair value is recorded in full in the income statement.

Use of estimates

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

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

Estimates have been used when performing impairment tests, in determining provisions for risks and charges, the allowance for doubtful accounts, the allowance for obsolete and slow moving inventories, post-employment benefits, when calculating taxes, measuring derivative instruments and evaluating the useful lives of tangible and intangible assets. The fair value of derivatives and securities available for sale is based on market listed prices at the reporting date. The fair value of derivative instruments used to hedge the interest rate risk (IRS) and derivative instruments used to hedge the exchange rate risk (forward contracts and options) has been determined using one of the valuation platforms in most widespread use on the market and based on interest rate curves and spot and forward exchange rates at the reporting date.

In the current year the Directors reviewed, in accordance with the applicable accounting standards, the useful lives of some depreciable fixed assets, in particular with reference to the retail area:

	Retail area	
Category of depreciable asset	**useful life used until January 31, 2016**	**useful life used from February 1, 2016**
Improvements to leased retail premises	shorter of lease term and 10 years	lease term (*)
Furniture and fixtures in retail 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 certain

The Company 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, taking into account that a significant part of them are represented by structural works. 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 continue to flow 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 of the current and following four years as follows:

Value in Euro thousands	Twelve months ended January 31 2017	Twelve months ended January 31 2018	Twelve months ended January 31 2019	Twelve months ended January 31 2020	Twelve months ended January 31 2021
Higher/(Lower) depreciation	(6,474)	(5,910)	(4,786)	(2,211)	(282)

Significant acquisitions and divestments

During the fiscal year, the direct, wholly-owned subsidiary PRADA Stores Srl was incorporated into PRADA spa with a retroactive effective date of February 1, 2016 for accounting and tax purposes.

On April 15, 2016 PRADA spa acquired a 50% stake in Hipic Prod Impex Srl, a contract manufacturer in Romania, acquiring the control of the company.

On May 20, 2016, the Company increased its ownership of subsidiary Montenapoleone 9 from 98% to 100%.

On November 30, 2016, subholding company PRADA Far East II bv was spun off from

PRADA Far East bv, which remains in charge of the retail activities. The spin-off was part of a broader plan to simplify the corporate structure, which will soon include the absorption of PRADA Far East II into the Parent, PRADA spa.

On December 1, 2016 PRADA spa acquired control of Pelletteria Ennepì srl (Italy) by increasing its ownership from 40% to 80%.

Statement of financial position

1. Cash and cash equivalents

The composition of the cash and cash equivalents as of January 31, 2017 and 2016 is shown below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Cash on hand	1,032	2,250
Bank deposit accounts	1	1
Bank current accounts	111,749	154,859
Total cash and cash equivalents	112,783	157,110

The Statement of Cash Flows and Report on Operations provide additional information on the cash flows of the period.

2. Trade receivables

Trade receivables are detailed below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade receivables - Third parties	159,534	119,524
Trade receivables - Parent company	788	478
Trade receivables - Subsidiaries and associates	442,950	394,648
Trade receivables - Related companies	23,036	23,909
Total trade receivables	626,308	538,559

Trade receivables with third parties increased by Euro 40 million, in line with the sales growth of wholesale channel compared to the previous fiscal year.

The increase in trade receivables due from subsidiaries and associates is affected by the change operated in the distribution model in the Asia Pacific market, mentioned in the Report on operation.

Trade receivables from related parties refer primarily to sales of finished products to Fratelli Prada spa, an affiliate and franchisee of the Prada Group. The breakdown by counterparty is provided in Note 26, "transactions with parent companies, subsidiaries, associates and related parties".

The allowance for doubtful debts was estimated analytically, using all information available at the time the financial statements were prepared, in order to bring the receivables into line with their estimated realizable value.

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade receivables, gross	163,079	122,746
Allowance for bad and doubtful debts	(3,545)	(3,222)
Trade receivables, net	159,534	119,524

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Opening balance	3,222	4,188
Contributed upon merger	31	-
Increases	450	350
Utilized	(159)	(1,316)
Closing amount	3,545	3,222

An aging analysis of the total trade receivables at the reporting date before deducting the allowance for doubtful debts is presented hereunder:

(amounts in thousands of Euro)	January 31 2017	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third parties	163,079	132,383	12,474	7,163	1,668	644	8,748
Trade receivables, parent, subsidiaries, associates and related parties	466,774	274,004	18,312	31,725	13,997	11,250	117,485
Total	629,853	406,387	30,786	38,888	15,666	11,894	126,232

(amounts in thousands of Euro)	January 31 2016	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third parties	122,746	111,464	3,275	1,344	1,410	723	4,530
Trade receivables, parent, subsidiaries, associates and related parties	419,035	227,662	18,488	50,787	19,063	14,981	88,054
Total	541,781	339,126	21,763	52,131	20,473	15,704	92,584

3. Inventories

Inventories can be broken down as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Raw materials	99,014	102,553
Work in progress	20,296	15,699
Finished products	148,273	252,348
Allowance for obsolete and slow-moving inventories	(45,558)	(49,883)
Inventories, net	222,026	320,717

Inventories are measured at their average weighted cost.

The changes in the allowance for obsolete and slow-moving inventories are as follows:

(amounts in thousands of Euro)	Raw materials	Finished products	Total
Balance at January 31, 2016	26,374	23,509	49,883
Increases	-	1,000	1,000
Utilized	(1,000)	(4,325)	(5,325)
Balance at January 31, 2017	25,374	20,184	45,558

The allowance for obsolete finished products decreased due to the scrapping of items written down in prior years.

4. Derivative financial instruments: assets and liabilities

The current portion of the assets and liabilities is presented below by derivative instrument:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial assets regarding derivative instruments, current	8,408	11,276
Financial liabilities regarding derivative instruments, current	(11,806)	(9,218)
Net carrying amount	(3,398)	2,058

The non-current portion of the assets and liabilities is presented below by derivative instrument:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial assets regarding derivative instruments, non-current	6,031	7,546
Financial liabilities regarding derivative instruments, non-current	(7,608)	(9,839)
Net carrying amount	(1,577)	(2,293)

The net balance of derivative assets and liabilities (current and non-current portions combined) is detailed hereunder:

(amounts in thousands of Euro)	January 31 2017	January 31 2016	IFRS7 Category
Forward contracts	6,016	7,738	Level II
Options	876	2,309	Level II
Interest rate swap – fair value through profit and loss	7,547	8,775	Level II
Positive fair value	14,439	18,822	
Forward contracts	(8,652)	(4,175)	Level II
Options	(133)	(2,479)	Level II
Interest rate swap – cash flow hedge	(3,332)	(3,953)	Level II
Interest rate swap – fair value through profit and loss	(7,296)	(8,450)	Level II
Negative fair value	(19,414)	(19,057)	
Net carrying amount	(4,975)	(235)	

All the above derivative instruments are classified as Level II in the fair value hierarchy introduced by IFRS 7. The Company has not entered into any derivative contracts classifiable 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 according to one of the most widely used valuation platforms on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

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

Foreign exchange transactions

The cash flows resulting from the Company's international activities, especially sales-related activities, are exposed to exchange rate volatility. The Company mitigates this risk by stipulating options and forward sale and purchase agreements, so as to guarantee the Euro value of identified cash flows.

The estimated future cash flows are identified mainly as collection of trade receivables and the settlement of trade payables. In terms of the hedged amounts, the most important currencies are: U.S. Dollar, Hong Kong Dollar, Japanese Yen, GB Pound, Swiss Franc, Korean Won and Chinese Renminbi.

The notional amounts at the reporting date of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate of January 31, 2017) are listed below.

Contracts in effect as of January 31, 2017 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2017
Currency				
Hong Kong Dollar	17,978	47,581	(66,586)	(1,027)
US Dollar	63,226	111,576	(112,136)	62,666
Chinese Renmimbi	-	96,255	(43,149)	53,106
Japanese Yen	-	95,949	(26,174)	69,775
GB Pound	-	73,050	(22,537)	50,513
Korean Won	-	53,906	-	53,906
Swiss Franc	-	12,936	(12,370)	566
Other	-	99,366	(38,200)	61,166
Total	81,204	590,620	(321,153)	350,671

All the contracts in effect as of the reporting date will expire by January 31, 2018.

Contracts in effect as of January 31, 2016 to hedge projected future trade cash flows:

(Amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2016
Currency				
Hong Kong Dollar	99,881	-	(37,602)	62,279
US Dollar	145,421	21,062	(74,725)	91,758
Chinese Renmimbi	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	164	86,214	(18,114)	68,264
Total	368,236	366,124	(212,934)	521,426

All the contracts in effect as of January 31, 2016 expired by January 31, 2017.

Contracts in effect as of January 31, 2017 and 2016 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Forward Contracts		
Currency		
Brazilian Real	-	8,331
GB Pound	22,229	49,915
Swiss Franc	7,499	8,973
Japanese Yen	8,201	-
US Dollar	7,322	7,212
Total	45,251	74,431

A liquidity analysis of the derivative contracts' maturities is provided in the financial risks section of these Notes.

All contracts in place at the reporting date were entered into with major financial institutions and the Company expects none of them to default.

Interest rate transactions

The Company enters into interest rate swaps (IRS) in order to hedge the risk of interest rate fluctuations in relation to various bank loans. The key features of the IRS agreements in place at January 31, 2017 and January 31, 2016 are summarized below:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2017	Hedged loan – lending institution	Amount	Maturity
					Fair value			
IRS	Euro/000	60,000	0.105%	09/03/2019	(431)	Unicredit	60,000	03/2019
IRS	Euro/000	90,000	0.013%	09/02/2021	(18)	Unicredit	90,000	02/2021
IRS	Euro/000	49,500	1.457%	23/05/2030	(2,655)	Intesa-Sanpaolo	49,500	05/2030
Total IRS – *Cash flow hedges*								

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2016	Hedged loan – lending institution	Amount	Maturity
					Fair value			
IRS	Euro/000	60,000	0.105%	09/03/2019	(653)	Unicredit	60,000	03/2019
IRS	Euro/000	53,167	1.457%	23/05/2030	(3.299)	Intesa-Sanpaolo	53,167	05/2030
Total IRS – *Cash flow hedges*								

The IRS convert the variable interest rates on bank loans into fixed interest rates. The derivative contracts were entered into with major financial institutions and the Company expects none of them to default.

According to the applicable regulations, the derivatives presented above meet the requirements for designation as cash flow hedges.

The Company entered into an IRS for loans taken out by a UK subsidiary, and stipulated an IRS having the same characteristics, with the same subsidiary. Those contracts are accounted for as non-hedging instruments (fair value through profit or loss):

Contract	Currency	Notional amount	Interest rate paid	Interest rate received	Maturity date	January 31 2017	January 31 2016	Counter-party
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	57,300	2.778%	Libor GBP/365	31/01/2029	(7,296)	(8,450)	Unicredit
IRS	GBP/000	57,300	Libor GBP/365	2.83%	31/01/2029	7,546	8,775	Kenon Ltd
Total IRS – *Fair value through profit or loss*						250	325	

The cash flow hedge reserve included in equity, before taxes, had the following changes since February 1, 2015:

(amounts in thousands of Euro)	
Closing balance at January 31 2015	(38,583)
Change in fair value, recognized in Equity	(10,760)
Change in fair value, charged to Income Statement	49,471
Closing balance at January 31 2016	128
Change in fair value, recognized in Equity	(13,051)
Change in fair value, charged to Income Statement	10,815
Closing balance at January 31 2017	(2,108)

Changes in the reserve that are charged to profit or loss are recognized as interest and other financial income/(expense) or as operating income or expenses, depending on the nature of the underlying transaction.

