PRADA

MILANO

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Separate Financial Statements 2017

PRADA spa
(Hong Kong Stock code: 1913)

Separate Financial Statements 2017

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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) Maurizio Cereda (Non-Executive Director) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director)
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

Introduction

PRADA spa is the parent company of the PRADA Group. PRADA spa acts as a holding company and carries out manufacturing, distribution, retail, and brand management operations in the luxury goods sector, both directly and through its subsidiaries and associates.

Its main activities are as follows:

- production of leather goods, clothing, footwear, and accessories of all kinds bearing the Prada, Miu Miu, Car Shoe and Church's brands;
- 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 (preparation of budgets, selection of product mix, visual displaying, store management);
  - advertising and promotional services, in particular media planning and design;
  - information technology services regarding the IT infrastructure and the centralized, integrated management of software;
  - engineering services for store openings, renovation and maintenance;
  - financial services involving the granting of loans;
  - corporate services regarding legal affairs and tax advisory, administration/accounting, human resource, security and logistics consultancy.

The Board of Directors' Financial Review refers to PRADA spa (the "Company"), the operational holding company of the PRADA Group. The Review is based on the separate financial statements for the eleven months ended December 31, 2017 (2017 reporting period), prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted in the European Union. The Financial Review should be read in conjunction with such financial statements and the related notes, which form an integral part of the Separate Financial Statements.

On May 31, 2017 the Company's General Meeting approved By-Law Article 27, which changed the end of the annual reporting period from January 31 to December 31. For the past few years the proportion of consolidated revenues from the wholesale channel, whose seasonality is concentrated in the middle and at the end of the calendar year, has decreased considerably while that of the retail channel has grown. Therefore, the reasons for changing the end of the reporting period in 2004 to January are no longer applicable.

As a result of the change in the reporting date, PRADA spa's 2017 Statement of Profit or Loss prepared under IFRS refers to the eleven-month period ended December 31, 2017. Therefore, comparison with the IFRS Statement of Profit or Loss for the twelve months ended January 31, 2017 does not provide a complete understanding of PRADA spa's business and financial performance.

2017 Highlights

During the year, PRADA spa focused on a series of initiatives designed to bolster its commercial performance with strategic prospects of increasing volumes and profitability in the medium term. With this goal in mind, the Company rebalanced the merchandise mix at stores to feature newer products developed thanks to the creative talents of the design team, inspired, as always, by experimentation with shapes, materials and production techniques. The new mix concerns all product categories and is supported by numerous efforts to further enhance the shopping experience and strengthen bonds with the clientele. Further progress was made on the 2016 plan to update the layout of Prada and Miu Miu stores according to the brands' new aesthetic concepts; Church's stores are next in line for restyling. Meanwhile, the sales plan was supported by bold action on the digital front even as physical retail remained at the center of its omnichannel strategy.

During the year the Company strengthened its partnerships with the major online sales operators. Moreover, the direct e-commerce channel is growing: it has been enlarged in scope and the new graphic and functional version of the prada.com website, unveiled in December in China, will be gradually expanded to all countries in a matter of months. The new platform is designed to provide a shopping experience reconceived down to the smallest details, while integrating with brick & mortar stores and social networks. The digital strategy has also involved sizable investments in advertising and communications, in the form of additional media content for social networks and the online world in general.

On the manufacturing side, additional investments were made with a view to optimizing production and distribution. The new cutting facility and materials warehouse in Valvigna (Tuscany) is fully up and running and has been expanded to include all manufacturing support operations, for a current workforce of 700. Also in Tuscany, the Company has completed the second part of the new logistics hub, the central facility from which Prada and Miu Miu merchandise is shipped to all corners of the globe, and has opened a third cutting facility. This latter investment is part of a broader project aimed at keeping a crucial phase of the production process within company walls, for the sake of ensuring top quality. The new facilities, in addition to their tangible benefits in terms of economies of scale and quality control, stand out for their well-designed spaces and the advanced technologies in use for every process.
The number and complexity of the investments carried out during the period are part of a strategy to boost medium/long-term volumes and profitability in an economic environment similar to that of the prior year in terms of operating margins.

The period ended with EBIT of Euro 230 million, or 15% of net revenues, while the net income came to Euro 162 million (11% of revenues).

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

(amounts in thousands of Euro)	eleven months ended December 31 2017	%	twelve months ended January 31 2017	%
Net sales	1,453,059	97.0%	1,537,751	97.1%
Royalties	45,495	3.0%	45,999	2.9%
Net Revenues	1,498,554	100.0%	1,583,750	100.0%
Cost of goods sold	(668,697)	-44.6%	(732,301)	-46.2%
Gross Margin	829,857	55.4%	851,449	53.8%
Operating expenses	(600,210)	-40.1%	(651,742)	-41.2%
EBIT	229,647	15.3%	199,707	12.6%
Interest and other financial expenses, net	(46,810)	-3,1%	(32,707)	-2.1%
Dividends from investments	24,779	1.7%	80,739	5.1%
Income before taxation	207,616	13.9%	247,739	15.6%
Taxation	(46,062)	-3.1%	(64,384)	-4.0%
Net income for the period	161,554	10.8%	183,355	11.6%
Depreciation, amortization and impairment	47,806	3.2%	48,841	3.1%
EBITDA	277,453	18.5%	248,548	15.7%
Roe	10.86%		11.44%	
Roi	11.82%		9.99%	
Ros	15.32%		12.61%	

Net revenues for the eleven months ended December 31, 2017 amounted to Euro 1,499 million, down by 5% with respect to the previous year's revenues of Euro 1,584 million. The decrease is explained by the reporting period being one month shorter than the previous one.

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

EBITDA came to Euro 277 million, up by 11.6% from the 2016 amount. EBITDA improved with an increase of Euro 29 million driven by a reduction in operating expenses.

The net financial expenses consist primarily of the following income and expenses:

- Euro 25 million in dividends received;
- Euro 9 million in net exchange losses;
- Euro 3 million in net interest expense;
- Euro 33 million in impairment adjustments and loss coverage of investments in subsidiaries;
- Euro 1 million in other financial expenses.

The tax burden for the reporting period, stated as a percentage of income before taxation, was 22%, compared with 26% for the prior reporting period.

During the reporting period, the Company did not carry out any unusual and/or atypical transactions that had 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)	December 31 2017	January 31 2017
Non-current assets (excluding deferred tax assets)	1,797,238	1,885,634
Trade receivables, net	577,317	626,308
Inventories, net	248,933	222,026
Trade payables	(706,732)	(744,134)
Net operating working capital	119,518	104,200
Other current assets (excluding items of financial position)	143,254	184,688
Other current liabilities (excluding items of financial position)	(129,960)	(107,855)
Other current assets/(liabilities), net	13,294	76,832
Provision for risks	(10,153)	(31,011)
Post-employment benefits	(30,549)	(35,845)
Other long-term liabilities	(33,979)	(27,718)
Deferred taxation, net	24,161	27,681
Other non-current assets/(liabilities)	(50,520)	(66,892)
Net invested capital	1,879,530	1,999,774
Shareholder's equity	(1,419,666)	(1,487,560)
Total consolidated shareholders' equity	(1,419,666)	(1,487,560)
Long-term finacial, net surplus/(deficit)	(430,049)	(358,214)
Short-term financial, net surplus/(deficit)	(29,813)	(153,998)
Net financial position surplus/(deficit)	(459,863)	(512,214)
Shareholders' equity and net financial position	(1,879,530)	(1,999,774)
Debt to Equity ratio	24.5%	25.6%

As of December 31, 2017, the Company had net invested capital of Euro 1,880 million, net financial indebtedness of Euro 460 million and equity of Euro 1,420 million.

Non-current assets, consisting of property, plant, equipment and equity investments, fell by Euro 88 million due primarily to the elimination of the investment in Prada Far East II srl, absorbed into the Company during the period, and writedowns ensuing from impairment tests.

Net operating working capital was Euro 120 million at December 31, 2017, up slightly from that of January 31, 2017.

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Net operating working capital	**119,518**	**104,200**
Derivative Financial instruments	**7,941**	**(3,398)**
Other receivables from parent, subsidiaries, associated companies and related parties	**10,521**	**17,618**
Other current assets	**39,204**	**37,562**
Current tax receivables (payables)	**59,562**	**110,501**
Other liabilities to parent, subsidiaries, associated companies and related parties	**(4,933)**	**(3,673)**
Other current liabilities	**(99,002)**	**(81,826)**
Other current assets (liabilities), net	**13,293**	**76,784**
Net working capital	**132,811**	**180,984**

Net working capital fell by Euro 48 million due largely to the decrease in net other current assets, offset in part by the increase in net operating working capital.

Current tax assets present a Euro 51 million reduction attributable substantially to lower tax credits following the netting of taxes due for the period with taxes paid in advance in the prior period.

Other current liabilities rose by Euro 17 million as a result of amounts due to social security authorities, which in contrast to the prior period include contributions to be paid on the thirteenth salary installment, and the increase in capital expenditure payables.

Net financial position

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Bonds - non current	-	(130,000)
Bank borrowing – non-current	(523,909)	(326,497)
Payables parent company, subsidiaries, associates and related parties - non current	(68,874)	(13,878)
Total financial payables - non-current	**(592,783)**	**(470,375)**
Bonds - current	(130,000)	-
Financial payables and bank overdrafts - current	(134,498)	(62,918)
Payables to parent company, subsidiaries, associates and related parties	(81,099)	(306,182)
Finance lease obligations - current	-	-
Total financial payables - current	**(345,597)**	**(369,100)**
Total financial payables	**(938,380)**	**(839,475)**
Financial receivables from parent company, subsidiaries, associates and related parties - non-current	162,734	112,161
Financial receivables from parent company, subsidiaries, associates and related parties - current	135,350	102,319
Cash and cash equivalents	180,434	112,783
Total financial receivables and cash and cash equivalents - current	**315,784**	**215,102**
Total financial receivables and cash and cash equivalents	**478,518**	**327,263**
Net financial surplus/(deficit), total	**(459,862)**	**(512,212)**
Net financial surplus/(deficit) excluding parent company, subsidiaries, associates and related parties balances	**(607,973)**	**(406,633)**

As of December 31, 2017, the net financial position shows net debt of Euro 460 million, reduced by Euro 52 million compared with the previous reporting date.