Information on financial risks

Capital Management

The Company's capital management strategy is intended to safeguard the Group's ability to guarantee a return to shareholders, protect the interests of other stakeholders, comply with loan covenants and maintain a viable, balanced capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

Financial assets at January 31, 2017	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	112,783	-	112,783	1
Trade receivables, net	626,308	-	626,308	2
Derivative financial instruments	-	14,439	14,439	4
Financial receivables from parent, subsidiary and associated companies and related parties	214,480	-	214,480	5
Total	953,572	14,439	968,010	

Financial assets at January 31, 2016	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	157,110		157,110	1
Trade receivables, net	538,558		538,558	2
Derivative financial instruments		18,821	18,821	4
Financial receivables from parent, subsidiary and associated companies and related parties	394,538		394,538	5
Total	1,090,206	18,821	1,109,027	

Financial liabilities

Financial liabilities at January 31, 2017	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	519,368	-	519,368	11, 16
Financial payables - parent, subsidiary and associated companies and related parties	320,060	-	320,060	12
Trade payables	744,134	-	744,134	13
Derivative financial instruments	-	19,414	19,414	4
Total	1,583,562	19,414	1,602,976	

Financial liabilities at January 31, 2016	Loans and receivables	Derivative financial instruments	Total	Note
Financial payables - third party	579,957	-	579,957	11, 16
Financial payables - parent, subsidiary and associated companies and related parties	319,283	-	319,283	12
Trade payables	587,422	-	587,422	13
Derivative financial instruments	-	19,057	19,057	4
Total	1,486,662	19,057	1,505,719	

Fair Value

The carrying amount of the derivative instruments, whether assets or liabilities, reflects the fair value as explained in this section.

The carrying amount of the financial assets is a reasonable approximation of the fair value.

The carrying amount of the financial liabilities, excluding bonds, is a reasonable approximation of the fair value.

The bonds, recognized in an amount of Euro 129 million (nominal amount of Euro 130 million adjusted by Euro 0.7 million under the amortized cost method), are included as financial liabilities. Their fair value, calculated using the official Irish Stock Exchange price as of January 31, 2017, is Euro 134.3 million.

Credit risk

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk is represented by all the financial assets recognized in the financial statements.

Management considers the Company's credit risk to regard essentially the trade receivables generated by sales to independent customers in the wholesale channel.

The Company manages credit risk and mitigates the related effects through its business and financial strategies. Credit risk is managed by monitoring and checking the reliability and solvency of customers, and is carried out by the Group's Sales Management.

The lack of concentration of the total trade receivables with any one customer and the evenly spread out geographical composition of the receivables worldwide mitigate the risk of incurring financial losses.

As of the reporting date, the expected loss on past-due receivables and doubtful accounts was fully covered by the allowance for doubtful debts.

The changes in the allowance for doubtful debts are shown in Note 2, "Trade receivables".

Cash flow risk

Cash flow risk refers to the difficulty the Company could have in meeting its financial obligations. The Directors are responsible for managing cash flow risk, whereas the Group's Treasury management, which reports to the CFO, is responsible for optimizing financial resources.

According to management, the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Company to meet its financial requirement arising from investing activities, manage working capital and make punctual payments, without using all the available funds, so that surplus resources can thus be used to pay dividends.

At January 31, 2017, undrawn credit lines of Euro 567 million were available to the Company.

As required by IFRS 7, only the anticipated cash flows expected to be negative at the reporting date are reported. Both positive and negative cash flows are presented for the interest rate swaps. The anticipated cash flows from interest rate swaps as of January 31, 2017 were all negative.

The cash flows shown below have not been discounted and therefore differ from the amounts included in the table of derivative financial instruments (current and non-current) presented at the start of this section.

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2017	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(8,652)	(5,061)	(3,563)	(29)	-	-
Other contracts designated as cash flow hedges (Options)						
Cash outflows	-	--	-	-	-	-
Interest rate swaps	(3,255)	(674)	(656)	(1,074)	(604)	(246)
Net value	(11,907)	(5,735)	(4,219)	(1,103)	(604)	(246)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	more than 3 years
Forward contracts designated as cash flow hedges						
Cash outflows	(4,183)	(2,548)	(1,286)	(349)	-	-
Other contracts designated as cash flow hedges (Options)						
Cash outflows	-	--	-	-	-	-
Interest rate swaps	(3,730)	(457)	(538)	(1,033)	(800)	(902)
Net value	(7,913)	(3,005)	(1,824)	(1,382)	(800)	(902)

Financial liabilities

(amounts in thousands of Euro)	Reported amount at January 31 2017	Future contractual cash flows at January 31 2017	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	Beyond 4 years
Financial payables to banks	519,368	537,832	-	46,488	19,774	226,408	110,248	5,311	129,603
Financial payables to subsidiaries, parent company and related parties	320,060	323,401	48,197	18,169	243,083	13,952	-	-	-
Total	839,428	861,233	48,197	64,657	262,857	240,360	110,248	5,311	129,603

(amounts in thousands of Euro)	Reported amount at January 31 2016	Future contractual cash flows at January 31 2016	upon request	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	Beyond 4 years
Financial payables to banks	581,140	600,196	-	196,792	14,772	25,283	215,453	104,372	43,524
Financial payables to subsidiaries, parent company and related parties	319,283	325,876	49,718	1,650	1,650	258,907	13,951	-	-
Total	900,423	926,072	49,718	198,442	16,422	284,190	229,404	104,372	43,524

Foreign exchange risk

The exchange rate risk to which the Company is exposed regards fluctuations of foreign currencies against the Euro.

Foreign exchange risk consists of the risk that cash flows from distributors could fluctuate as a result of changes in exchange rates. The most important currencies for the Company are: U.S. Dollar, Hong Kong Dollar, Japanese Yen, Chinese Renminbi and GB Pound.

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

The following table shows the sensitivity of net income and equity to a range of fluctuations in the main foreign currencies against the Euro, based on the Company's financial position and performance at January 31, 2017:

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity	Positive/ (negative) effect on net income	Positive/ (negative) effect on shareholders' equity
GB Pound	(171)	2,850	754	(1,618)
Hong Kong Dollar	6,585	8,344	(7,660)	(11,119)
Japanese Yen	469	7,575	(254)	(1,786)
Chinese Remnimbi	(169)	4,227	(399)	(3,921)
US Dollar	(2,088)	1,946	872	(7,712)
Other currencies	(2,709)	2,572	1,593	(7,573)
Total	1,917	27,515	(5,094)	(33,729)

The total impact on equity (increase of Euro 27.5 million and decrease of Euro 33.7 million) is the sum of the effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies. The effects on net income and equity are shown before taxes.

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

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations mainly with regard to the interest expense on its financial indebtedness. Interest rate risk management is one of the risk management activities carried out by the Company's centralized Treasury Department.

The following table shows the sensitivity of net income and equity to a shift in the interest rate curve based on the Company's financial position at January 31, 2017.

(amounts in thousands of Euro)	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity	Shift in interest rate curve	Positive/ (negative) effect on net income for the period	Positive/ (negative) effect on shareholders' equity
Euro	+ 0.50%	(381)	960	- 0.50%	(71)	(7,218)
GB Pound	+ 0.50%	(232)	(232)	- 0.50%	(636)	(636)-
Hong Kong Dollar	+ 0.50%	(521)	(521)	- 0.50%	521	521
US Dollar	+ 0.50%	78	78	- 0.50%	(78)	(78)
Other currencies	+ 0.50%	26	26	- 0.50%	(26)	(26)
Total		(1,030)	311		(290)	(7,437)

The total impact on equity is the sum of the effect on the statement of profit or loss and on equity of a hypothetical shift in the interest rate curve. The effects on net income and equity are shown before taxes.

The sensitivity analysis was based on the end-of-period net financial position, which may not reflect the actual exposure to interest rate risk during the fiscal year. For this reason it is considered purely indicative.

5. Financial and other receivables due from parent companies, subsidiaries, associates and related parties

The short-term receivables due from subsidiaries and other companies are detailed below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial receivables	102,319	69,170
Other receivables	17,618	26,311
Financial receivables and other receivables – due within a year	119,937	95,481

Financial receivables include bank deposits of Euro 15.4 million and short-term loans of Euro 53.7 million which bear interest and form part of the Group's centralized treasury management.

The amount is broken down by counterparty in Note 26.

Long-term receivables due from parent companies and other Group companies are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial receivables	112,161	325,368
Prepaid Sponsorship expenses	-	3,164
Other receivables	-	1,632
Financial receivables and other receivables – due after more than a year	112,161	330,164

The financial receivables include the principal on the loans to subsidiaries due after more than 12 months.

6. Other current assets

The other current assets are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
VAT and other tax receivables	121,100	129,075
Other current assets	5,901	3,741
Prepayments and accrued income	31,661	26,050
Total other current assets	158,662	158,866

Tax receivables include VAT of Euro 28.9 million and current income tax receivables of Euro 92.2 million.

The other current assets include advances paid toward services and advances to suppliers.

Prepayments and accrued income refer to design, advertising campaign and fashion show costs totaling Euro 16.4 million, factory rent of Euro 6.9 million, prepaid software maintenance costs of Euro 2.2 million, deferred costs on loans of Euro 1.1 million, insurance premiums of Euro 0.9 million and sundry costs of Euro 4.3 million. The prepaid design costs consist primarily of costs incurred to design collections that will generate revenue the following year.

7. Property, plant and equipment

The changes in the historical cost of "property, plant and equipment" for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth 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
Balance at January 31, 2015	277,532	118,948	62,433	45,651	66,993	133,057	704,614
Additions	56,515	13,508	4,331	5,287	2,779	26,616	109,036
Disposals	-	(15)	(3)	-	(646)	(3)	(667)
Other movements	116,704	2,170	1,140	372	19,420	(120,895)	18,911
Impairment	-	(859)	-	(1)	(287)	-	(1,147)
Balance at January 31, 2016	450,751	133,752	67,901	51,309	88,259	38,775	830,747
Additions	29,456	12,273	13,857	7,927	5,590	8,546	77,649
Disposals	(2,478)	(2,266)	(1,299)	(2,301)	(474)	(21)	(8,839)
Other movements	24,837	7,695	53,588	37,622	1,761	(19,638)	105,865
Impairment	-	(37)	(172)	(2,151)	-	(125)	(2,485)
Balance at January 31, 2017	502,566	151,417	133,875	92,406	95,136	27,537	1,002,937

The changes in the accumulated depreciation of "property, plant and equipment" for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Total cumulated depreciation & amortization
Balance at January 31, 2015	34,932	99,202	31,148	31,435	45,627	242,344
Depreciation	11,413	9,713	4,688	3,019	5,128	33,961
Disposals	(1)	(15)	(1)	(136)	(635)	(788)
Other movements	-	1	1	2	5	9
Impairment	-	(796)	392	-	(287)	(692)
Balance at January 31, 2016	46,344	108,105	36,228	34,320	49,838	274,834
Depreciation	12,012	6,902	7,192	3,887	7,959	37,953
Disposals	(916)	(1,719)	(1,204)	(2,013)	(441)	(6,295)
Other movements	3,537	5,590	26,538	19,743	1,157	56,565
Impairment	-	(24)	(62)	(994)	-	(1,080)
Balance at January 31, 2017	60,977	118,854	68,691	54,943	58,512	361,977

The changes in the carrying amount of "property, plant and equipment" for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net book value
Balance at January 31, 2015	242,600	19,746	31,285	14,215	21,366	133,057	462,270
Additions	56,515	13,508	4,331	5,287	2,779	26,616	109,035
Depreciation	(11,412)	(9,713)	(4,688)	(3,019)	(5,128)	-	(33,960)
Disposals	1	-	(2)	136	(11)	(3)	121
Other movements	116,704	2,168	1,139	370	19,415	(120,895)	18,901
Impairment	-	(62)	(392)	-	-	-	(454)
Balance at January 31, 2016	404,408	25,647	31,673	16,989	38,421	38,775	555,913
Additions	29,456	12,273	13,857	7,927	5,590	8,546	77,649
Depreciation	(12,012)	(6,902)	(7,191)	(3,887)	(7,959)	-	(37,953)
Disposals	(1,562)	(547)	(95)	(288)	(32)	(21)	(2,544)
Other movements	21,299	2,105	27,050	17,879	604	(19,638)	49,300
Impairment	-	(13)	(110)	(1,156)	-	(125)	(1,404)
Balance at January 31, 2017	441,589	32,563	65,184	37,464	36,623	27,537	640,960

"Other movements" refers primarily to additions from the merger of subsidiary Prada Stores.

"Land and buildings" includes capitalized interest of Euro 1.3 million as of January 31, 2017.

The increase in land and buildings is largely attributable to the investment in the new logistics hub in Tuscany. The item also includes investments in industrial structures and investments aimed to hone the hone the competitive edge in manufacturing.

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

The increase in leasehold improvements consists of renovations of rented property, primarily the Galleria Vittorio Emanuele II premises in Milan.

The Euro 8.5 million increase in “assets under construction” refers to investments in buildings in Tuscany that are not ready for use yet.

"Other tangibles" includes the product archive, which expresses the identity and history of the Group's brands and serves as a source of constant inspiration.

8. Intangible assets

The changes in the historical cost of "intangible assets" for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth below:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total historical cost
Balance at January 31, 2015	26,001	2,102	10,835	65,887	85,425	1,791	192,041
Additions	17	-	226	6,584	337	7,426	14,590
Disposals	-	-	-	(96)	-	-	(96)
Other movements	226	-	-	1,542	-	(1,542)	226
Balance at January 31, 2016	26,244	2,102	11,061	73,917	85,762	7,675	206,761
Additions	10	-	-	8,885	262	8,177	17,335
Disposals	(1,083)	-	(608)	-	-	-	(1,691)
Other movements	1,359	-	48,067	6,739	25,850	(6,738)	75,278
Balance at January 31, 2017	26,530	2,102	58,521	89,540	111,875	9,115	297,682

The changes in the accumulated amortization of intangible assets for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth below:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Total accumulated amortization
Balance at January 31, 2015	9,692	2,100	2,101	55,742	3,303	72,938
Amortization	1,949	1	2,186	3,681	-	7,817
Disposals	8	-	-	-	-	8
Other movements	-	-	-	-	161	161
Balance at January 31, 2016	11,649	2,101	4,287	59,423	3,464	80,924
Amortization	2,017	-	2,063	5,404	-	9,485
Disposals	(1,083)	-	(608)	-	-	(1,691)
Other movements	1,169	-	35,863	1	-	37,033
Balance at January 31, 2017	13,752	2,101	41,604	64,828	3,464	125,750

The changes in the carrying amount of intangible assets for the fiscal year ended January 31, 2017 and for the prior fiscal year are set forth below:

(amounts in thousands of Euro)	Other intangible assets	Trade-marks	Store Lease Acquisitions	Software	Goodwill	Assets in progress	Total net book value
Balance at January 31, 2015	16,310	2	8,734	10,145	82,123	1,790	119,103
Additions	17	-	226	6,584	337	7,426	14,590
Amortization	(1,949)	(1)	(2,186)	(3,681)	-	-	(7,817)
Disposals	-	-	-	(96)	-	-	(96)
Other movements	217	-	-	1,542	-	(1,542)	217
Impairment	-	-	-	-	(161)	-	(161)
Balance at January 31, 2016	14,595	1	6,774	14,494	82,299	7,674	125,837
Additions	10	-	-	8,885	262	8,177	17,335
Amortization	(2,017)	-	(2,063)	(5,404)	-	-	(9,485)
Other movements	190	-	12,204	6,738	25,850	(6,738)	38,245
Balance at January 31, 2017	12,778	1	16,916	24,713	108,411	9,115	171,932

"Other movements" refers primarily to additions from the merger of subsidiary Prada Stores.

Goodwill

"Goodwill" as of January 31, 2017 amounted to Euro 108.4 million, including Euro 78.3 million referring to wholesale distribution activities in Italy and Euro 25.9 million to retail activities. As required by IAS 36, intangible assets with indefinite useful lives are not amortized, but they undergo impairment testing at least once per year.

The method used to identify the recoverable amount (value in use) consists of discounting the projected cash flows generated by the activities directly attributable to the business to which the goodwill has been allocated (Cash Generating Unit or "CGU").

Value in use is the sum of the present value of future cash flows expected in the business plan projections and the present value of the related operating activities at the end of the business plan period (terminal value).

The business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital (WACC) approach. The weighted average cost of capital used for discounting purposes was 8.60%. A sensitivity analysis was performed to ensure that changes in the main assumptions (WACC and "g" growth rate) did not significantly affect the coverage results. The outcome of this simulation did not indicate that the value in use could be lower than the carrying amount.

The impairment testing performed as of January 31, 2017 did not identify any impairment losses on goodwill.

9. Investments

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Investments in subsidiaries and associated undertakings	1,047,452	945,514
Other investments	13	13
Total	1,060,465	945,527

The investments in subsidiaries and associates as of January 31, 2017 and 2016 are presented hereunder:

(amounts in thousands of Euro)	Note	January 31 2016	Increases	Decreases	January 31 2017
Investments in subsidiaries:					
Artisans Shoes srl		2,706	-	-	2,706
Church Holding UK plc		108,828	-	-	108,828
Hipic Prod Impex Srl	(1)	-	2,490	-	2,490
IPI Logistica srl		1,798	-	-	1,798
Marchesi Angelo Srl		8,662	-	-	8,662
Montenapoleone 9 srl	(2)	900	3,057	(3,957)	-
Pelletteria Ennepì srl	(3)	2,138	1,987	-	4,125
Post Development Corp.		54,807	-	-	54,807
PRADA Austria gmbh	(4)	-	2,185	-	2,185
PRADA Belgium sprl	-	804	-	-	804
PRADA Bosphorus Deri Mamuller Limited Sirketi		13,536	15,010	(5,649)-	22,897
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	(5)	-	27,842	(8,149)-	19,694
Prada Canada Corp.		5,086	-	-	5,086
PRADA Czech Republic sro		1,894	-	-	1,894
PRADA Denmark Aps	(6)	7	2,732	-	2,739
PRADA Far East II bv	(7)	-	379,967	-	379,967
PRADA Far East bv	(7)	383,590	-	(379,967)	3,623
PRADA Finnish Oy		3	-	-	3
PRADA Germany gmbh	(4)	-	14,122	-	14,122
PRADA Hellas Single Partner Limited Liability Company		1,764	-	-	1,764
PRADA Hong Kong P.D. limited		1,120	-	-	1,120
PRADA Kazakhstan llp		5,390	-	-	5,390
PRADA Maroc sarlau		-	-	-	-
PRADA Middle East Fzco		2,069	-	-	2,069
PRADA Montecarlo S.a.m.	(4)	-	14,029	-	14,029
PRADA Panama sa		1,760	-	-	1,760
PRADA Portugal. Unipessoal lda		955	-	-	955
PRADA Retail Aruba nv		1,623	-	-	1,623
PRADA Retail France Sas	(4)	-	48,195	-	48,195
PRADA Retail South Africa pty ltd		3,709	-	-	3,709
PRADA Retail SPC		3,041	-	-	3,041
PRADA Retail UK Ltd.	(4)	-	21,170	-	21,170
PRADA Rus llc	(8)	48,777	9,226	(4,262)-	53,740
PRADA sa		23,315	-	-	23,315
PRADA Saudi Arabia ltd	(9)	3,935	2,800	-	6,735
PRADA Spain Sa	(4)	-	13,500	-	13,500
PRADA St. Barthelemy Sarl	(10)	-	1,220	-	1,220
PRADA Stores srl	(11)	80,237	-	(80,237)	-
PRADA Switzerland sa	(12)	36,177	23,973	-	60,150
PRADA Ukraine llc		-	-	-	-
PRADA USA Corp.		145,759	-	-	145,759
Prm Services S. De R.I. de CV		407	-	-	407
Tannerie Limoges sas	(13)	720	654	-	1,374
Investments in associated undertakings:					
PAC srl - in liquidation		-	-	-	-
Investments in other entities		13	-	-	13
Total		945,527	584,160	(482,221)	1,047,465

The equity investments were tested for impairment, and the impairment losses as of January 31, 2017 were Euro 22 million, as set forth hereunder:

(amounts in thousands of Euro)	January 31 2017
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	(8,149)
PRADA Bosphorus Deri Mamuller Limited Sirketi	(5,649)
PRADA Rus llc	(4,262)
Montenapoleone 9 srl	(3,957)
Totale	(22,017)

Impairment testing is performed at least once per year or whenever there is any indication that the equity investments may have suffered impairment losses.

Notes:

(1) On April 15, 2016, PRADA spa acquired a 50% stake in Hipic Prod Impex Srl (Romania), a former contract manufacturer of the Company. The amount stated is equal to the price paid, plus transaction costs.

(2) The increases refer to the recapitalization of the company through debt waivers. The decreases refer to the write-off.

(3) On December 1, 2016 PRADA spa acquired control of Pelletteria Ennepì Srl by increasing its ownership from 40% to 80%. The increase is equal to the value of the stake purchased, plus transaction costs.

(4) On November 1, 2016 subsidiary PRADA Stores Srl was absorbed into the Company, with a retroactive effective date of February 1, 2016 for accounting purposes. The increase represents the value resulting from the absorption merger.

(5) The increases refer to payments made to recapitalize the company. The decreases refer to the writedown, equal to the loss for the period.

(6) The increase represents the share capital increase, subscribed and paid in.

(7) On November 30, 2016, subholding company PRADA Far East II bv was spun off from PRADA Far East bv, which remained in charge of the retail activities. The spin-off was part of a broader plan to simplify the corporate structure, which will soon include the absorption of PRADA Far East II into the Parent, PRADA spa. The changes reflect the reallocation of the cost of the spun-off company based on the appraisal value.

(8) The increase refers to capital paid into the company in July 2016. The decrease reflects the writedown resulting from impairment testing.

(9) The increase refers to the recapitalization through the conversion of loans.

(10) The increase refers to capital paid to establish the company.

(11) The decrease represents the elimination of the equity investment pursuant to the absorption merger.

(12) The increase refers to the recapitalization through the conversion of loans.

(13) The increase refers to capital paid to recapitalize the company.

Additional information on subsidiaries and associates:

(Amounts in currency /000)	Carrying amount	Local currency	Share Capital	Latest net income / (loss)	Share-holders' equity	% interest held
Artisans Shoes srl	2,706	EURO	1,000	1,368	8,318	66.70%
Church Holding UK plc	108,828	GBP	78,126	489	123,427	100.00%
Hipic Prod Impex srl	2,490	RON	200	(2,762)	(4,997)	50.00%
IPI Logistica srl	1,798	EURO	600	60	2,725	100.00%
Marchesi Angelo Srl	8,662	EURO	23	(284)	636	80.00%
Montenapoleone 9 srl	-	EURO	1,000	(3,807)	(1,898)	100.00%
Pelletteria Ennepì S.r.l.	4,125	EURO	93	29	1,931	80.00%
Post Development Corp.	54,807	USD	45,138	1,611	80,551	100.00%
PRADA Austria gmbh	2,185	EURO	40	855	6,168	100.00%
PRADA Belgium sprl	804	EURO	800	0	800	100.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	22,897	TRY	73,000	(402)	67,731	100.00%
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	19,694	BRL	210,000	(27,135)	81,097	100.00%
PRADA Canada Corp.	5,086	CAD	300	3,054	42,843	100.00%
PRADA Czech Republic sro	1,894	CZK	2,500	4,578	32,675	100.00%
PRADA Denmark Aps	2,739	DKK	20,413	3,602	24,014	100.00%
PRADA Far East II bv	379,967	EURO	10	(212)	458,598	100.00%
PRADA Far East bv	3,623	EURO	20	22,369	11,717	100.00%
PRADA Finnish Oy	3	EURO	3	(52)	(265)	100.00%
PRADA Germany gmbh	14,122	EURO	215	2,156	15,675	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	EURO	2,850	34	1,012	100.00%
PRADA Hong Kong P.D. limited	1,120	HKD	11,000	927	15,610	100.00%
PRADA Kazakhstan llp	5,390	KZT	500,000	126,900	641,181	100.00%
PRADA Maroc sarlau	-	MAD	95,000	(5,912)	(23,006)	100.00%
PRADA Middle East Fzco	2,069	AED	18,000	27,674	192,653	60.00%
PRADA Montecarlo sam	14,029	EURO	2,000	1,377	959	100.00%
PRADA Panama sa	1,760	PAB	30	54	2,226	100.00%
PRADA Portugal. Unipessoal lda	955	EURO	5	84	2,373	100.00%
PRADA Retail Aruba nv	1,623	USD	2,011	36	2,140	100.00%
PRADA Retail France sa	48,195	EURO	4,000	(590)	28,029	100.00%
PRADA Retail South Africa pty ltd	3,709	ZAR	50,000	13,867	48,826	100.00%
PRADA Retail SPC	3,041	QAR	15,000	2,968	25,171	100.00%
PRADA Retail UK ltd	21,170	GBP	5,000	1,632	27,376	100.00%
PRADA Rus llc	53,740	RUB	250	16,318	2,742,289	100.00%
PRADA sa	23,315	EURO	31	15,769	252,063	100.00%
PRADA Saudi Arabia ltd	6,735	SAR	26,666	(8,713)	22,858	75.00%
PRADA Spain sa	13,500	EURO	240	202	1,057	100.00%
PRADA St. Barthelemy sarl	1,220	EURO	1,220	(22)	1,198	100.00%
PRADA Switzerland sa	60,150	CHF	24,000	(17,189)	24,674	100.00%
PRADA Ukraine llc	-	UAH	30,000	(22,545)	(163,363)	100.00%
PRADA USA Corp.	145,759	USD	152,211	13,280	277,257	100.00%
Prm Services S. De R.l. de CV	407	MXN	7,203	5,322	13,356	100.00%
Tannerie Limoges sas	1,374	EURO	873	(581)	290	60.00%
PAC srl. in liquidation (1)	-	EURO	31	(3,002)	717	49,00%
	1,047,452					