Long-term financial payables increased by Euro 122 million due to new bank loans of Euro 300 million, offset in part by the reclassification to short-term financial payables of bond obligations and amounts due within 12 months.

Short-term financial payables reflect the elimination of the Euro 243 million loan to PRADA Far East II srl, absorbed into the Company during the period, and the aforementioned reclassification of the bond obligations falling due.

Financial receivables due from subsidiaries rose as a result of new loans and loans acquired from the absorption of the subsidiary PRADA Far East II srl.

At the reporting date, the Company had access to additional credit lines totaling Euro 523 million (Euro 567 million as of January 31, 2017).

As shown in the Statement of Cash Flows, cash flows from operating activities amounted to Euro 211 million; they wholly funded the investing activities for the period (Euro 97 million) and contributed to the payment of dividends to shareholders (Euro 307 million).

Financial risk hedging policies

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.

Treasury stock

As of December 31, 2017, the Company did not own any treasury stock.

Significant events of the reporting period

The "company information" and "significant acquisitions and divestments" sections of the Notes to the Financial Statements provide the information on the most significant events of the reporting period.

Subsequent events

No significant events occurred after the end of the reporting period.

Business outlook

The Company will continue to nurture its creativity with its unique way to observe the contemporary society and to interpret market trends to meet customers' expectations, while respecting the iconic heritage of its world renowned brands. Improving the productivity of its global retail network and further strengthening the integration between offline and online will remain one of the key priorities for the Company.

Management, supported by the encouraging results achieved in the first months of 2018, is confident that the year to come would mark the beginning of a new sustainable long-term growth period.

Proposed allocation of net income for the period

The Board of Directors proposes to distribute Euro 191,911,800 to the shareholders, for a dividend of Euro/cents 7.5 per share, as follows:

- Euro 161,553,965 representing the net income for the period;
- Euro 30,357,835 through the use of retained earnings.

Patrizio Bertelli

Chief Executive Officer

Milan; March 9, 2018

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 eleven month period from February 1, 2017 to December 31, 2017 following the change of financial year end to December 31 (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 four 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 four meetings either in person or through electronic means was 80.5%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the Board meetings and all 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	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	4/4		3/3	1/1	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	3/4				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	2/4				0/1
Ms. Alessandra COZZANI (Chief Financial Officer)	4/4				1/1
Non-Executive Directors					
Mr. Stefano SIMONTACCHI	4/4				0/1
Mr. Maurizio CEREDA	3/4				1/1
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI [1]	4/4	8/8	3/3	1/1	1/1
Mr. Giancarlo FORESTIERI [2]	3/4	8/8	3/3		1/1
Mr. Sing Cheong LIU [3]	2/4	6/8		1/1	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	4/4				1/1
Mr. Roberto SPADA	3/4				1/1
Mr. David TERRACINA	4/4				1/1
Date(s) of Meeting	Apr 12, 2017	Mar 1, 2017	Apr 11, 2017	Apr 11, 2017	May 31, 2017
	Jun 29, 2017	Apr 6, 2017	Jun 29, 2017		
	Sept 8, 2017	Apr 12, 2017	Nov 30, 2017		
	Nov 30, 2017	Jun 29, 2017			
		Sept 5, 2017			
		Sept 8, 2017			
		Nov 23, 2017			
		Nov 30, 2017			
Average Attendance Rate of Directors	80.5%	91.6%	100%	100%	66.7%

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

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. The independence of the Independent Non-Executive Directors was further confirmed by the review of the Nomination Committee made on March 7, 2018. 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.

The Directors have participated in continuous professional training to develop and refresh their knowledge and skills during the Reviewed Period, through for example, receiving 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 and a summary of the latest developments of the rules and regulations applicable to the companies listed in Hong Kong from the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. In addition, Ms. Patrizia Albano has invited the Directors to view a series of webcasts training specifically designed for directors of listed companies that was made available on the Stock Exchange of Hong Kong website. 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 forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for the Reviewed Period.

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 and approved 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 eight meetings (with an average attendance rate of 91.6%) 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 Audit 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, 2017 and the interim financial results as at July 31, 2017) before recommending them to the Board for approval.

The Audit Committee has also held one meeting on March 7, 2018 to review the Group results for Reviewed Period, 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 Reviewed Period, together with non-audit services rendered to Prada S.p.A. amounting to Euro 1,924 thousand, are illustrated below.

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche S.p.A.	516
Other advisory services	Deloitte Network	1,408
Total fees of audit firm for period ended December 31, 2017		1,924

The other advisory services rendered to Prada S.p.A. refer to assistance with the restyling of Prada websites and services connected with the creation of a data warehouse and the development of 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 three 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 2017 financial year.

On March 7, 2018, the Remuneration Committee held one meeting which recommended, among others, the aggregate basic remuneration of the Board of Directors to be approved at the forthcoming shareholders' general meeting.

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 and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

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

During the Reviewed Period, the Nomination Committee held one meeting (with an attendance rate of 100%) to assess and confirm the independence of the Independent Non-Executive Directors of the Company for 2016 financial year.

On March 7, 2018, the Nomination Committee held one meeting to assess and confirm the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period and to recommend to the shareholders the structure of the Board and the election of nine directors at the forthcoming shareholders' general meeting.

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 forthcoming shareholders' general meeting to be called to approve the financial statements of the Company for the Reviewed Period.

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 eleven month period from February 1, 2017 to December 31, 2017 with a view to ensuring such Separate 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 the Company has amended its By-laws so as to change the financial year end date from January 31 to December 31. The amended By-laws have been made available for viewing on the Company’s website and the Hong Kong Stock Exchange’s website.

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 2017 AGM of the Company was held on May 31, 2017 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 2017 AGM.

Separate resolutions were proposed at the 2017 AGM relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 31, 2017. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Extraordinary and Ordinary Resolutions passed at the 2017 AGM	Number of Votes cast in favour (%)
Part 1 – Extraordinary Resolution	
1. To approve the amendment of By-laws so as to change the financial year end to 31 December.	2,411,713,975 (94.25%)
Part 2 – Ordinary Resolutions	
1. To approve the Audited Separate Financial Statements and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2017 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,411,733,875 (99.99%)
2. To approve the distribution of the net income for the year ended January 31, 2017 to Shareholders and the utilization of retained earnings, in the form of a final dividend of Euro 12 cents per share.	2,411,944,875 (100%)

All resolutions put to the shareholders at the 2017 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 2017 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	December 31 2017	January 31 2017
Assets			
Current assets			
Cash and cash equivalents	1	180,434,357	112,782,785
Trade receivables, net	2	577,316,531	626,308,421
Inventories	3	248,933,219	222,025,714
Derivative financial instruments - current	4	15,498,172	8,407,542
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties	5	145,870,840	119,937,078
Other current assets	6	117,234,513	158,662,329
Total current assets		1,285,287,631	1,248,123,869
Non-current assets			
Property, plant and equipment	7	712,896,252	640,960,368
Intangible assets	8	192,330,401	171,932,258
Investments in subsidiaries and associated undertakings	9	860,177,724	1,047,464,952
Deferred tax assets	25	29,616,722	31,661,128
Other non-current assets	10	23,815,498	19,245,057
Derivative financial instruments - not current	4	8,018,402	6,031,023
Financial and other receivables from, and advance payments to, parent company, subsidiaries, associates and related parties	5	162,733,949	112,161,011
Total non-current assets		1,989,588,948	2,029,455,797
Total Assets		3,274,876,579	3,277,579,666
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short terms loans	11	264,498,871	62,870,977
Financial and other payables parent company, subsidiaries, associates and to related parties - current	12	86,032,136	309,854,452
Trade payables	13	706,731,930	744,134,273
Current tax payables	14	18,469,338	10,598,950
Derivative financial instruments - current	4	7,556,775	11,805,871
Other current liabilities	15	99,001,682	81,826,189
Total current liabilities		1,182,290,731	1,221,090,711
Non-current liabilities			
Long-term financial payables	16	523,909,041	456,497,466
Employee benefits	17	30,549,250	35,844,728
Provision for risk and charges	18	10,152,713	31,010,624
Deferred tax liabilities	25	5,455,950	3,979,696
Other non-current liabilities	19	26,892,917	20,110,302
Derivative financial liabilities - not current	4	7,085,978	7,607,801
Financial and other payables to parent company, subsidiaries, associates and related parties	12	68,873,510	13,877,911
Total non-current liabilities		672,919,358	568,928,527
Total liabilities		1,855,210,089	1,790,019,238
Share capital		255,882,400	255,882,400
Other reserves		1,002,230,125	1,048,322,568
Net income/(loss) of the year		161,553,965	183,355,460
Shareholders' equity	20	1,419,666,490	1,487,560,428
Total liabilities and shareholders' equity		3,274,876,579	3,277,579,666

Statement of Profit or Loss

(amounts in Euro)	Note	December 31 2017	January 31 2017
Net revenues	21	1,498,554,124	1,583,749,633
Cost of goods sold	22	(668,697,357)	(732,300,426)
Gross Margin		829,856,768	851,449,207
Operating expenses	23	(600,209,546)	(651,742,082)
EBIT		229,647,221	199,707,125
Interest and other financial expenses, net	24	(46,810,059)	(32,707,263)
Dividends from investments	24	24,778,793	80,739,114
Income before taxation		207,615,956	247,738,976
Taxation	25	(46,061,991)	(64,383,515)
Net income for the period		161,553,965	183,355,460

Statement of Comprehensive Income

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Net income for the period	161,554	183,355
Items recycled to P&L		
Change in Cash Flow Hedge reserve	4,581	(2,236)
Tax impact	(1,099)	541
Change in Cash Flow Hedge reserve less Tax Impact	3,482	(1,695)
Change in Fair Value reserve	(5,569)	-
Tax impact	-	-
Change in Fair Value reserve less Tax Impact	(5,569)	-
Items not recycled to P&L		
Change in Actuarial reserve	(681)	(755)
Tax impact	90	46
Change in Actuarial reserve less Tax Impact	(591)	(709)
Total comprehensive income	158,876	180,951

Statement of Cash Flows

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Cash flows generated by operating activities:		
Income before taxation	207,616	247,739
Adjustments for:		
Depreciation and amortization	45,559	47,437
Impairment of fixed assets	2,247	1,404
Losses/(gains) on disposal of fixed assets	(101)	112
Impairment of investments	33,433	24,328
Non-monetary financial income (expenses)	(21,438)	(76,698)
Provisions and other non-monetary charges	(16,287)	11,512
Changes in statement of financial position:		
Trade receivables, net	6,167	(126,128)
Inventories, net	(28,728)	114,861
Trade payables	(37,402)	157,028
Other current assets and liabilities	46,708	(6,705)
Other non-current assets and liabilities	(18,168)	(8,528)
Cash flows generated by operating activities	219,606	386,362
Interest paid, net	(8,963)	(9,488)
Income taxes paid, net	-	(54,769)
Net cash flows generated by operating activities	210,643	322,105
Cash flow generated (used) by investing activities:		
Purchase of tangible and intangible assets	(112,177)	(93.590)
Disposal of property, plant and equipment	256	2,456
Investments in subsidiaries	(10,168)	(49,243)
Dividends received	24,779	80,739
Cash flows generated (used) by investing activities	(97,310)	(59,638)
Cash flows generated (used) by financing activities		
Dividends paid	(307,059)	(281,469)
Change in short-term bank loans	(218)	(148,841)
Change in short-term intercompany loans	-	14,034
Repayment of loans from subsidiaries	27,415	30,213
(Disbursement) of loans to subsidiaries	(34,964)	(15,394)
Repayment of short-term portion of long-term bank loans	(30,356)	(436)
New long term borrowings arranged	299,500	95,102
Cash flow generated (used) by financing activities	(45,682)	(306,791)
Change in cash and cash equivalents net of bank overdraft	67,651	(44,324)
Exchange differences	-	-
Opening cash and cash equivalents, net of bank overdraft	112,783	157,107
Closing cash and cash equivalents, net of bank overdraft	180,434	112,783
Cash and bank balances	180,434	112,783
Bank overdraft	-	-
Closing cash and cash equivalents, net of bank overdraft	180,434	112,783

Statement of Changes in Equity (amounts in thousands of Euro, 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	Fair value reserve	Net profit (loss) for the year	Total shareholder's equity
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
Net result Allocation	-	-	-	-	-	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
Comprenhensive 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
Net result Allocation	-	-	-	-	-	183,355	-	-	(183,355)	-
Other movements	-	-	-	-	-	80,290	-	-	-	80,290
Dividends paid	-	-	-	-	-	(307,059)	-	-	-	(307,059)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	3,481	(5,569)	161,554	159,466
Comprenhensive income for the year (not recycled to P&L)	-	-	-	-	-	(591)	-	-	-	(592)
Balance at December 31, 2017	2,558,824,000	255,882	410,047	51,176	182,899	361,798	1,879	(5,569)	161,554	1,419,666

Notes to the Financial Statements

Corporate information

PRADA spa is a joint-stock company, registered and domiciled in Italy. Its headquarters are in via A. Fogazzaro 28, Milan, Italy. As of December 31, 2017, approximately 79.98% of PRADA spa's share capital was owned by PRADA Holding spa, an Italian company, and the remainder was 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.

The Company is not subject to the management and control of any other companies or entities, noted in accordance with the disclosure requirements of Italian Civil Code Article Art. 2497 et seq.

The Financial Statements were approved by the Board of Directors on March 9, 2018..

Basis of presentation

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 accounting standards and amendments issued by the IASB, endorsed by the European Union and applicable to PRADA spa from February 1, 2017

Amendments to existing standards	Effective date for Prada	EU endorsement date
IAS 7 Statement of Cash Flows	February 1, 2017	Endorsed in November 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	February 1, 2017	Endorsed in November 2017

Such standards did not have a material impact on these Separated Financial Statements.

New accounting standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to PRADA spa because they are effective for annual periods beginning on or after January 1, 2018.

New standards IFRS and interpretations	Effective date for Prada	EU endorsement date
IFRS 9 Financial Instruments	January 1, 2018	Endorsed in November 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Endorsed in September 2016
IFRS 16 Leases	January 1, 2019	Endorsed in October 2017
Amendments to IFRS 4	January 1, 2018	Endorsed in November 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Endorsed in October 2017
2014-2016 Cycle affecting IFRS 1, IAS 28, IFRS 12	January 1, 2018	Endorsed in February 2018

IFRS 9 Financial Instruments

IFRS 9 "Financial instruments" will replace the current IAS 39 and will become effective in three phases: Classification and measurement, hedge accounting and impairment. According to an initial analysis of the financial items recognized as of December 31, 2017, management does not envision a different classification from the one currently used under IAS 39. On the other hand, a new hedge accounting model will be adopted; the fair value of financial instruments will be recognized in the statement of profit or loss solely at the end of the operation, thereby generating less volatility on the Company economics results. The new IFRS 9 also sets out a new "expected loss" impairment model for trade and financial receivables that replaces the "incurred loss" model. Assuming that the new standard will be adopted without restating the data for the period ended December 31, 2017, the Company estimates an adjustment to the retained earnings at January 1, 2018 in between Euro 2 and 3 million.

The estimate refers primarily to the additional writedowns anticipated for receivables due from third parties under the expected loss impairment model pursuant to the new standard (instead of the incurred loss model pursuant to IAS 39). The potential effects on the measurement of the intercompany receivables recognized by the Company and of the guarantees granted to subsidiaries are currently being determined.

IFRS 15 Revenue from Contracts with Customers

This standard will replace IAS 18 "Revenue", IAS 11 "Construction Contracts" as well as interpretations IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenues-Barter Transactions Involving Advertising Services".

The standard establishes a new model for recognizing revenue based on the allocation of the transaction selling price to each performance obligation identified within a contract with the customer. The recognition of revenue depends on how a performance obligation is satisfied, whether at a point in time or over time. The new standard does not allow revenue to be recognized before the control of the promised goods or services is transferred to the customer. Moreover, the costs of fulfilling customer contracts may be capitalized when such costs are directly related to the contract and recovered over the life of the contract.

The adoption of the new standard requires using a different accounting treatment from the one currently used by the Company for the returns provision. Under the new standard, the gross value (sell-in value) of the expected returns is recognized as a liability (with a corresponding entry to revenues) and the right to recover products returned by customers is recognized as an returns asset (with a corresponding entry to cost of sales).

Assuming that the new standard will be adopted without retroactive effects on previous reporting periods, no material adjustments to the retained earnings at January 1, 2018 were identified. No material adjustment to the classification of revenue and expense in the statement of profit or loss was identified given that the Company acts on its own behalf ("principal") in each activity concerning finished product sales. Moreover, the new standard is considered to have a practically neutral effect on the licensing agreements for the manufacture and marketing of eyewear and fragrances.

IFRS 16 Leases

IFRS 16 shall supersede IAS 17 "Leases", interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases—Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". Under the new standard, the lessee recognizes a right-of-use asset and a lease liability. The leased asset, recognized as an asset in the lessee's statement of financial position, entails accounting for interest expense and depreciation over its useful life. The lease liability is initially measured at the present value of the lease payments due over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use its incremental borrowing rate. The new standard is not applicable to leases with a lease term of less than 12 months and leases where the underlying asset has a low value (such as personal computers).

Consistently with the current application of IAS 17, under the new standard lessors shall classify each lease according to its type: a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; otherwise it is an operating lease. The lessor recognizes financial income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

It is reasonable to expect that this new standard will have a material impact for the Company with respect to its leases for retail space. An initial measurement of the non-indexed liability not discounted for future payments and hence of the right-of-use value may be given by the total obligations under the leases, as reported in the "Commitments" paragraph. According to this information, prepared in accordance with IAS 17, the future lease payments for leases in effect as of December 31, 2017 amount to Euro 348 millions.

New standards, amendments and guidance issued by the IASB, but not yet endorsed by the European Union at the reporting date of the Separated Financial Statements.

New IFRS standards and interpretations	Effective date for Prada	EU endorsement date
IFRS 17 Insurance Contracts	January 1, 2021	Not endorsed yet
IFRIC Interpretation 22: "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	Not endorsed yet
IFRIC Interpretation 23: "Uncertainty over Income Tax Treatments"	January 1, 2019	Not endorsed yet

Amendments to existing standards	Effective date for Prada	EU endorsement date
IFRS 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Not endorsed yet
IAS 40: Transfers of Investment Property	January 1, 2018	Not endorsed yet
IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	Not endorsed yet
IAS 28: Long-term Interests in Associates and Joint Ventures	January 1, 2019	Not endorsed yet
2015-2017 Cycle affecting IFRS 3, IFRS 11, IAS 12, IAS 23	January 1, 2019	Not endorsed yet

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 Profit or Loss 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 profit or loss.

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 profit or loss for the period in which the profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss.

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 profit or loss.

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 profit or loss.