1) Source: latest approved financial statements (Sep. 29, 2015)

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

10. Other non-current assets

The composition of the other non-current assets is set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Long-term prepaid expenses	12,006	9,030
Advances and payments on account	4,530	3,773
Long-term guarantee deposits	1,582	571
Sundry other long-term receivables	647	708
Other tax receivables	479	370
Other financial receivables	-	2,000
Total	19,245	16,452

Long-term prepaid expenses refer primarily to the portion of stamp duty paid on the Galleria Vittorio Emanuele II concession fees and other costs relating to future periods.

Other long-term receivables include Euro 0.6 million relating to insurance policies in respect of leaving indemnities for some employees.

11. Current financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Bank overdrafts	-	3
Short-term loans	30,106	185,098
Current portion of long term loans	32,612	22,551
Current portion of finance leases	218	
Deferred costs on loans	(65)	(78)
Short-term financial payables and bank overdrafts	62,871	207,574

The change in current financial payables is attributable primarily to the full repayment in the period of the revolving credit facility stipulated by PRADA spa in 2014 with a banking syndicate. Euro 125 million was used as of January 31, 2016. The revolving credit facility contains covenants based on the results of PRADA spa's consolidated financial statements Specifically, the net debt-to-EBITDA ratio must not exceed 3 and the EBITDA-to-interest coverage ratio must exceed 4. Both covenants were complied with as of January 31, 2017.

The short-term financial payables as of January 31, 2017 consist of a Euro 30 million loan granted to PRADA spa by Mitsubishi Bank of Tokyo.

The "current portion of long-term loans" is set forth below:

Intesa San Paolo	16,666	Euro/000	December 2018	0.600%
Banca Popolare di Milano	10,000	Euro/000	March 2019	0.710%
Intesa San Paolo	3,667	Euro/000	May 2030	2.737%
Interest accruing and due	2,279	Euro/000	July-August 2017	

Euro 3.7 million is the current portion of a mortgage loan stipulated with IntesaSanpaolo in 2014 and disbursed in 2015. The collateral securing this loan is the building in Milan used for the Group’s headquarters.

12. Financial and other payables due to parent companies, subsidiaries, associates and related parties

The composition of the current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial payables	306,182	49,718
Other payables	3,673	4,139
Total payables due within a year	309,854	53,857

The financial payables due to subsidiaries have changed because of the reclassification of some loan payables from non-current to current.

"Other payables" consists of interest-free payables due to subsidiaries.

The amount is broken down by counterparty in Note 26.

The composition of the non-current payables due to parent companies, subsidiaries, associates and related parties is set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial payables	13,878	269,566
Total payables due after more than a year	13,878	269,566

13. Trade payables

The trade payables are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade payables – third parties	156,146	173,246
Trade payables – subsidiaries and associated undertakings	575,728	405,279
Trade payables – related parties	12,260	8,897
Total	744,134	587,422

The increase in trade payables due to subsidiaries and associates is attributable in part to the new distribution model adopted in the Asia Pacific markets, described in the Report on operations. The breakdown by counterparty is provided in Note 26, "Transactions with parent companies, subsidiaries, associates and related parties".

The trade payables due to related parties regard purchases of finished products from retail companies owned by shareholders of PRADA Holding spa.

An aging analysis of the total trade payables is set forth below.

(amounts in thousands of Euro)	January 31 2017	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parties	156,146	142,896	5,277	1,609	802	258	5,304
Trade payables - parent, subsidiaries, associates and related parties	587,988	537,226	251	5,572	20,057	803	24,080
Total	744,134	680,121	5,528	7,181	20,859	1,061	29,384

(amounts in thousands of Euro)	January 31 2016	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third parties	173,246	160,278	5,544	3,356	873	139	3,057
Trade payables - parent, subsidiaries, associates and related parties	414,176	387,210	834	4,749	1,051	777	19,554
Total	587,422	547,488	6,378	8,105	1,924	916	22,611

14. Current tax liabilities

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
VAT and other taxes	5,630	4,485
Social security and pension contribution liabilities	4,969	4,586
Total	10,599	9,071

"VAT and other taxes" refers to personal income tax (IRPEF) withholdings on employee pay and professional fees, and VAT liabilities arising on e-commerce sales in EU countries.

15. Other current liabilities

The "other current liabilities" are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Payables for capex	29,853	30,129
Payables to employees	26,210	26,974
Provision for Returns	24,543	34,768
Deferred income	723	417
Other payables	449	375
Other financial payables	48	-
Total	81,826	92,664

The payables due to employees refer to wages and salaries, the 13th and 14th monthly salary accruals, unused vacation time and performance bonuses.

The provision for returns is allocated to cover sales returns whose existence is certain but whose timing and amount are uncertain at the reporting date. The amount of the provision was estimated on the basis of historical/statistical data and on forecasts of the number of items sold that could be returned in future.

"Payables for capex" include the amounts due for capital expenditure as at January 31, 2017, described in Notes 7 and 8 on "property, plant and equipment" and "intangible assets", respectively.

"Other payables" includes advances of Euro 0.3 million received from customers and sundry payables of Euro 0.1 million.

16. Non-current financial payables

The non-current financial payables are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Bonds	130,000	130,000
Long term bank borrowings	327,500	242,833
Deferred costs on long term loans	(1,003)	(1,104)
Total	456,497	371,729

The non-current financial payables by counterparty as of January 31, 2017 are as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	130,000	euro	Bonds	August 2018	2.750%
PRADA spa	60,000	euro	Monte dei Paschi di Siena	December 2018	0.377%
PRADA spa	16,667	euro	Intesa San Paolo	December 2018	0.600%
PRADA spa	40,000	euro	Intesa San Paolo	February 2019	0.608%
PRADA spa	60,000	euro	Unicredit	March 2019	0.755%
PRADA spa	15,000	euro	Banca Popolare di Milano	March 2019	0.710%
PRADA spa	90,000	euro	Unicredit	February 2021	0.963%
PRADA spa	45,833	euro	Intesa San Paolo	May 2030	2.737%
Total	457,500				

(1) the interest rates include the effect of interest rate risk hedges, if any

The non-current payables as of January 31, 2016 are as follows:

Amounts in Euro/000	Principal	Loan currency	Lender	Maturity date	Interest rate (1)
PRADA spa	130,000	euro	Bonds	August 2018	2.750%
PRADA spa	60,000	euro	Monte dei Paschi di Siena	December 2018	0.558%
PRADA spa	33,334	euro	Intesa San Paolo	December 2018	0.600%
PRADA spa	40,000	euro	Intesa San Paolo	February 2019	0.608%
PRADA spa	60,000	euro	Unicredit	March 2019	0.755%
PRADA spa	49,500	euro	Intesa San Paolo	May 2030	2.737%
Total	372,834				

(1) the interest rates include the effect of interest rate risk hedges, if any

In the first half of 2016 the Company took out two new medium/long-term loans of Euro 90 million and Euro 30 million from Unicredit and Banca Popolare di Milano, respectively. The loans contain covenants based on the results of PRADA spa's consolidated financial statements. Such covenants were fully complied with as of January 31, 2017.

The bonds are listed on the Irish Stock Exchange and accrue interest at a fixed rate. As of January 31, 2017, the fair value of the bonds was Euro 134.3 million, whereas the amount recognized at amortized cost is Euro 129.7 million.
A maturity analysis is provided in Note 4.

17. Employee benefits

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Post-employment benefits	21,097	20,423
Other long term employee benefits	14,747	17,439
Total	35,845	37,862

Post-employment benefits

The post-employment benefits recognized as of January 31, 2017 amount to Euro 21.1 million; they all refer to the provision for leaving indemnities and all the benefits are classified as defined benefit plans.

The provision for leaving indemnities was measured using the Projected Unit Credit Method by Federica Zappari, an independent Italian actuary, member (n. 1134) of the *Ordine Nazionale degli Attuari* (Italian Society of Actuaries). The main actuarial assumptions for the years of appraisal were as follows:

	January 31 2017	January 31 2016
Average duration of plan (years)	10.4	10.9
Discount rate	1.234%	1.513%
Inflation rate	1.5%	1.5%

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

The actuarial gains and losses are as follows:

	Defined Benefit Plans (TFR)
Actuarial adjustments due to	
(a) Changes in financial assumptions	783
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	15
(c) Other	(43)
Actuarial (gains)/losses	755

A sensitivity analysis conducted on the main actuarial assumptions used as of January 31, 2017 showed that a 50 basis point increase or decrease in the parameters (discount rates, salary raises, inflation rate, probability of termination of service and percentage of leaving indemnity advances) would have an impact of 5% or less on the obligations. Accordingly, the result of the analysis was considered immaterial with respect to possible effects on the financial statements.

Concerning the provision for leaving indemnities reported above, the following plan payments are expected in subsequent periods:

(amounts in thousands of Euro)	January 31 2017	January 31 2018	January 31 2019	January 31 2020	After January 31 2020
Defined Benefit Plans (TFR)	1,407	1,109	1,084	1,093	19,997

The changes in the liabilities for post-employment benefits as of January 31, 2017 are shown hereunder:

(amounts in thousands of Euro)	
Balance at January 31 2016	20,423
Current service costs	77
Acquisition of branches	225
Financial expenses	3
Increase due to merger	1,300
Transfers	-
Actuarial (Gains)/Losses	755
Indemnities paid	(1,680)
Excess reversals	(6)
Balance at January 31 2017	21,097

Other long-term employee benefits

The other long-term employee benefits meet the IAS 19 definition of "other long-term employee benefits" and refer to the Company's long-term incentive plans and performance-based programs for employees. Their actuarial valuation as of January 31, 2017, under the Projected Unit Cost Method, is Euro 14.7 million (Euro 17.4 million as at January 31, 2016). The valuation was carried out by independent actuary Federica Zappari.

The following table presents the changes in other long-term employee benefits in the fiscal year ended January 31, 2017:

(amounts in thousands of Euro)	Other long-term benefits
Balance at January 31, 2016	17,439
Current service costs	4,945
Increase due to merger	13
Transfers	(91)
Reversals	(1,158)
Utilization for payments	(6,401)
Balance at January 31, 2017	14,747

18. Provisions for risks and charges

The changes in the provisions for risks and charges are summarized below:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Provision for coverage of losses of subsidiaries / associates	Other provision	Total
Balance at January 31, 2016	351	21,666	1,725	1,761	25,503
Increases	-	2,082	2,311	1,024	5,417
Increases due to mergers	-	26	-	713	739
Utilization for payments	-	(26)	-	(333)	(359)
Reversals	-	(289)	-	-	(289)
Balance at January 31, 2017	351	23,459	4,036	3,164	31,011

The provisions for risks and charges represent management's best estimate of the maximum amount of potential liabilities. According to management and based on the information available, supported by the opinions of independent tax advisers, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

Tax disputes

On December 30, 2005, PRADA spa received two VAT assessment notices for tax year 2002, regarding the sale of two business divisions reclassified as sales of trademarks. The amount assessed was approximately Euro 21 million. The Company filed the dispute and obtained successful outcomes in the first and second-instance courts. The Italian tax authorities appealed at the Court of Cassation, and the case is currently waiting to be heard at the Supreme Court.

On August 4, 2006, PRADA spa (for incorporated company IPI Italia spa, transferor of the Genny business division) received a claim for VAT penalties of Euro 5.7 million regarding its alleged failure to issue a self-invoice for the value of the "Genny" trademark acquired in 2002 with the related business division. The Company, which filed the dispute and obtained unsuccessful outcomes in the first and second-instance courts, has lodged an appeal at the Court of Cassation and the case is currently waiting to be heard at the Supreme Court.

In its previous financial statements, PRADA spa provided exhaustive disclosure of the accounting and tax effects of the Italian tax authorities' dismissal of PRADA spa's petition to not apply the Italian Controlled Foreign Company rules to its Dutch sub-holding company, PRADA Far East bv, and of the inadmissibility of the petitions filed with the same authorities regarding other subsidiaries of the Group operating in countries with privileged tax systems ("black list" countries) for years 2010 to 2013. There were no significant developments in 2016.

In 2012 the Italian Customs Authorities launched an investigation on the tax periods from 2007 to 2011 against PRADA spa which resulted in the following years (including 2016) in notices of assessment on the 2010 tax period for a total of taxes and interest amounting to Euro 0.4 million at the reporting date. PRADA spa appealed against these findings. During the year there were no further significant developments.

According to management, supported by the opinion of independent tax advisers, the Euro 23.5 million provision recognized for the tax disputes reported above as of January 31, 2017, represents the best estimate of the obligations that the Company could be required to settle.

Legal disputes

This provision refers to management's updated assessment of such risks at the end of the 2016 fiscal year.

There were no significant developments on pending litigation in 2016.

Other provisions

The other provisions amount to Euro 3.2 million as of January 31, 2017 and refer to contractual obligations to restore leased property to its original condition.

19. Other non-current liabilities

The other non-current liabilities amount to Euro 20.1 million, Euro 4 million of which refers to the residual amount due on the purchase of the usufruct of retail premises. The rest of the amount includes liabilities recognized to account for, on a straight-line basis, the concession fees of the Galleria Vittorio Emanuele II premises in Milan and rental costs for other sales outlets and stores.

20. Equity

Equity is set forth hereunder:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Share capital	255,882	255,882
Other reserves	1,048,323	1,098,866
Net income for the period	183,355	248,421
Total shareholders' equity	1,487,560	1,603,169

Share capital

As of January 31, 2017, approximately 80% of PRADA spa's share capital was owned by PRADA Holding spa and the remainder was listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve has not changed from that of January 31, 2016.

Dividends

During the fiscal year, the Company distributed dividends of Euro 281.5 million, as approved at the Annual General Meeting held on May 24, 2016 to approve the financial statements for the fiscal year ended January 31, 2016. The dividends were paid by January 31, 2017.

Availability of equity

(amounts in thousands of Euro)	January 31 2017	Possible utilization	Amount distributable	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share capital	255,882				
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	405,803	A, B, C	383,684	-	793,235
Cash flow hedge reserve	(1,602)		-	-	-
Distributable amount			976,630		793,235

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

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable because the amount of the legal reserve is at least 20% of share capital.

A non-distributable portion of retained earnings amounting to Euro 20,516 thousand refers to restricted reserves under Legislative Decree 38/2005, Article 7.

Statement of Profit or Loss

21. Net revenues

The net revenues are generated primarily by sales of finished products, and are stated net of returns and discounts. The net sales for the fiscal year amounted to Euro 1,538 million, down by 5.9% from those of the prior fiscal year (Euro 1,870 million in 2015), due essentially to reduced sales to Group companies and to the new distribution model in Asia Pacific markets, mitigated however by higher sales in the wholesale channel.

Royalty income of Euro 43.8 million originated from Fragrance and Skincare sl's and Coty Geneve sa's cosmetics sales and the Luxottica Group's eyewear sales. The franchise royalties amounted to Euro 2.2 million, down from those of the prior fiscal year (Euro 2.9 million)..

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Net sales	1,537,751	1,869,706
Royalties	45,999	45,075
Net revenues	1,583,750	1,914,781

22. Cost of goods sold

The cost of goods sold is summarized below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Purchases of raw materials and production costs	562,734	826,647
Logistics costs, duties and insurance	59,121	87,774
Change in inventories	110,750	(23,701)
Total	732,605	890,721

The cost of goods sold fell by Euro 158 million due to the reduced production volume. Compared to the prior fiscal year, the cost of goods sold is in line as a percentage of sales (46.3%, versus 46.5% for 2015).

23. Operating expenses

The operating expenses are summarized below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Advertising and communications costs	113,821	126,642
Product design and development costs	108,100	112,782
Selling costs	360,128	358,099
General and administrative costs	69,387	85,253
Operating expenses	651,437	682,777

The advertising and communications costs consist of expenses incurred to carry out advertising campaigns, fashion shows and other events plus the overheads attributable to this business area. The costs fell by Euro 12.8 million in terms of amount, but rose to 7.2% of net revenues (from 6.6% in 2015). The decrease is due mainly to reduced sponsorships and less expenditure for traditional media space.

Product design and development costs include both the design phase – i.e. research and testing of pattens, fabrics, leather and production techniques plus the determination of the design concept - and the product development phase, involving planning, creation of prototypes and product manufacture. Product design and development costs fell by Euro 4.7 million in amount from those of 2015, but rose to 6.8% of net revenues (from 5.9% for 2015).

Selling costs rose by Euro 2 million in terms of amount, and to 22.7% of net revenues (18.7% in 2015). The difference is attributable mainly to an increase in both fixed and variable selling costs pursuant to the absorption of Prada Stores during the period and to the decrease by Euro 80 million in net expenses deriving from sharing in the profits and losses of the retail companies.

The general and administrative costs fell by Euro 15.8 million in terms of amount, but remained fairly constant as a percentage of net revenues at 4.4%.

The statement of profit or loss is reclassified by nature in the section entitled "Additional Information".

24. Interest and other financial income/(expense), net

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Interest income / (expenses), net	(4,041)	5,908
Exchange gains / (losses) - realized	2,955	3,313
Exchange gains / (losses) – unrealized	(5,719)	(13,392)
Dividends	80,739	42,039
Other financial income / (expenses)	(28,315)	(30,299)
Total	45,620	7,569

The net interest expense, Euro 4.0 million, corresponds to the difference between interest income of Euro 8.2 million (Euro 16.8 million in 2015) and interest expense of Euro 12.2 million (Euro 10.9 million in 2015).

The loss of interest income is consistent with the increase in financial debt and is also attributable to less interest income received on loans to Group companies, particularly from Prada Stores, which was merged into the Company during the fiscal year.

The other financial expense regards writedowns of investments in subsidiaries pursuant to the impairment testing results.

25. Taxes

The income taxes for the twelve months ended January 31, 2017 and January 31, 2016 are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Current taxes	43,456	103,093
Prior year taxes	7,103	(2,611)
Deferred taxes	13,824	(50)
Total	64,384	100,432

The decrease in the amount of current income taxes is attributable primarily to lower pre-tax income. The tax rate on pre-tax income fell from 28.8% to 26.0%.

The changes in net deferred tax assets and liabilities are set forth below:

(amounts in thousands of Euro)	January 31 2017
Opening balance, net	31.937
Deferred taxes for the period	(4,255)
Closing balance, net	27,681

The deferred tax assets and liabilities recognized at the reporting date and at the previous reporting date are shown below by the item to which they refer:

(amounts in thousands of Euro)	Deferred tax assets, net		Income Statement effect	Contributions from mergers	Equity effect
	January 31 2017	January 31 2016			
Employee benefits – defined benefit plans	368	607	-	18	258
Inventories	13,672	15,510	8,037	6,199	-
Property, plant and equipment	(2,331)	(2,970)	(1,178)	(539)	-
Intangible assets	1,141	(120)	2,325	3,586	-
Provisions for risks and charges	7,968	11,296	3,341	13	-
Allowance for doubtful debts	(1,233)	(1,414)	(180)	1	-
Derivative instruments	506	(35)	-	-	(541)
Other temporary differences	7,591	9,063	1,478	(2,505)	(2,512)
			-		
Total	27,681	31,937	13,824	6,774	(2,795)

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

(amounts in thousands of Euro)	IRES	Eff. IRES rate	IRAP	Eff. IRAP rate	Total taxation	Eff. Total rate
Theoretical tax on income before taxation	68,128	27.50%	9,736	3.93%	77,864	31.43%
Dividends exempted	(21,643)	-8.74%	-		(21,643)	-8.74%
ACE	(8,216)	-3.32%	-		(8,216)	-3.32%
Impairment adjustment to investments	6,690	2.70%	-		6,690	2.70%
Taxation of revenue allocated to OCI	(108)	-0.04%	-		(108)	-0.04%
Other permanent differences	533	0.22%	285	-0.22%	817	-0.01%
Adjustments in annual tax return "UNICO"	8,172	3.30%	583	0.24%	8,755	3.54%
Difference between income before taxation and net value of production	-		224	0.10%	224	0.10%
Taxes for period	53,556	21.62%	10,828	4.05%	64,384	25.67%
Temporary differences	(12,762)	-4.76%	(1,062)	-0.43%	(13,824)	-5.19%
Current taxation	40,794	16.86%	9,765	3.61%	50,559	20.48%

26. Transactions with parent companies, subsidiaries, associates and related parties

The Company carries out trade and financial transactions with companies owned by entities that directly or indirectly control PRADA spa (related parties). The balances listed in the following tables result from transactions with related parties.

The transactions regard mainly sales of goods, supplies of business services, loans, leases and franchise agreements. The transactions take place on an arm's length basis.

The following tables report information on transactions with related parties in accordance with IAS 24, "Related Party Disclosures". The following transactions with related parties fall within the scope of application of the Hong Kong Stock Exchange Listing Rules.

The transactions with related party "Fratelli Prada spa – franchising" refer to transactions between the Company and Fratelli Prada spa in relation to the franchise agreement for the Prada stores in Milan. The transactions reported for the twelve months ended January 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated January 29, 2014. Moreover, the Corporate Governance section of this Annual Report reports a summary thereof.

The transactions with related party "Progetto Prada Arte srl - Galleria" refer to the transactions between the Company and Progetto Prada Arte srl in relation to the temporary business partnership agreement for Progetto Prada Arte srl's use of part of the Galleria Vittorio Emanuele II property in Milan to hold cultural events. The transactions regard the period from February 1, 2016 to April 8, 2016 pursuant to the termination agreement signed by the parties on the same date, the details of which are reported in PRADA spa's Announcement dated April 8, 2016.

The transactions with related party Luna Rossa Challenge srl for the twelve months ended January 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated February 27, 2014. Moreover, the Corporate Governance section of this Annual Report reports a summary thereof.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions, no other transaction reported in the separate financial statements meets the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of "connected transaction" or "continuing connected transaction" according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders' approval requirements laid down in Chapter 14A.