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 profit or loss 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 profit or loss.

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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss 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 profit or loss.

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 profit or loss – 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 profit or loss 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 profit or loss in the period in which the error is identified.

The effect of changes in accounting estimates is prospectively recorded in the profit or loss 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 profit or loss.

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, returns, 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.

Significant acquisitions and divestments

PRADA India Fashion Private Limited, an inactive company, was liquidated on March 16, 2017 after deciding not to open stores in the country.

PRADA Far East II bv, wholly owned by PRADA spa, completed the transferal of its registered office to Italy and changed its name to PRADA Far East II srl on April 7, 2017. On November 1 the company was absorbed into PRADA spa, with a retroactive effective date of February 1, 2017 for accounting and tax purpose.

PRADA spa acquired an additional 30% stake in subsidiary Hipic Prod Impex srl on April 18, 2017, bringing its ownership to 80%.

PRADA Hong Kong P.D. Limited was absorbed into PRADA Asia Pacific Limited on May 1, 2017.

Statement of financial position

1. Cash and cash equivalents

The composition of cash and cash equivalents as of December 31, 2017 and January 31, 2017 is presented hereunder:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Cash on hand	2,396	1,032
Bank deposit accounts	1	1
Bank current accounts	178,037	111,749
Total cash and cash equivalents	180,434	112,783

The Statement of Cash Flows and Financial Review provide additional information on the cash flows of the period.

2. Trade receivables

Trade receivables are detailed below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Trade receivables - Third parties	171,817	159,534
Trade receivables - Parent company	53	788
Trade receivables - Subsidiaries and associates	392,732	442,950
Trade receivables – Related companies	12,715	23,036
Total trade receivables	577,317	626,308

Trade receivables due from third parties increased by Euro 12 million, in line with the growth in wholesale sales. Sales to major online sellers rose in particular, as explained in the Financial Review.

The decrease in trade receivables due from subsidiaries is attributable to the change in the reporting date.

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 on an itemized basis, using all information available at the time the financial statements were prepared, in order to align the receivables to their estimated realizable value.

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Trade receivables, gross	176,542	163,079
Allowance for bad and doubtful debts	(4,724)	(3,545)
Trade receivables, net	171,817	159,534

The annual changes in the allowance were as follows:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Opening balance	3,545	3,222
Contributed upon merger	-	31
Increases	1,695	450
Utilized	(516)	(159)
Closing amount	4,724	3,545

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

(amounts in thousands of Euro)	Dec 31 2017	Current	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables, third and related parties	189,309	174,084	1,871	4,028	1,624	925	6,777
Trade receivables, parent, subsidiaries, associates	392,732	263,326	17,371	27,604	15,962	7,192	61,277
Total	582,041	437,410	19,242	31,632	17,586	8,117	68,054

(amounts in thousands of Euro)	Jan 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

3. Inventories

Inventories can be broken down as follows:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Raw materials	97,186	99,014
Work in progress	23,896	20,296
Finished products	173,596	148,273
Allowance for obsolete and slow-moving inventories	(45,745)	(45,558)
Inventories, net	248,933	222,026

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 2017	25,374	20,184	45,558
Increases	-	2,235	2,235
Utilized	-	(48)	(48)
Reversal	(2,000)	-	(2,000)
Balance at December 31 2017	23,374	22,371	45,745

4. Derivative financial instruments: assets and liabilities

The current and non-current portions of the assets are presented below by derivative instrument:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Financial assets regarding derivative instruments, current	15,499	8,408
Financial assets regarding derivative instruments, non-current	8,018	6,031
Net carrying amount	23,517	14,439

The current and non-current portions of the liabilities are presented below by derivative instrument:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Financial liabilities regarding derivative instruments, current	(7,557)	(11,806)
Financial liabilities regarding derivative instruments, non-current	(7,086)	(7,608)
Net carrying amount	(14,643)	(19,414)

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

(amounts in thousands of Euro)	December 31 2017	January 31 2017	IFRS7 Category
Forward contracts	15,722	6,016	Level II
Options	207	876	Level II
Interest rate swap – fair value through profit and loss	7,588	7,547	Level II
Positive fair value	23,517	14,439	
Forward contracts	(3,573)	(8,652)	Level II
Options	(501)	(133)	Level II
Interest rate swap – cash flow hedge	(3,208)	(3,332)	Level II
Interest rate swap – fair value through profit and loss	(7,361)	(7,296)	Level II
Negative fair value	(14,643)	(19,414)	
Net carrying amount	8,874	(4,975)	

All of 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 Level 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 the 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 the inflows from trade receivables and outflows for 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 December 31, 2017) are listed below.

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

(Amounts in thousands of Euro)	Options	Forward sale contracts	December 31 2017
Currency			
US Dollar	-	175,102	175,102
Chinese Renmimbi	-	142,548	142,548
Japanese Yen	-	87,031	87,031
GB Pound	-	80,306	80,306
Hong Kong Dollar	6,936	78,852	85,788
Korean Won	-	55,876	55,876
Singapore dollar	-	22,421	22,421
Canadian dollar	-	20,181	20,181
Russian Rublo	-	13,907	13,907
Swiss Franc	-	10,212	10,212
Other	-	49,414	49,414
Total	6,936	735,850	742,786

All the contracts in place as of the reporting date will mature by December 31, 2018.

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 place as of January 31, 2017 matured by January 31, 2018.

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

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Forward contracts		
Currency		
GB Pound	20,288	22,229
Swiss Franc	48,710	7,499
US Dollar	43,880	7,322
Japanese Yen	18,073	8,201
Other	8,475	-
Total	139,426	45,251

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 no counterparties are expected to default.

Interest rate transactions

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

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	December 31, 2017	Currency	Lending institution	Amount	Maturity
IRS	Euro/000	45,833	1.457%	May-2030	(2,204)	Euro/000	Intesa-Sanpaolo	45.833	May-2030
IRS	Euro/000	60,000	0.105%	Mar-2019	(304)	Euro/000	Unicredit	60.000	Mar-2019
IRS	Euro/000	90,000	0.013%	Feb-2021	(177)	Euro/000	Unicredit	90.000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(523)	Euro/000	CR Firenze	100.000	Jun-2021
Total					(3,208)				

Interest Rate Swap (IRS)						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2017	Currency	Lending institution	Amount	Maturity
IRS	Euro/000	49,500	1.457%	May-2030	(2,563)	Euro/000	Intesa-Sanpaolo	49,500	May-2030
IRS	Euro/000	60,000	0.105%	Mar-2019	(470)	Euro/000	Unicredit	60,000	Mar-2019
IRS	Euro/000	90,000	0.013%	Feb-2021	(300)	Euro/000	Unicredit	90,000	Feb-2021
Total					(3,333)				

The IRS convert the variable interest rates on bank loans into fixed interest rates. They have been arranged with major financial institutions, and no counterparties are expected 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. Therefore, 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	December 31, 2017	January 31, 2017	Counter-party
						Fair value Euro/000	*Fair value Euro/000*	
IRS	GBP/000	55,950	2.778%	Libor GBP/365	31/01/2029	(7,361)	(7,296)	Unicredit
IRS	GBP /000	55,950	Libor GBP/365	2.83%	31/01/2029	7,588	7,546	Kenon Ltd
Total IRS – *Fair value through profit or loss*						227	250	

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, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	180,434	-	180,434	1
Trade receivables, net	577,317	-	577,317	2
Derivative financial instruments	-	23,517	23,517	4
Financial receivables from parent, subsidiary and associated companies and related parties	298,084	-	298,084	5
Total at December 31, 2017	1,055,835	23,517	1,079,352	

(amounts in thousands of Euro)	Loans, receivables and financial investments	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 at January 31, 2017	953,572	14,439	968,010	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables - third party	788,408	-	788,408	11,16
Financial payables - parent, subsidiary and associated companies and related parties	149,972	-	149,972	12
Trade payables	706,732	-	706,732	13
Derivative financial instruments	-	14,643	14,643	4
Total at December 31, 2017	1,645,112	14,643	1,659,755	

(amounts in thousands of Euro)	Loans and payables	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 at January 31, 2017	1,583,562	19,414	1,602,976	

Fair Value

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

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

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

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 from sales to independent clients 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 on "trade receivables".

Liquidity risk

Liquidity risk refers to the difficulty the Company could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Group's Treasury management, which reports to the Chief Financial Office ("CFO") , is in charge of optimizing the financial resources.

According to the Directors, 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, working capital management, punctual loan repayment and dividend payments without using all the available funding, so that surplus resources may thus be used to pay dividends.

As of December 31, 2017, the Company had undrawn cash credit lines of Euro 523 million. As required by IFRS 7, with respect to forward contracts and options, only the anticipated cash flows that are 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 December 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 December 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	(3,573)	(1,800)	(1,773)	-	-	-
Other contracts designated as cash flow hedges (Options)						
Cash outflows	-	-	-	-	-	-
Interest rate swaps	(3,007)	(925)	(880)	(1,106)	(139)	43
Net value	(6,581)	(2,725)	(2,653)	(1,106)	(139)	43

(amounts in thousands of Euro)	Future contractual cash flows at January 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)

Financial liabilities

(amounts in thousands of Euro)	Reported amount at Dec. 31 2017	Future contractual cash flows at Dec. 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	788,408	803,918	-	16,225	252,349	235,801	31,612	220,537	47,393
Financial payables to subsidiaries, parent company and related parties	82,751	87,678	-	16,164	822	70,692	-	-	-
Total	871,159	891,596	-	32,389	253,172	306,493	31,612	220,537	47,393

(amounts in thousands of Euro)	Reported amount at Jan. 31 2017	Future contractual cash flows at Jan. 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

Foreign exchange risk

The Company is exposed to foreign exchange risk deriving from 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 the 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 fluctuation range for the main foreign currencies against the Euro, based on the Company's financial position and performance at December 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	698	4,296	964	(2,113)
Hong Kong Dollar	5,098	9,342	(4,422)	(7,053)
Japanese Yen	4,464	10,250	(613)	(2,736)
Chinese Remnimbi	2,778	6,826	(3,225)	(9,930)
US Dollar	846	9,384	1,650	(4,618)
Other currencies	5,220	10,606	4,307	(4,669)
Total	19,105	50,704	(1,339)	(31,118)

The total impact on equity (increase of Euro 50.7 million and decrease of Euro 31.1 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 period.

Interest rate risk

The Company is exposed to the risk of interest rate fluctuations with respect mainly 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 December 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%	(2,385)	3,056	- 0.50%	1,729	(3,303)
GB Pound	+ 0.50%	618	618	- 0.50%	405	405
Hong Kong Dollar	+ 0.50%	10	10	- 0.50%	(10)	(10)
US Dollar	+ 0.50%	(207)	(207)	- 0.50%	207	207
Other currencies	+ 0.50%	312	312	- 0.50%	(312)	(312)
Total		(1,652)	3,789		2,020	(3,013)

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 period. 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)	December 31 2017	January 31 2017
Financial receivables	135,350	102,319
Other receivables	10,521	17,618
Financial and other receivables – due within a year	145,871	119,937

Financial receivables include bank deposits of Euro 4 million and short-term loans of Euro 128.3 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)	December 31 2017	January 31 2017
Financial receivables	162,734	112,161
Financial receivables – due after or more than a year	162,734	112,161

The financial receivables include the principal on the loans to subsidiaries due after more than 12 months. The increase in the item is attributable primarily to loans deriving from the absorption of subsidiary Prada Far East II srl, which had granted loans to its Asian subsidiaries.

6. Other current assets

The other current assets are set forth below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
VAT	25,056	26,941
Income tax and other tax receivables	52,976	94,159
Other assets	10,709	5,799
Prepayments	28,277	31,661
Deposits	217	102
Total other current assets	117,235	158,662

The other tax receivables consist of the total advances paid net of the current tax liability.

The other current assets are detailed hereunder:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Advances to suppliers	250	668
Advances to employees	494	309
Other receivables	9,965	4,822
Total other current assets	10,709	5,799

The prepayments and accrued income are broken down below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Rental costs	3,979	6,823
Insurance	597	906
Design costs	11,743	13,182
Fashion shows and advances on advertising campaigns	8,126	3,267
Amortized costs on loans	820	1,077
Other	3,012	6,406
Total prepayments and accrued income	28,277	31,661

The prepaid design costs consist primarily of costs incurred to design collections that will generate revenue in the following period.

7. Property, plant and equipment

The changes in the historical cost and accumulated depreciation of the past three periods 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 carrying amount
Historical cost	450,751	133,752	67,901	51,309	88,259	38,775	830,747
Accumulated depreciation	(46,344)	(108,105)	(36,228)	(34,320)	(49,838)	-	(274,834)
Net carrying amount at January 31, 2016	404,408	25,647	31,673	16,989	38,421	38,775	555,913
Historical cost	502,566	151,417	133,875	92,406	95,136	27,537	1,002,937
Accumulated depreciation	(60,977)	(118,854)	(68,691)	(54,943)	(58,512)	-	(361,977)
Net carrying amount at January 31, 2017	441,589	32,563	65,184	37,464	36,623	27,537	640,960
Historical cost	527,914	166,083	135,839	98,746	113,576	62,793	1,104,950
Accumulated depreciation	(72,779)	(125,503)	(73,226)	(58,548)	(61,997)	-	(392,053)
Net carrying amount at December 31, 2017	455,133	40,580	62,613	40,198	51,579	62,793	712,896

The changes in the carrying amount of "Property, plant and equipment" for the reporting period ended December 31, 2017 are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total Net carrying amount
Balance at January 31, 2017	441,589	32,563	65,184	37,464	36,623	27,537	640,960
Additions	21,817	14,247	4,633	8,962	19,671	39,518	108,848
Depreciation	(11,805)	(6,755)	(7,187)	(3,875)	(4,698)	-	(34,320)
Disposals	(2)	(15)	-	(6)	(10)	(119)	(152)
Other movements	3,534	540	(17)	(100)	(7)	(4,143)	(193)
Impairment	-	-	-	(2,247)	-	-	(2,247)
Balance at December 31, 2017	455,133	40,580	62,613	40,198	51,579	62,793	712,896

"Land and buildings" includes capitalized interest of Euro 1.2 million as of December 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 intended to increase 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 assets under construction is attributable to investments in industrial buildings, for the new logistics hub and manufacturing workshops in Tuscany and the Marches.

"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 historical cost and accumulated amortization of the past three periods are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
Historical cost	2,102	85,762	11,061	73,917	26,244	7,675	206,761
Accumulated depreciation	(2,101)	(3,464)	(4,287)	(59,423)	(11,649)	-	(80,924)
Net carrying amount at January 31, 2016	1	82,299	6,774	14,494	14,595	7,675	125,837
Historical cost	2,102	111,875	58,521	89,540	26,530	9,115	297,682
Accumulated depreciation	(2,101)	(3,464)	(41,605)	(64,828)	(13,752)	-	(125,750)
Net carrying amount at January 31, 2017	1	108,411	16,916	24,713	12,778	9,115	171,932
Historical cost	13,430	111,875	58,521	106,477	26,530	12,486	329,319
Accumulated depreciation	(2,809)	(3,464)	(43,401)	(71,734)	(15,581)	-	(136,989)
Net carrying amount at December 31, 2017	10,621	108,411	15,120	34,743	10,949	12,486	192,330

The changes in the carrying amount of intangible assets for the period ended December 31, 2017 are set forth below:

(amounts in thousands of Euro)	Trademarks and intellectual property rights	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
Balance at January 31, 2017	1	108,411	16,916	24,713	12,778	9,115	171,932
Additions	8,329	-	-	11,654	-	8,658	28,641
Amortization	(708)	-	(1,796)	(6,906)	(1,829)	-	(11,239)
Disposals	-	-	-	(3)	-	(1)	(4)
Other movements	3,000	-	-	5,286	-	(5,286)	3,000
Balance at December 31, 2017	10,621	108,411	15,120	34,743	10,949	12,486	192,330

The increase for "trademarks" is attributable to the recognition of image rights.

Goodwill

"Goodwill" as of December 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 8.23%. 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 December 31, 2017 did not identify any impairment losses on goodwill.

9. Investments in associates

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Investments in subsidiaries and associated undertakings	851,778	1,047,452
Investments available for sale	8,387	-
Other investments	13	13
Total	860,178	1,047,465

The investments available for sale regard a 4.88% stake in Sitoy Group Holdings ltd, whose shares were acquired when PRADA Far East II srl was absorbed into the Company. The company was listed on the Hong Kong Stock Exchange at December 31, 2017.

The value of the investment was restated at fair value in line with the official quoted share price (Level I of the fair value hierarchy according to IFRS 7 "Financial Instruments: Disclosures"). The fair value decrease of Euro 3.4 million compared with January 31, 2017 was recognized in a specific equity reserve. In 2017, Prada spa accounted for net dividends from Sitoy Group Holdings totaling HKD 5.9 million (Euro 0.7 million).

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

(amounts in thousands of Euro)	Note	January 31 2017	Increases	Decreases	December 31 2017
Investments in subsidiaries:					
Artisans Shoes Srl		2,706	-	-	2,706
Church & Co Ltd	(1)	-	136,770	-	136,770
Church Holding UK Plc	(2)	108,828	34,317	(143,145)	-
Hipic Prod Impex Srl	(3)	2,490	1,346	(1,525)	2,311
IPI Logistica Srl		1,798	-	-	1,798
Kenon Limited	(4)	-	99,478	-	99,478
Marchesi Angelo Srl		8,662	-	-	8,662
Montenapoleone 9 Srl	(5)	-	3,807	(3,807)	-
Pelletteria Ennepì S.r.l.		4,125	-	-	4,125
Post Development Corp.		54,807	-	-	54,807
PRADA (Thailand) Co.,Ltd.	(4)	-	4,845	-	4,845
PRADA Asia Pacific Ltd.	(6)	-	1,120	-	1,120
PRADA Australia Pty. Ltd	(4)	-	7,267	-	7,267
PRADA Austria Gmbh		2,185	-	-	2,185
PRADA Belgium sprl	(7)	804	1,000	-	1,804
PRADA Bosphorus Deri Mamuller Limited Sirketi		22,897	-	-	22,897
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	(8)	19,694	-	(7,945)	11,749
PRADA Canada Corp.		5,086	-	-	5,086
PRADA Czech Republic s.r.o.		1,894	-	-	1,894
PRADA Denmark Aps	(9)	2,739	752	-	3,491
PRADA Far East II Srl	(4)	379,967	-	(379,967)	-
PRADA Finnish Oy		3	-	-	3
PRADA Germany Gmbh		14,122	-	-	14,122
PRADA Hellas Single Partner Limited Liability Company		1,764	-	-	1,764
PRADA Hong Kong P.D. Limited	(6)	1,120	-	(1,120)	-
PRADA India Fashion Private Limited	(4)	-	-	-	-
PRADA Japan Co., Ltd.	(4)	-	28,770	-	28,770
PRADA Kazakhstan Llp	(10)	5,390	-	(452)	4,938
PRADA Korea Ltd.	(4)	-	10,631	-	10,631
PRADA Maroc Sarlau	(11)	-	4,350	(4,350)	-
PRADA Middle East Fzco		2,069	-	-	2,069
PRADA Montecarlo Sam		14,029	-	-	14,029
PRADA Netherlands Bv		3,623	-	-	3,623
PRADA New Zealand Pty. Ltd	(4)	-	2,192	-	2,192
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		48,195	-	-	48,195
PRADA Retail Malaysia Sdn	(4)	-	292	-	292
PRADA Retail South Africa (Pty) Ltd		3,709	-	-	3,709
PRADA Retail Spc		3,041	-	-	3,041
PRADA Retail UK Ltd		21,170	-	-	21,170
PRADA Rus Llc	(10)	53,740	-	(3,766)	49,974
PRADA Sa		23,315	-	-	23,315
PRADA SA,Lux,Swiss Branch		-	-	-	-
PRADA St. Barthelemy sarl		1,220	-	-	1,220
PRADA Saudi Arabia Ltd.		6,734	-	-	6,734
PRADA Singapore Pte, Ltd.	(4)	-	2,478	-	2,478
PRADA Spain Sa		13,500	-	-	13,500
PRADA Sweden Ab	(4)	-	8,121	-	8,121
PRADA Switzerland sa		60,151	-	-	60,151
PRADA Ukraine llc	(11)	-	7,070	(7,070)	-