Statement of financial position

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
Parent company	788	478	-	-
PRADA Holding Spa	788	478	-	-
Subsidiaries and associates	442,950	394,648	575,728	405,279
Artisans Shoes Srl	363	336	16,658	18,389
Church Footwear (Shanghai) Co. Ltd	13	3	-	-
Church & Co. (USa) Ltd	34	30	2	1
Church & Co. Plc	36,886	30,000	3,648	2,912
Church Austria Gmbh	2	144	-	-
Church Denmark Aps	48	53	-	-
Church English shoes Sa	10	3	-	-
Church Footwear Ab	151	168	-	-
Church France Sa	33	234	-	5
Church Holding UK Plc	1	368	-	-
Church Hong Kong Retail Ltd	234	218	-	-
Church Ireland Retail Ltd	4	2	-	-
Church Italia Srl	743	299	54	54
Church Japan Co.. Ltd	26	0	-	-
Church Netherlands Bv	79	200	-	-
Church Singapore Pte Ltd	128	121	-	-
Church Spain Sl	2	50	-	-
Church UK Retail Ltd	104	1,149	8	8
Church's English Shoes Sw.Sa	15	14	6	6
Pelletteria Ennepì srl	10	-	681	-
Hipic Prod Impex srl	19	-	389	-
IPI Logistica Srl	198	388	3,350	3,216
Kenon Ltd.	5	1	-	-
Marchesi Angelo srl	8	4	2	0
Montenapoleone 9 srl	3,187	1,710	72	24
Post Development Corp.	3	3	-	-
PRADA (Thailand) Co..Ltd	932	404	3,591	2,372
PRADA Asia Pacific Ltd	12,566	35,417	108,330	52,449
PRADA Australia Pty. Ltd	2,154	628	3,471	2,815
PRADA Austria Gmbh	4,451	2,308	4,888	312
PRADA Bosphorus Deri Mamuller Limited Sirketi	2,969	6,732	4,644	3,935
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	2,277	2,146	-	-
PRADA Canada Corp.	4,413	4,172	4,681	2,374
PRADA Company Sa	(9)	(10)	-	-
PRADA Czech Republic Sro	1,246	1,166	250	157
PRADA Dongguan Trading Co. Ltd	49	59	139	464
PRADA Emirates Llc (1)	844	948	70	70
PRADA Far East Bv	3,608	3,596	2,862	916
PRADA Far East II Bv	121	-	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	58,331	24,711	59,531	57,959
PRADA Belgium Sprl	416	438	1,509	466
PRADA Denmark	2,111	311	1,799	197
PRADA Finnish Oy	170	94,47	1,437	338
PRADA Germany Gmbh	19,299	11,707	13,344	270
PRADA Hellas S. Ltd	1,064	1,288	1,585	48
PRADA Hong Kong P.D. Ltd	159	155	395	517
PRADA Japan Co.. Ltd	14,410	5,530	33,949	397
PRADA Kazakhstan Llp	3,008	3,222	379	297

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
PRADA Korea Ltd	65,515	25,903	152	617
PRADA Kuwaitt Wll	435	554	11	4
PRADA Macau Co. ltd	6,487	584	11,873	1,860
PRADA Maroc Sarlau	1,773	3,710	383	2,569
PRADA Middle East Fzco	9,886	21,432	429	976
PRADA Montecarlo Sam	646	84	3,131	2,204
PRADA New Zealand Pty ltd	469	349	876	639
PRADA Panama, S.a.	1,158	1,529	919	957
PRADA Portugal, Unipessoal Lda	845	1,313	335	61
PRADA Retail Aruba N.v.	905	694	685	84
PRADA Retail France Sas	20,129	15,672	32,653	11,908
PRADA Retail Malaysia Sdn	1,287	123	100	16
PRADA Retail Mexico S. de r.l.	4,700	7,558	2,840	4,197
PRADA Retail South Africa (Pty) Ltd	3,211	4,273	1,390	1,579
PRADA Retail Spc	2,405	1,616	38	12
PRADA Retail UK Ltd	34,121	2,406	30,090	4,115
PRADA Rus Llc	10,757	8,323	2,371	356
PRADA Sa	579	536	40,055	66,963
PRADA Saudi Arabia Ltd.	412	887	24	1
PRADA Singapore Pte, Ltd	2,832	495	19,621	14,965
PRADA Spain Sa	9,465	8,758	2,264	67
PRADA St. Barthelemy sarl	1,481	-	494	-
PRADA Stores Srl	-	37,857	-	3,647
PRADA Sweden Ab	732	(611)	1,666	144
PRADA Switzerland Sa	5,294	(1,899)	12,952	1,781
PRADA Taiwan Ltd Taipei	1,777	348	8,085	4,215
PRADA Ukraine Llc	6,345	5,383	2,079	1,245
PRADA Usa Corp.	66,595	101,816	124,453	124,873
PRADA Vietnam Limited Liability Company	553	1,154	1,317	1,674
Prm Services, S. de R.l. de CV	22	52	1	1
PT Prada Indonesia	-	7	-	-
Tannerie Limoges sas	1,037	1,077	107	79
TRS Guam Boutique	621	201	18	-
TRS Hawaii Llc	1,084	925	640	2,296
TRS Hong Kong Ltd	2	14	-	-
TRS Hong Kong Ltd - Macau	1,626	103	1,646	-
TRS New Zealand Pty. Ltd	74	51	61	-
TRS Okinawa Kk	461	709	155	205
TRS Saipan Boutique	209	120	64	-
TRS Singapore Pte Limited	122	20	28	-

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
Related parties	23,036	23,909	12,514	8,897
Chora Srl	-	-	2,203	4,279
Conceria Superior Spa	3	2	8,282	3,081
F.lli PRADA Spa	22,770	23,783	1,171	913
HMP Srl	-	8	-	-
Le Mazza Srl	134	63	412	823
Luna Rossa Challenge Srl	129	53	11	7
Peschiera Immobiliare Srl	-	-	-	64
PRA 1 Srl	-	-	95	144
Progetto PRADA Arte Srl	-	-	-	(500)
Other (2)	-	-	340	86
Total	466,774	419,035	588,242	414,176

Note:
(1) Company consolidated according to IFRS 10 definition of control
(2) Relative of a Director

(amounts in thousands of Euro)	Financial receivables Jan 31, 2017	Other receivables Jan 31, 2017	Financial receivables Jan 31, 2016	Other receivables Jan 31, 2016
Subsidiaries and associates	214,480	2,732	393,835	6,757
Artisans Shoes srl	3,580	736	4,892	456
Church & Co. plc	2,201	-	2,201	-
Church Holding UK plc	-	-	1,493	-
Church Italia srl	-	1,269	-	1,108
IPI Logistica srl	20	17	-	24
Marchesi Angelo srl	-	104	-	104
Montenapoleone 9 srl	1,674	-	-	1
PRADA Asia Pacific ltd	-	53	-	68
PRADA Austria gmbh	7,001	-	7,002	-
PRADA Belgium Sprl	-	-	-	222
PRADA Bosphorus Deri Mamuller Limited Sirketi	-	-	10,920	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	-	5	17,214	5
PRADA Czech Republic sro	-	-	864	-
PRADA Denmark Aps	-	-	-	92
PRADA Dongguan Trading Co. Ltd	-	1	-	5
PRADA Far East II Bv	1,004	0	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	117	-	17
PRADA Finnish Oy	850	14	-	14
PRADA Germany gmbh	27,356	116	27,358	116
PRADA Hellas S. ltd	1,791	5	1,845	-
PRADA Hong Kong P.D. Ltd.	-	80	-	80
PRADA Japan Co., ltd	8,209	-	-	-
PRADA Maroc Sarlau	3,051	-	2,982	-
PRADA Middle East Fzco	3,738	-	3,681	-
PRADA Montecarlo sam.	31,444	-	3,520	-
PRADA Portugal, Unipessoal lda	1,267	-	1,262	-
PRADA Retail Mexico S. de r.l.	-	-	-	12
PRADA Retail France sas	59,290	-	60,883	-
PRADA Retail South Africa (Pty) Ltd	-	45	-	45
PRADA Retail UK	22,836	-	43,966	-
PRADA Sa	-	123	-	118
PRADA Saudi Arabia Ltd.	7,322	-	7,212	-
PRADA Spain sa	16,116	0	16,120	-
PRADA Stores srl	-	-	148,559	4,352
PRADA Switzerland Sa	7,566	-	23,630	-
PRADA Ukraine Llc.	4,564	-	4,581	-
PRADA USA Corp.	-	9	-	15
Prm Services, S. de R.l. de CV	-	3	-	7
Tannerie Limoges sas	3,600	36	3,652	-

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Jan 31, 2017	Jan 31, 2017	Jan 31, 2016	Jan 31, 2016
Related parties	-	14,886	703	24,350
Chora srl	-	5,848	-	5,848
F.lli Prada spa	-	118	-	-
Luna Rossa Challenge Srl	-	8,741	-	16,790
Peschiera Immobiliare srl	-	88	-	-
PRA 1 Srl	-	91	-	80
Progetto Prada Arte Srl – Galleria (1)	-	-	703	1,632
Total	214,480	17,618	394,538	31,107

Note:
(1) The other receivables regard a non-monetary receivable for deferred rent from Progetto Prada Arte srl pursuant to the application of IAS 17, "Leases", to the temporary business partnership agreement between PRADA spa and Progetto Prada Arte srl The financial receivables refer to the Galleria Vittorio Emanuele II real estate investment. They accrue interest of 2.5% and have the same term as the concession.

(amounts in thousands of Euro)	*Fair value IRS "fair value through profit or loss"*	
	January 31, 2017	January 31, 2016
Kenon Ltd	7,547	8,775

(amounts in thousands of Euro)	Financial payables Jan 31, 2017	Other payables Jan 31, 2017	Financial payables Jan 31, 2016	Other payables Jan 31, 2016
Subsidiaries and associates	320,060	3,610	319,283	4,105
Artisans Shoes srl	-	84	-	84
Church Italia srl	-	-	-	68
IPI Logistica srl	1	5	224	6
Marchesi Angelo srl	-	85	-	4
Montenapoleone 9 srl	-	1,446	-	-
Post Development Corp.	22,582	-	22,283	134
PRADA Dongguan Trading Co. Ltd	-	61	-	61
PRADA Far East II bv	242,840	-	-	-
PRADA Far East bv	-	-	240,326	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	150	-	-
PRADA Germany gmbh	4,067	-	1,959	1
PRADA Retail France sas	285	8	2,643	4
PRADA Retail UK	668	-	61	-
PRADA sa	49,392	1,572	51,567	1,572
PRADA Spain sa	-	146	-	148
PRADA Stores srl	-	0	-	2,005
PRADA Switzerland Sa	17	54	17	20
PRADA USA Corp.	208	-	205	-
Related parties	-	62	-	34
F.lli Prada Spa	-	8	-	8
Luna Rossa Challenge srl	-	55	-	26
Total	320,060	3,673	319,283	4,139

(amounts in thousands of Euro)	Other liabilities	
	January 31, 2017	January 31, 2016
Emoluments of Board of Directors	3,433	2,652
Others [1]	255	72