(amounts in thousands of Euro)		January 31 2017	Increases	Decreases	December 31 2017
PRADA Usa Corp.	(4)	145,759	-	-	145,759
PRADA Vietnam Limited Liability Company		-	2,637	-	2,637
Prm Services S. De R.L. de CV	(4)	407	-	-	407
PT Prada Indonesia		-	-	-	-
Tannerie Limoges sas	(4)	1,374	-	-	1,374
TRS Hong Kong Ltd	(4)	-	31	-	31
TRS New Zealand Pty. Ltd	(4)	-	39	-	39
TRS Saipan Boutique	(4)	-	4	-	4
TRS Singapore Pte Limited		-	156	-	156
Investments in other entities		13	8,387	-	8,400
Total		1,047,465	365,860	(553,147)	860,178

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

(amounts in thousands of Euro)	December 31 2017
Church Holding UK PLC	(6,375)
Hipic Prod Impex Srl	(1,525)
Montenapoleone 9 Srl	(1,909)
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	(7,945)
PRADA India Fashion Private Limited	(1)
PRADA Kazakhstan Llp	(452)
PRADA Maroc Sarlau	(2,212)
PRADA Rus Llc	(3,766)
PRADA Ukraine Llc	(7,070)
PT PRADA Indonesia	(195)
Total	(31,450)

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) The stake in Church & co Ltd was purchased by way of a dividend distribution in kind by Church Holding UK on December 19, 2017 as part of the Church group restructuring process that will make Church & Co the group's parent company. Church Holding UK distributed capital reserves to PRADA spa, transferring the share ownership of its subsidiary, Church & co, at the fair value resulting from a corporate valuation.

(2) The increase in the investment refers to the recapitalization carried out by PRADA spa through the waiver of its receivables on December 18, 2017. The decrease represents the write-off of the entire carrying value pursuant to the aforementioned distribution of its reserves, which reduced the equity to one pound. Church Holding UK is being liquidated, which will result in its cancellation and extinction in 2018.

(3) On April 18, 2017, PRADA spa purchased a 30% of Hipic's shares, bringing its stake therein to 80%. The increase is equal to the value of the stake purchased (Euro 1,275 thousand), plus transaction costs. The decrease refers to the writedown entered in the period to adjust for impairment losses.

(4) On October 24, 2017 subsidiary PRADA Far East II srl was merged through absorption into the Company, with the accounting effects backdated to February 1, 2017. The increases represent the carrying amounts originating from the absorbed company, a sub-holding company that owned the retail companies operating in Asia and Sweden, as well as a real-estate company operating in the UK. The decrease represents the elimination of the investment pursuant to the absorption merger.

(5) The increases refer to the debt waived to recapitalize the company. The decreases refer to the writedown. A provision for loss coverage was entered for Montenapoleone 9's losses.

(6) On May 1, 2017, PRADA Hong Kong P.D. was merged by absorption into PRADA Asia Pacific Ltd. The increase represents the allocation of PRADA spa's investment in PRADA Hong Kong pd.

(7) The increase represents the share capital increase subscribed and paid in on October 26, 2017.

(8) The decrease represents the writedown, equal to the loss for the period.

(9) The increase represents the share capital increase subscribed and paid in on February 16, 2017.

(10) The decrease refers to the writedown.

(11) The increase refers to capital paid to recapitalize the company. The decrease refers to the writedown.

Additional information on subsidiaries and associates:

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
Artisans Shoes Srl	2,706	1,000	2,451	9,415	66.70%
Church & Co Ltd	136,770	3,168	(26,498)	68,927	100.00%
Church Holding UK Plc	-	-	(37,962)	-	100.00%
Hipic Prod Impex Srl	2,311	43	(532)	(1,604)	80.00%
IPI Logistica Srl	1,798	600	60	2,785	100.00%
Kenon Limited	99,478	94,677	(224)	84,776	100.00%
Marchesi Angelo Srl	8,662	23	106	741	80.00%
Montenapoleone 9 Srl	-	1,000	(3,963)	(2,054)	100.00%
Pelletteria Ennepì S.r.l.	4,125	93	290	2,221	80.00%
Post Development Corp.	54,807	37,637	2,495	69,659	100.00%
PRADA (Thailand) Co.,Ltd.	4,845	9,509	385	12,481	100.00%
PRADA Australia Pty. Ltd	7,267	8,797	1,034	10,708	100.00%
PRADA Asia Pacific Ltd.	1,120	320	51,172	824,300	100.00%
PRADA Austria Gmbh	2,185	40	817	6,984	100.00%
PRADA Belgium sprl	1,804	1,800	147	1,947	100.00%
PRADA Bosphorus Deri Mamuller Limited Sirketi	22,897	16,057	223	15,121	100.00%
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	11,749	52,858	(7,275)	13,129	100.00%
PRADA Canada Corp.	5,086	200	632	29,120	100.00%
PRADA Czech Republic s.r.o.	1,894	98	199	1,479	100.00%
PRADA Denmark Aps	3,491	3,492	(91)	3,885	100.00%
PRADA Finnish Oy	3	3	(75)	(340)	100.00%
PRADA Germany Gmbh	14,122	215	(423)	15,252	100.00%
PRADA Hellas Single Partner Limited Liability Company	1,764	2,850	(52)	960	100.00%
PRADA Japan Co., Ltd.	28,770	8,888	3,962	24,319	100.00%
PRADA Kazakhstan Llp	4,938	1,256	(8)	1,602	100.00%
PRADA Korea Ltd.	10,631	6,350	3,521	57,070	100.00%
PRADA Maroc Sarlau	-	8,478	2,059	6	100.00%
PRADA Middle East Fzco	2,069	4,086	3,519	47,254	60.00%
PRADA Montecarlo Sam	14,029	2,000	(876)	83	100.00%
PRADA Netherlands Bv	3,623	20	412	12,129	100.00%
PRADA New Zealand Pty. Ltd	2,192	2,077	40	1,886	100.00%
PRADA Panama, Sa	1,760	25	(108)	1,749	100.00%
PRADA Portugal, Unipessoal LDA	955	5	102	2,474	100.00%
PRADA Retail Aruba nv	1,623	1,677	(36)	1,748	100.00%
PRADA Retail France Sas	48,195	4,000	(1,467)	26,562	100.00%
PRADA Retail Malaysia Sdn	292	206	272	8,215	100.00%
PRADA Retail South Africa (Pty) Ltd	3,709	3,377	(66)	3,231	100.00%
PRADA Retail Spc	3,041	3,411	536	6,260	100.00%
PRADA Retail UK Ltd	21,170	5,636	1,178	32,034	100.00%
PRADA Rus Llc	49,974	4	272	39,791	100.00%
PRADA Sa	23,315	31	(243)	(12,173)	100.00%
PRADA Saudi Arabia Ltd.	6,734	5,929	(1,984)	(3,096)	75.00%
PRADA Singapore Pte, Ltd.	2,478	624	726	18,278	100.00%
PRADA Spain Sa	13,500	240	176	1,233	100.00%
PRADA St. Barthelemy sarl	1,220	1,220	(60)	1,138	100.00%
PRADA Sweden AB	8,121	51	51	5,422	100.00%
PRADA Switzerland sa	60,151	20,509	(3,129)	17,956	100.00%
PRADA Ukraine llc	-	7,165	(466)	927	100.00%
PRADA Usa Corp.	145,759	126,916	(7,639)	223,543	100.00%
PRADA Vietnam Limited Liability Company	2,637	2,495	(27)	2,117	100.00%
Prm Services S. De R.L. de CV	407	304	32	596	100.00%
PT PRADA Indonesia	-	186	(40)	(7)	100.00%
Tannerie Limoges Sas.	1,374	955	(196)	175	60.00%

(amounts in thousands of Euro)	Carrying amount	Share Capital	Latest net income / (loss)	Shareholders' equity	% interest held
TRS Hong Kong Ltd	31	53	(6)	65	55.00%
TRS Hong Kong Ltd - Macau	-	-	3,002	12,538	55.00%
TRS New Zealand Pty. Ltd	39	59	(16)	197	55.00%
TRS Okinawa kk	-	74	799	5,637	55.00%
TRS Saipan Boutique	4	1,172	258	2,777	55.00%
TRS Singapore Pte Limited	156	312	241	2,003	55.00%
	851,778				

The amounts shown are those reported for consolidation purposes before the resolutions of the respective Boards of Directors which approve 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)	December 31 2017	January 31 2017
Sundry other long-term receivables	17,813	13,133
Deferred rental income	3,566	4,530
Long-term guarantee deposits	2,436	1,582
Total	23,815	19,245

The sundry other long-term receivables refer primarily to the portion of stamp duty paid on the Galleria Vittorio Emanuele II concession fees; the increase originates from the receivables acquired from absorbed company Prada Far East II srl.

They also include Euro 0.5 million relating to insurance policies in respect of leaving indemnities for some employees and other costs pertaining to future periods.

The security deposits are set forth below by type:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Nature:		
Stores	1,842	748
Offices	65	63
Warehouses	18	24
Other	511	747
Total	2,436	1,582

The security deposits are set forth below by maturity:

(amounts in thousands of Euro)	December 31 2017
Maturity:	
By 31.12.18	-
By 31.12.19	75
By 31.12.20	85
By 31.12.21	7
By 31.12.22	1,007
After 31.12.22	1,262
Total	2,436

11. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Bank overdrafts	1	-
Short-term loans	30,053	30,106
Current portion of long term loans	234,766	32,612
Current portion of finance leases	-	218
Deferred costs on loans	(321)	(65)
Short-term financial payables and bank overdrafts	264,499	62,871

The short-term financial payables as of December 31, 2017 consist primarily of a Euro 30 million loan taken out by PRADA spa from Mitsubishi Bank of Tokyo.

The Euro 130 million bond, recognized at January 31, 2017 among the long-term financial payables, was reclassified to the current portion of long-term loans because it matures in 2018.

The remaining current portion of long-term loans is detailed in Note 16.

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

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

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Financial payables	81,099	306,182
Other payables	4,933	3,673
Total payables due within a year	86,032	309,854

The financial payables due to subsidiaries have decreased because of the elimination of Euro 243 million due to Prada Far East II srl (pursuant to the absorption merger).

"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)	December 31 2017	January 31 2017
Financial payables	68,874	13,878
Total payables due after more than a year	68,874	13,878

The ending balance refers entirely to PRADA Asia Pacific Ltd with respect to a loan acquired with the absorption of PRADA Far East II srl. The opening balance, referring to a loan with PRADA sa, was reclassified to the short-term portion.

13. Trade payables

The trade payables are set forth below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Trade payables - Third parties	197,196	156,146
Trade payables - Subsidiaries and associated undertakings	503,082	575,728
Trade payables – Related companies	6,454	12,260
Total	706,732	744,134

The increase in trade payables due to third parties is consistent with the increase in volumes produced.

The breakdown by counterparty of payables due to subsidiaries and associates 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)	Dec. 31 2017	Current	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables - third and related parties	203,650	189,159	5,229	4,034	435	491	4,303
Trade payables – parent, subsidiaries, associates	503,082	481,362	1,854	1,462	978	135	17,290
Total	706,732	670,521	7,083	5,496	1,413	626	21,593

(amounts in thousands of Euro)	Jan. 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

14. Current tax liabilities

The current tax liabilities are set forth below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
VAT and other taxes	6,786	5,630
Social security and pension contribution liabilities	11,683	4,969
Total	18,469	10,599

"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)	December 31 2017	January 31 2017
Payables for capital expenditure	44,153	29,853
Payables to employees	27,700	26,210
Provision for returns	24,543	24,543
Accrued expenses and deferred income	1,691	723
Other payables	914	497
Total	99,002	81,826

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 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 December 31, 2017, described in Notes 7 and 8 on "property, plant and equipment" and "intangible assets", respectively.

"Other payables" includes advances of Euro 0.9 million received from customers.

16. Non-current financial payables

The non-current financial payables are as follows:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Long-term bank borrowings	524,667	327,500
Bonds Private placements	-	130,000
Deferred costs on loans	(758)	(1,003)
Total	523,909	456,497

The long-term bank borrowings as of December 31, 2017, excluding finance lease obligations and amortized costs, are set forth below:

(amounts in thousands of Euro)	Principal	Description	Loan currency	Expiry date	Interest rate (1)	Short-term	Long-term	Guaranties
PRADA spa	130,000	Private Placement	EUR	08/2018	2.750%	130,000	-	-
PRADA spa	16,667	Term-loan	EUR	12/2018	0.600%	16,667	-	-
PRADA spa	60,000	Term-loan	EUR	12/2018	0.325%	60,000	-	-
PRADA spa	40,000	Term-loan	EUR	02/2019	0.608%	-	40,000	-
PRADA spa	60,000	Term-loan	EUR	03/2019	0.755%	-	60,000	-
PRADA spa	15,000	Term-loan	EUR	03/2019	0.710%	10,000	5,000	-
PRADA spa	100,000	Term-loan	EUR	06/2019	0.000%	-	100,000	-
PRADA spa	90,000	Term-loan	EUR	02/2021	0.963%	-	90,000	-
PRADA spa	100,000	Term-loan	EUR	06/2021	0.752%	-	100,000	-
PRADA spa	100,000	Term-loan	EUR	06/2022	0.480%	12,500	87,500	-
PRADA spa	45,833	Term-loan	EUR	05/2030	2.737%	3,666	42,167	Mortgage
Interest accruing and due						1,933		
	657,500					234,766	524,667	

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

In 2017, taking advantage of persistently favorable credit market conditions, PRADA spa secured two new loans of Euro 200 million and Euro 100 million, respectively. The first loan, consisting of an amortizing portion and a bullet portion, contains covenants referring to PRADA spa's consolidated financial statements, All such covenants were met as of December 31, 2017.

A maturity analysis is provided in Note 4.

17. Employee benefits

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Post-employment benefits	20,480	21,097
Other long term employee benefits	10,069	14,747
Total	30,549	35,845

Post-employment benefits

The post-employment benefits recognized as of December 31, 2017 amount to Euro 20.5 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:

	December 31 2017	January 31 2017
Average duration of plan (years)	10.8	10.4
Discount rate	1.137%	1.234%
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	799
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	-
(c) Other	(118)
Actuarial (gains)/losses	**681**

Sensitivity analysis conducted on the main actuarial assumptions used as of December 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)	2018	2019	2020	2021	After 2021
Defined Benefit Plans (TFR)	1,372	1,011	999	987	19,153

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

(amounts in thousands of Euro)	
Balance at January 31, 2017	**21,097**
Current service costs	71
Financial expenses	(34)
Actuarial (Gains)/Losses	681
Indemnities paid	(1,336)
Balance at December 31, 2017	**20,480**

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 value as of December 31, 2017, under the Projected Unit Cost Method, is Euro 10 million (Euro 14.7 million as at January 31, 2017). The valuation was carried out by independent actuary Federica Zappari.

The following table presents the changes in other long-term employee benefits for the period ended December 31, 2017:

(amounts in thousands of Euro)	Other long-term benefits
Balance at January 31, 2017	14,747
Current service costs	3,542
Transfers	334
Reversals	(1,436)
Utilization for payments	(7,118)
Balance at December 31, 2017	10,069

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, 2017	351	23,459	4,036	3,164	31,010
Increases	-	1,014	1,982	23	3,019
Reversals	(351)	(17,371)	(4,036)	(39)	(15,349)
Utilization for payments	-	(747)	-	(1,333)	(8,528)
Balance at December 31, 2017	-	6,355	1,982	1,815	10,152

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. After receiving an assessment of approximately Euro 21 million, the Company filed a dispute. After obtaining successful outcomes in the first and second-instance courts, the case is currently pending at the Supreme Court of Cassation following an appeal lodged by the Italian tax authorities.
In 2017 Prada spa decided to resolve the disputes referred to above through the facilitated settlement procedure for pending tax disputes pursuant to Italian Law Decree 50/2017, Article 11, This entailed filing a specific application to the Italian tax authorities and paying Euro 8.4 million for VAT plus interest, Due to this procedure and reasonable certainty of the outcome, management has reduced its estimate of the Company's contingent liabilities in connection with the dispute resolution.

On August 4, 2006, PRADA spa received a claim for VAT penalties of Euro 5.7 million regarding its alleged failure to issue a self-invoice for the value of a trademark acquired in 2002 with the related business division. The Company, which filed the dispute and obtained unsuccessful rulings 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 by the Supreme Court. In this case PRADA spa decided not to use the facilitated settlement procedure for pending tax disputes under Law Decree 50/2017, Article 11, because the Company had already paid the full amount due while the case was pending, and previously paid amounts are not refunded under the facilitated settlement procedure.

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 Controlled Foreign Company ("CFC") rules to its Dutch sub-holding company, PRADA Far East bv (spun into Prada Far East II srl and then absorbed into PRADA spa), 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 2017. However, following its adherence to the Cooperative Compliance tax regime (under Legislative Decree 128/2015) in November 2017, PRADA spa, in mutual agreement with the Italian Cooperative Compliance Office, proposed the Italian Revenue Agency to file joint petitions to waive the disputes initiated in past years due to the dismissal/inadmissibility of the aforementioned CFC appeal petitions, regardless of the stage at which the proceedings are pending.

In 2012 the Italian Customs Agency initiated an audit of Prada spa for the tax years from 2007 to 2011, which in later years resulted in notices of assessment for the 2010 tax year regarding taxes and interest currently amounting to Euro 0.4 million, against which PRADA spa filed an appeal. In 2017 the first appeal pending with the Livorno Provincial Tax Commission was discussed and ruled in favor of the Company. The Customs Agency has lodged an appeal against such ruling.

According to management, supported by the opinion of tax advisers, the Euro 6.3 million provision recognized for the tax disputes reported above as of December 31, 2017 represents the best estimate of the obligations that the Company could be required to settle.

Other provisions

The other provisions amount to Euro 1.8 million as of December 31, 2017 and refer to contractual obligations to restore leased property to the original condition.

19. Other non-current liabilities

"Other non-current liabilities" amounts to Euro 26.9 million, Euro 4.2 million of which refers to the remaining balance due on the acquisition of usufruct for retail premises. The rest of the amount includes liabilities recognized to account for, on a straight-line basis, the concession fees for the Galleria Vittorio Emanuele II premises in Milan and rental costs for some other sales outlets and stores.