Note:
(1) Relative of a Director

Statement of Profit or Loss

(amounts in thousands of Euro)	Net Revenues Jan 31, 2017	Net Revenues Jan 31, 2016	Cost of goods sold Jan 31, 2017	Cost of goods sold Jan 31, 2016
Subsidiaries and associates	913,997	1,342,308	79,758	78,810
Artisans Shoes Srl	(3)	-	50,652	57,379
Church & Co. Plc	13,353	10,572	711	1,758
Church France Sa	-	-	-	5
Church Italia Srl	(1)	1,331	-	-
Church UK Retail ltd.	15	-	-	-
Pelletteria Ennepì srl	1	-	5,258	-
Hipic Prod Impex srl	-	-	2,933	-
IPI Logistica Srl	-	-	2,168	2,847
Montenapoleone 9 srl	4	2	-	-
PRADA (Thailand) Co.,Ltd	3,370	1	15	2
PRADA Asia Pacific Ltd	6,354	487,729	1,691	1,329
PRADA Australia Pty. Ltd	14,064	2	25	39
PRADA Austria Gmbh	16,421	20,664	6	(1)
PRADA Bosphorus Deri Mamuller Limited Sirketi	6,808	8,817	71	48
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	5,371	(38)	-	(2)
PRADA Canada Corp.	23,599	22,898	(1)	4
PRADA Czech Republic Sro	2,602	4,413	-	1
PRADA Denmark Aps	491	-	-	-
PRADA Dongguan Trading Co. Ltd	-	-	1,354	2,537
PRADA Emirates Llc	743	967	68	26
PRADA Far East Bv	20,910	26,522	-	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	126,734	8	624	-
PRADA Germany Gmbh	25,902	46,360	3	83
PRADA Hellas S. Ltd	425	1,722	-	-
PRADA Hong Kong P.D. Ltd.	-	146	1,589	1,707
PRADA Japan Co., Ltd	82,541	118,323	463	339
PRADA Kazakhstan Llp	1,880	2,121	-	-
PRADA Korea Ltd	119,264	20	754	143
PRADA Kuwait Wll	438	478	(1)	(4)
PRADA Maroc Sarlau	51	(1,079)	-	-
PRADA Middle East Fzco	38,007	55,017	(7)	(16)
PRADA Macau	16,316	-	-	(3)
PRADA Montecarlo Sam	1,616	2,396	1	(1)
PRADA Panama	499	1,545	-	-
PRADA Portugal, Unipessoal Lda	3,264	4,247	6	-
PRADA Retail Aruba N.v.	(264)	(325)	-	-
PRADA Retail France Sas	18,014	67,133	3,118	3,376
PRADA Retail Malaysia Sdn	7,619	1	32	25
PRADA Retail Mexico S. de r.l.	3,755	4,712	-	(2)
PRADA Retail New Zealand	1,460	-	2	43
PRADA Retail Spc	(22)	(16)	2	2
PRADA Retail UK Ltd	71,686	86,631	2,511	3,346
PRADA Rus Llc	17,975	15,112	13	11
PRADA Saudi Arabia ltd	153	185	7	(3)
PRADA Singapore Pte, Ltd	2,117	2	49	165
PRADA South Africa (Pty) ltd	860	3,257	65	-
PRADA Spain Sa	10,966	17,860	1	2
PRADA St. Barthelemy Sarl	1,022	-	-	-
PRADA Stores Srl	-	36,981	-	573
PRADA Sweden Ab	121	563	-	-
PRADA Switzerland Sa	3,394	11,185	71	80
PRADA Taiwan Ltd Taipei	6,870	3	-	17

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
PRADA Ukraine Llc	941	1,937	-	-
PRADA Usa Corp.	207,618	267,317	2,827	2,784
PRADA Vietnam Limited Liability Company	785	1,109	-	-
Tannerie Limoges sas	-	-	2,678	174
TRS Guam Boutique	4,833	-	-	(1)
TRS Hawaii Llc	6,806	7,938	-	-
TRS Hong Kong Ltd - Macau	9,506	-	-	(2)
TRS New Zealand Pty. Ltd	481	-	-	-
TRS Okinawa Kk	4,287	5,543	-	-
TRS Saipan Boutique	1,262	-	-	-
TRS Singapore Pte Limited	711	-	-	-
Related parties	21,643	31,465	14,632	25,145
Conceria Superior Spa	-	-	13,286	22,499
Gran Caffè srl	-	-	-	7
F.lli PRADA Spa	21,641	31,243	453	70
Le Mazza Srl	-	-	925	2,082
Luna Rossa Challenge Srl	2	11	(32)	-
Pelletteria Reta Srl	-	-	-	17
Progetto PRADA Arte Srl	-	-	-	470
Rubaiyat Modern Lux. Prod. Ltd	-	211	-	-
Total	935,640	1,373,773	94,390	103,955

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
Parent company	(232)	(327)	-	-
PRADA Holding Spa	(232)	(327)	-	-
Subsidiaries and associates	195,619	233,918	87,133	57,334
Artisans Shoes Srl	3,028	3,279	4	8
Artisans Shoes Srl - dividends paid	-	-	739	2,039
Church & Co. (USA) Ltd	(7)	(19)	-	-
Church & Co. Plc	(1,172)	(1,105)	63	64
Church Austria Gmbh	(10)	(16)	-	-
Church Denmark Aps	(18)	(7)	-	-
Church English shoes Sa	(14)	(13)	-	-
Church Footwear (Shanghai) Co. Ltd	(12)	(14)	-	-
Church Footwear Ab	(7)	(9)	-	-
Church France Sa	(101)	(138)	-	-
Church Holding UK Plc	(2)	(1)	27	56
Church Hong Kong Retail	(15)	(30)	-	-
Church Japan Co., Ltd	(33)	(8)	-	-
Church Ireland Retail Ltd	(7)	(5)	-	-
Church Italia Srl	(799)	(558)	-	-
Church Netherlands Bv	(14)	(17)	-	-
Church Singapore Pte Ltd	(7)	(7)	-	-
Church Spain Sl	(8)	(12)	-	-
Church UK Retail Ltd	(174)	(144)	-	-
Church's Eng. Shoes Sw.Sa	(17)	(23)	-	-
Pelletteria Ennepì srl	31	-	-	-
Hipic Prod Impex srl	(4)	-	-	-
IPI Logistica Srl	299	364	-	-
Kenon Ltd	(5)	(3)	1,601	1,844
Marchesi Angelo Srl	(6)	2	-	-
Montenapoleone 9 S.r.l.	(2,881)	(1,575)	21	-
Post Development Corp.	-	-	(164)	(178)
PRADA (Thailand) Co.,Ltd	(357)	1,678	-	-
PRADA Asia Pacific Ltd	32,928	39,750	-	0
PRADA Australia Pty. Ltd	(576)	2,099	-	-
PRADA Austria Gmbh	(653)	(664)	132	205
PRADA Belgium sprl	626	356	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	2,621	2,021	295	1,693
PRADA Brasil Importaçao e Comercio de Artigos de Luxo Ltda	(142)	(54)	475	4,036
PRADA Canada Corp.	3,332	802	-	-
PRADA Denmark Aps	178	45	-	-
PRADA Czech Republic Sro	(166)	(281)	18	35
PRADA Dongguan Trading Co. Ltd	(40)	(54)	-	-
PRADA Emirates Llc (1)	(638)	(554)	-	-
PRADA Far East II Bv	(121)	-	(490)	-
PRADA Far East Bv	(437)	(498)	(2,385)	(2,587)
PRADA Far East bv - dividends paid	-	-	40,000	20,000
PRADA Fashion Commerce (Shanghai) Co. Ltd	25,046	45,531	-	-
PRADA Finnish Oy	1,362	244	50	-
PRADA Germany Gmbh	(1,744)	(1,725)	452	270
PRADA Hellas S. Ltd	(382)	(444)	87	95
PRADA Hong Kong P.D. Ltd	1,094	1,558	-	22
PRADA India Fashion Private Ltd	-	19	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
PRADA Japan Co., Ltd	(4,818)	(2,502)	8	-
PRADA Kazakhstan Llp	(478)	(412)	-	-
PRADA Korea Ltd	(2,820)	(14,176)	-	-
PRADA Kuwait Wll	(261)	(257)	-	-
PRADA Macau Co., Ltd.	(22)	1,214	-	-
PRADA Maroc Sarlau	(2)	(239)	69	90
PRADA Middle East Fzco	(867)	(1,367)	-	-
PRADA Montecarlo Sam	1,376	1,351	1,456	208
PRADA New Zealand Pty Ltd	(80)	510	-	-
PRADA Panama, S.a.	757	603	-	-
PRADA Portugal, Unipessoal Lda	(580)	(633)	7	19
PRADA Retail Aruba N.v.	(77)	(126)	-	-
PRADA Retail France Sas	8,122	9,058	1,751	1,444
PRADA Retail Malaysia Sdn	(263)	(258)	-	-
PRADA Retail Mexico S. de r.l.	1,796	2,852	-	-
PRADA Retail South Africa (Pty) Ltd	786	817	-	-
PRADA Retail Spc	(937)	(1,754)	-	-
PRADA Retail UK	(3,219)	(3,794)	1,399	528
PRADA Rus Llc	(713)	(1,614)	-	1,738
PRADA Sa	30,751	37,399	(176)	(233)
PRADA Sa - dividends paid	-	-	40,000	20,000
PRADA Saudi Arabia Ltd.	(375)	(593)	-	-
PRADA Singapore Pte, Ltd	(808)	12,783	-	-
PRADA Spain Sa	(1,192)	(1,391)	479	493
PRADA St. Barthelemy sarl	134	-	-	-
PRADA Stores Srl	-	(9,388)	-	4,326
PRADA Sweden Ab	(157)	(177)	-	-
PRADA Switzerland Sa	(328)	(207)	802	793
PRADA Taiwan Ltd Taipei	(862)	3,048	-	-
PRADA Ukraine Llc	679	245	295	275
PRADA Usa Corp.	110,217	113,021	-	-
PRADA Vietnam Limited Liability Company	1,208	1,514	-	-
Prm Services, S. de R.l. de CV	(40)	(100)	-	-
Tannerie Limoges sas	(132)	(217)	117	52
PT PRADA Indonesia	-	(7)	-	-
TRS Guam Boutique	(199)	(213)	-	-
TRS Hawaii Llc	(221)	(250)	-	-
TRS Hong Kong Ltd	(4)	(4)	-	-
TRS Hong Kong Ltd - Macau	(356)	(231)	-	-
TRS New Zealand Pty. Ltd	(40)	(23)	-	-
TRS Okinawa Kk	(139)	(158)	-	-
TRS Saipan Boutique	(125)	(124)	-	-
TRS Singapore Pte Limited	(69)	(53)	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Jan 31, 2017	Jan 31, 2016	Jan 31, 2017	Jan 31, 2016
Related parties	18,684	18,765	(32)	18
Chora Srl	2,508	2,605	(32)	(1)
Conceria Superior Spa	70	130	-	-
Fin-Reta Srl	-	125	-	-
F.lli PRADA Spa	532	2,406	-	-
Gran Caffè snc	-	1	-	-
HMP Srl	(1)	13	-	-
Le Mazza Srl	(0)	16	-	-
Luna Rossa Challenge Srl	11,683	13,546	-	-
Pelletteria Reta Srl	-	51	-	-
Peschiera Immobiliare Srl	540	522	-	-
Petranera srl	(2)	-	-	-
PRA 1 Srl	1,139	1,187	-	-
Progetto PRADA Arte Srl	(139)	(252)	-	-
Progetto PRADA Arte Srl (Galleria) (2)	1,632	(1,318)	-	19
Rubaiyat Modern Lux. Prod. Ltd		(858)	-	-
Stiching Fondazione PRADA	-	(152)	-	-
Other (3)	776	742	-	-
Total	214,071	252,363	87,101	57,352

Notes:
(1) Company consolidated according to IFRS 10 definition of control
(2) The amount contains a non-monetary cost for the derecognition of deferred rent of Euro 1,632 thousand with Progetto Prada Arte srl pursuant to the April 8, 2016 termination of the temporary business partnership agreement between PRADA spa and Progetto Prada Arte, in compliance with IAS 17, "Leases"
(3) Relative of a Director

Commitments

Guarantees given

The guarantees concern:

- sureties of Euro 359 million given to third parties and related parties on behalf of Group companies
- letters of comfort for Euro 325 million issued to banks on behalf of subsidiaries.

Operating leases

The lease and concession obligations are set forth below by maturity:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Due within a year	39,950	20,249
Due between one and five years	155,998	71,210
Due after more than five years	170,623	90,931
Total commitments for operating lease/concession fees	366,571	182,390

The increase in commitments regarding future lease payments is attributable to the acquisition of leases for retail premises pursuant to the merging of Prada Stores into the Company during the fiscal year.

Lease income is set forth by maturity hereunder:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Due within a year	3,070	4,023
Due between one and five years	10,427	15,938
Due after more than five years	804	17,998
Total rental/lease income commitments	14,301	37,959

The decrease in future lease income is due primarily to the termination of leases with related parties.

Other commitments

The Company had no significant binding purchase commitments as of January 31, 2017.

As of the reporting date, an agreement between PRADA spa and Al Tayer Insignia llc was in effect, stipulated in 2011, to develop the Prada and Miu Miu brands in the Middle East retail business. The agreement gives PRADA spa a call option exercisable on up to 20% of PRADA Middle East Fzco's share capital. PRADA spa's management was not reasonably certain that it could estimate the likelihood that the option will be exercised and thus measure the economic value of the option as of the reporting date.

Additional information

Board of Directors remuneration

(amounts in thousands of Euro)	January 31 2017
Directors' fees	27,229
Remuneration and other benefits	215
Bonuses and other incentives	43
Benefits in kind	87
Pension, healthcare and TFR contributions	126
Total	27,700

Deloitte & Touche Spa fees

The total fees of the independent audit firm, Deloitte & Touche spa, for the audit of PRADA spa's accounts (audit of the separate and Group consolidated financial statements, controls over accountancy and correct disclosure of events in the accounting records) amount to Euro 0.5 million.

The total fees paid to Deloitte & Touche spa and its network for auditing the financial statements of the fiscal year ended January 31, 2017, and for other consulting services provided by Deloitte to PRADA spa amounting to Euro 1,045 thousand, are as follows:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	514
Other advisory services	Deloitte Network	1,045
Total fees of audit firm for period ended January 31, 2017		1,559

Statement of Profit or Loss by nature

(amounts in thousands of Euro)	January 31 2017
Net revenues	1,722,959
Change in inventories	(106,988)
Purchases of raw materials and finished goods	371,685
Labor costs	247,853
Amortization, depreciation and impairment	48,841
Other operating expenses	747,884
EBIT	199,707
Interest income (expenses), net	(4,041)
Exchange gains (losses) - realized	2,955
Exchange gains (losses) - unrealized	(5,719)
Dividends	80,739
Other financial income (expenses)	(25,902)
Interest and other financial income (expenses)	48,032
Income before taxation	247,739
Taxation	64,384
Net income for the period	183,355

Number of employees

The average number of employees by business division for the fiscal years ended January 31, 2017 and January 31, 2016 is presented below:

Number of employees	January 31 2017	January 31 2016
Production	1,505	1,427
Product design and development	958	999
Communications	55	54
Selling	860	589
General and administrative services	536	520
Total	3,914	3,589

Cost of labor

The remuneration of employees by business division for the fiscal years ended January 31, 2017 and January 31, 2016 is presented below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Production	77,739	73,601
Product design and development	62,634	64,351
Communications	7,906	6,252
Selling	52,211	36,922
General and administrative services	46,572	52,817
Total	247,063	233,943

Independent Auditors’ Reports

The Independent Auditors' Reports included in these Separate Financial Statements are in two different formats following the different requirements to be met by the Company's auditors taking into account that the new auditing standards on the audit report included in International Standards on Auditing (ISAs) have not yet been adopted in the Italian jurisdiction. Specifically in Italy, where the Company is domiciled, the Independent Auditors' report is issued for statutory purposes in accordance with ISA Italia pursuant to art. 14 of Italian Legislative Decree no 39 of January 27, 2010, while in accordance to the regulations applicable in Hong Kong, where the Company's shares are listed on the Main Board of the Hong Kong Stock Exchange, the Independent Auditor's report is issued in accordance with International Standards on Auditing (ISAs).

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
PRADA S.p.A.**

Opinion

We have audited the financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at January 31, 2017, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at January 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Impairment test	How the matter was addressed in the audit
As described in Notes 8 and 9 to the financial statements, the Company has recognised goodwill of € 108.4 million and investments in subsidiaries of € 1,047.5 million. In accordance with IAS 36, *Impairment of assets*, these assets are tested for impairment at least annually, or whenever there is an indication of impairment, by comparing their recoverable amount, determined using the "value-in-use" method, and their carrying amount. The determination of the recoverable amount of goodwill and investments in subsidiaries is based on estimates and assumptions made by Management using, among other things, projected cash flows, the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate). Given the materiality of the value of these assets and the complexity of the assessment process for the determination of the related cash flows and the other estimates and assumptions used in the impairment model, we considered the impairment test as a key audit matter.	For our audit we evaluated the methods used by Management to determine the value-in-use and analysed methods and assumptions used by Management in the impairment test. Our audit procedures included, amongst others, the following with the support of our internal valuation specialists: • Evaluation of the reasonableness of the discount rate (WACC) and long-term growth (g-rate) used by Management. • Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts through a sector data analysis and obtaining supporting information from Management. • Verification of the mathematical accuracy of the model used to determine the value-in-use. • Evaluation of the sensitivity analysis prepared by Management. • Verification of conformity of the methodology used and the required disclosures in accordance with IAS 36.

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Key Audit Matter – Change of the useful life of retail fixed assets	How the matter was addressed in the audit
As reported in Note "Use of estimates", Management of the Company, through the significant experience gained from the development and management of its stores, and considering the completion of the plan for the geographical expansion of the retail network, deemed it appropriate to re-assess and revise the useful life of retail fixed assets. Management provided information regarding the financial statement impact of this change for the year ended January 31, 2017 and subsequent years in the Note. The change in estimate of the useful life of fixed assets is based on an updated assessment performed by Management regarding, among other things: • Legal limitations on the use of the assets, such as the expiration date of the lease agreements for stores operated by the Company. • Assessment of the reasonable certainty in the renewal of lease agreements. • Expected usage of the assets and their wear, based on historical experience. Given the significance of this change in estimate and its impact on understanding the financial statements, we have considered this as a key audit matter.	In order to assess the reasonableness of the change in estimate and its impact on the financial statements, we have obtained an understanding of the methods and assumptions adopted by Management and we have performed, among others, the following procedures: • Analysis to evaluate the reasonableness of the assumptions used in the determination of the new useful lives. • Verification of the completeness and accuracy of the data used by Management to determine the new useful life. We made a selection of leases and verified the duration, maturity and renewal options. • Benchmarking analysis comparing the revised useful life to those adopted by comparable companies. • Recalculation of the financial statement impact of the change in estimate for completeness and accuracy. • Verification of the accounting for a change in estimate and the related disclosures in accordance with IAS 8.

Other Information

Management is responsible for the other information. The other information comprises the sections corporate information, report on operations and corporate governance report of the Separate Financial Statements 2016 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Arienti.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti

Patrizia Arienti
Partner

Milan, Italy
April 12, 2017

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

To the Shareholders of
PRADA S.p.A.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Prada S.p.A., which comprise the statement of financial position as of January 31, 2017, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Prada S.p.A. as at January 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the Separate Financial Statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Prada S.p.A., with the separate financial statements of Prada S.p.A. as at January 31, 2017. In our opinion the report on operations is consistent with the separate financial statements of Prada S.p.A as at January 31, 2017.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
April 12, 2017

This report has been translated into the English language solely for the convenience of international readers.

Board of Statutory Auditors' Report

PRADA Spa

Registered Offices at Via Antonio Fogazzaro, 28 – 20135 Milan

Registered with the Business Registry of Milan under no. 1343952

Taxpayer's code no. and VAT no. 10115350158

Report of the Board of Statutory Auditors to the Shareholders' Meeting on the Financial Statements closed as at January 31st, 2017 pursuant to art. 2429, second paragraph of the Italian Civil Code.

Dear Shareholders,

during the financial year closed as at January 31st, 2017, the Board of Statutory Auditors carried out the supervisory activity set forth by the law, pursuant to the "Rules of conduct of the Board of Statutory Auditors" recommended by the Italian Board of Chartered Accountants and Accounting Consultants.

In particular, the following is reported.

The Board of Statutory Auditors supervised observance of the law and by-laws, as well as of fair management principles and we have no particular observations to make in this connection.

During the financial year from February 1st, 2016 to January 31st, 2017, the Board of Statutory Auditors met seven times and took part in all the Shareholders' Meetings, Board of Directors' Meetings and Audit Committee's Meetings, held in compliance with the law and by-laws regulating them and for which it can be reasonably assured that the actions resolved are compliant with the law and the Company's by-laws and are not manifestly imprudent, hazardous, could not potentially determine a conflict of interest or compromise the integrity of the company's assets.

Pursuant to the Company's By-laws, the Board of Statutory Auditors received information from Directors on the company performance and its expected evolution, as well as on the most significant transactions in terms of size and characteristics implemented by the Company, verifying that such transactions have occurred according to the law and the Company's By-laws and they are not manifestly imprudent, hazardous, in potential conflict of interest, in contrast with the resolutions taken by the Shareholders' Meeting or such as to compromise the integrity of the Company's assets.

The Board of Statutory Auditors acquired information on and periodically reviewed the Company's organization structure which showed no inadequacy.

During the year the Board of Statutory Auditors attended periodical meetings with the Company's Supervisory Body during which the relevant information was exchanged, acknowledging the content of reports prepared by the Supervisory Body on implemented activities.

The Board of Statutory Auditors also took part in the Audit Committee's meetings, during which the two bodies exchanged the necessary information, sharing control planning activities with the Committee members, and sharing views with the Internal Auditing structure on their activities, ascertaining the appropriateness of the internal control system.

The presence of some Statutory Auditors of the Parent Company in the Boards of Statutory Auditors of subsidiaries favored a regular and constant exchange of information between the Board of Statutory Auditors and the corresponding control bodies of the above-mentioned subsidiaries. No facts or anomalies have emerged during the performance of this activity which need to be mentioned in this report.

The Board of Statutory Auditors evaluated and monitored the adequacy of the book-keeping and accounting system as well as its reliability for the representation of operating activities, by gathering information from the managers of functions and analysing corporate documents; no particular observation is made in this connection.

No complaints pursuant to art. 2408 of the Italian Civil Code was filed against the Company during the fiscal year closed as at January 31st, 2017.

No further significant fact to be mentioned in this report emerged during the supervising activity described herein above.

The Board of Statutory Auditors examined the financial statements as of January 31st, 2017 prepared in accordance with IAS/IFRS international accounting standards and relevant interpretation principles (SIC/IFRIC) adopted by the European Union and in force on the financial statements preparation date.

As the Board of Statutory Auditors is not required to make an analytical check of the content of the financial statements, the control body supervised over the general layout adopted and general compliance with the law of its preparation and structure, and we have no particular observations to make in this connection.

The Board of Statutory Auditors verified compliance with laws on the preparation of the Directors' Report as well as the correspondence of financial statements with the facts and information collected and no particular observations is to be made in this connection.

To the extent of our knowledge, Directors did not depart from the provisions of art. 2423, paragraph four of the Italian Civil Code in the preparation of financial statements.

The Board of Statutory Auditors examined the impairment test procedure adopted by directors and approved by the Audit Committee and the Board of Directors.

The Board of Statutory Auditors verified compliance of the financial statements with the facts and information acquired during the performance of its office and we have nothing to report in this connection.

During the year, the Board of Statutory Auditors held periodical meetings with the management of the Audit Company Deloitte & Touche S.p.A., appointed to audit the Company's accounts pursuant to art. 2409-*bis* of the Italian Civil Code in order to exchange relevant data and information for the performance of their respective duties. These meetings did not give rise to any important matters requiring disclosure in this report.

In light of the above, as well as of what emerged during the meetings with the Independent Auditors, the Board of Statutory Auditors, also in light of the Independent Auditors' declarations in this connection, believes that no critical issue has emerged concerning the independence of the Audit Company..

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report in accordance with art. 14 of Legislative Decree 39/2010, certifying that the financial statements as at January 31st, 2017 are compliant with the rules regulating their preparation criteria. They therefore give a true and fair view of the financial position of the Group and of its operations and cash flows of the period. Pursuant to art. 14, paragraph 2, letter e) of the above-mentioned Decree, the Independent Auditors' Report also certifies that the Directors' Report is consistent with the financial statements closed as at January 31st, 2017, and it does not contain any exceptions or requests for disclosures.

The Company also prepared the consolidated financial statements and consolidated directors' report.

Also with reference to these documents, the Board of Statutory Auditors monitored their general layout, their compliance with the law in terms of preparation and structure and we have no particular observations to make in this respect.

On today's date, Deloitte & Touche S.p.A. issued an Independent Auditors' Report on the consolidated financial statements certifying that the Prada Groups' consolidated financial statements as at January 31st, 2017 are compliant with the rules regulating presentation criteria and give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows. Said report also certifies that the Directors' Report is consistent with the Prada Group's consolidated financial statements as at January 31st, 2017.

Lastly, after taking into account the foregoing and within the limits of our responsibility, we have not found any reasons hindering the approval of the financial statements as at January 31st, 2017, showing a net profit for the year of Euro 183,355,460.41, and to the appropriation of the net profit for the year as proposed by the Directors.

Milan, 12 April 2017

The Board of Statutory Auditors

The Chairman

Mr. Antonino Parisi