20. Equity

Equity is set forth hereunder:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Share capital	255,882	255,882
Legal reserve	51,176	51,176
Share premium reserve	410,047	410,047
Other capital reserves	182,899	182,899
Retained earnings	361,798	405,803
Fair value reserve	(5,569)	-
Cash flow hedge reserve	1,879	(1,602)
Net profit (loss) for the year	161,554	183,355
Total	1,419,666	1,487,560

Share capital

As of December 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 capital consists of 2,558,824,000 with a par value of Euro 10 cents per share.

Share premium reserve

The share premium reserve has not changed from that of January 31, 2017.

Other capital reserves

The other capital reserves were created from cash contributions and debt waivers by shareholders.

Dividends

During the period ended December 31, 2017, the Company distributed dividends of Euro 307,058,880 (Euro 0.12 per share), as approved by the Shareholders at the General Meeting held on May 31, 2017 to approve the financial statements for the fiscal year ended January 31, 2017.

Retained earnings

The change in "Retained earnings " includes an increase of Euro 80 million deriving from the absorption of Prada Far East II srl, whose book value of equity exceeded the value of the investment held by Prada spa, As described in Assirevi's OPI 2 document, parent-subsidiary mergers do not fall within the scope of IFRS 3 ("Business Combinations") applicability because they are restructuring operations that do not involve trade transactions or acquisitions. Accordingly, the excess carrying value may not be considered goodwill, and any allocations thereof may not exceed the amounts already stated in the consolidated financial statements.

Availability of equity

(amounts in thousands of Euro)	December 31 2017	Possible utilization	Amount distributable	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share capital	255,882		-	-	-
Legal reserve	51,176	B	-	-	-
Share premium reserve	410,047	A, B, C	410,047	-	-
Other capital reserves	182,899	A, B, C	182,899	-	-
Retained earnings	361,798	A, B, C	335,714	-	844,412
Fair value reserve	(5,569)		-	-	-
Cash flow hedge reserve	1,879		-	-	-
Distributable amount			928,660		844,412

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 reporting period amounted to Euro 1,453 million, down by 5.5% from those of the prior reporting period (Euro 1,538 million in 2016), due essentially to reduced sales to Group companies, mitigated however by higher sales in the wholesale channel.

It is significant that the reporting period consisted of 11 months as a result of the change in the reporting date. Therefore, the information is not perfectly comparable with that of the prior reporting period.

Royalty income was Euro 45 million and derived from cosmetic sales by Fragrance and Skincare sl and Coty Geneve S.a. and eyewear sales by the Luxottica Group, Franchise royalties amounted to Euro 2.2 million, the same as for the prior reporting period (Euro 2.2 million).

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Net sales	1,453,059	1,537,751
Royalties	45,495	45,999
Net revenues	1,498,554	1,583,750

22. Cost of goods sold

The cost of goods sold is summarized below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Purchases of raw materials and production costs	636,393	562,718
Logistics costs, duties and insurance	60,311	58,832
Change in inventories	(28,007)	110,750
Total	668,697	732,300

The cost of goods fell by Euro 64 million in line with the product volumes. The cost of goods sold as a percentage of revenues also fell, demonstrating the effectiveness of measures taken to increase production efficiency (44.6%, versus 46.2% for 2016).

23. Operating expenses

The operating expenses are summarized below:

(amounts in thousands of Euro)	December 31 2017	% of net revenues	January 31 2017	% of net revenues
Advertising and communications costs	110,847	7.4%	113,167	7.1%
Product design and development costs	99,532	6.6%	106,330	6.7%
Selling costs	332,871	22.2%	359,362	22.7%
General and administrative costs	56,960	3.8%	72,883	4.6%
Operating expenses	600,210	40.1%	651,742	41.2%

The composition of operating expenses has been reclassified with respect to that presented in the 2016 Separate Financial Statements for the sake of better representation of the results of the revision of short-term employee incentives.

Advertising and communication costs consist of expenses incurred to carry out advertising campaigns, fashion shows and other events plus the overheads attributable to this business area, They fell by Euro 2.38 million, but as a percentage of net revenues rose to 7.4% (from 7.1% in 2016).

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 6.8 million from those of 2016, and remained consistent as a percentage of net revenues (6.6% versus 6.7% for 2016).

Selling costs decreased by Euro 26 million, corresponding to 22.2% of net revenues (22.7% in 2016).

General and administrative costs fell by Euro 15.9 million in terms of amount and to 3.8% of net revenues (4.6% in 2016).

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

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Interest expenses on borrowings	(11,634)	(12,222)
Interest income	8,251	8,187
Interest income/(expenses) IAS 19	43	(6)
Exchange gains/(losses) - realized	(9,382)	2,955
Exchange gains/(losses) - unrealized	536	(5,719)
Other financial income/(expenses)	(34,624)	(25,902)
Dividends	24,779	80,739
Total	(22,031)	48,032

The net interest expense of Euro 3.3 million corresponds to the difference between interest income of Euro 8.2 million (Euro 8.2 million in 2016) and interest expense of Euro 11.6 million (Euro 12.2 million in 2016).

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

The dividends received are presented below by counterparty, in comparison with those of the prior periods:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Artisans Shoes S.r.l.	(903)	(739)
PRADA Far East II S.r.l.	-	(40,000)
PRADA Japan Co Ltd	(2,571)	-
PRADA Sa	(20,000)	(40,000)
Sitoy Group Holdings Ltd	(670)	-
TRS New Zealand Pty Ltd	(634)	-
Total	(24,779)	(80,739)

25. Taxes

The income taxes for the reporting period ended December 31, 2017 and the prior reporting period are set forth below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Current taxes	49,331	43,457
Prior year taxes	(5,780)	7,103
Deferred taxes	2,511	13,824
Total	46,062	64,384

The decrease in the amount of total income taxes is attributable primarily to lower pre-tax income, The tax rate on pre-tax income fell from 26% to 22%.

The deferred tax assets and liabilities recognized at the current and 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	Equity effect
	December 31 2017	January 31 2017		
Employee benefits – defined benefit plans	457	368	-	(89)
Inventories	13,527	13,672	145	-
Property, plant and equipment	(1,655)	(2,331)	(676)	-
Intangible assets	1,127	1,141	14	-
Provisions for risks and charges	8.463	7,968	495	-
Allowance for doubtful debts	(1,236)	(1,233)	3	-
Derivative instruments	(593)	506	-	1,099
Other temporary differences	4,071	7,591	3,520	-
Total	24,161	27,681	(2,511)	1,010

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	49,828	24.00%	8,159	3.93%	57,987	27.93%
Dividends exempted	(5,650)	-2.72%	-	-	(5,650)	-2.72%
ACE	(2,321)	-1.12%	-	-	(2,321)	-1.12%
Impairment adjustment to investments	8,072	3.89%	-	-	8,072	3.89%
Taxation of revenue allocated to OCI	(74)	-0.04%	-	-	(74)	-0.04%
Other permanent differences	(7,439)	-3.58%	(152)	-0.07%	(7,591)	-3.65%
Adjustments in annual tax return "UNICO"	(4,958)	-2.39%	(822)	-0.40%	(5,780)	-2.79%
Difference between income before taxation and net value of production	-	-	1,417	0.68%	1,417	0.68%
Taxes for period	37,459	18.04%	8,603	4.14%	46,061	22.18%
Temporary differences	(2,531)	-1.22%	20	0.01%	(2,511)	-1.21%
Current taxation	34,928	16.82%	8,623	4.15%	43,551	20.97%

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 transactions with related parties set out in the following tables 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 eleven months ended December 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 Luna Rossa Challenge srl for the eleven months ended December 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.

On December 1, 2017 a new sponsorship agreement was stipulated with Luna Rossa Challenge srl for participation of the Luna Rossa sailing team in the 36th America's Cup in 2021. Under the terms of the new sponsorship agreement, the sponsorship will produce its effects from January 2018 to June 2021. The transactions 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 December 1, 2017.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions, no 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
	Dec 31, 2017	Dec 31, 2017	Jan 31, 2017	Jan 31, 2017
Parent company	**53**	**-**	**788**	**-**
PRADA Holding Spa	53	-	788	-
Subsidaries and associates	**392,734**	**503,082**	**442,948**	**575,730**
Artisans Shoes Srl	292	22,267	363	16,658
Church & Co Ltd	7,795	908	36,886	3,648
Church & Co. (USA) Ltd.	44	1	34	2
Church Austria Gmbh	4	-	2	-
Church Denmark Aps	57	-	48	-
Church English shoes Sa	9	-	10	-
Church Footwear (Shanghai) Co., Ltd	31	-	13	-
Church Footwear Ab	117	-	151	-
Church France Sa	26	-	33	-
Church Holding UK Plc	-	-	1	-
Church Hong Kong Retail Ltd.	23	-	234	-
Church Ireland Retail Ltd	6	-	4	-
Church Italia Srl	1,555	43	743	54
Church Japan Co., Ltd.	12	-	26	-
Church Netherlands Bv	88	-	79	-
Church Singapore Pte Ltd.	138	-	128	-
Church Spain Sl	10	-	2	-
Church UK Retail Ltd	120	-	104	8
Church's Eng. Shoes Sw.Sa	32	6	15	6
Hipic Prod Impex Srl	86	311	19	389
IPI Logistica Srl	557	3,510	198	3,350
Isarcodue Srl	2	-	-	-
Kenon Limited	16	-	5	-
Marchesi Angelo Srl	35	3	8	2
Montenapoleone 9 Srl	3,178	212	3,187	72
Pelletteria Ennepì S.r.l.	21	753	10	681
Post Development Corp.	9	-	3	-
PRADA (Thailand) Co.,Ltd.	861	3,226	932	3,591
PRADA Asia Pacific Ltd.	10,003	96,892	12,566	108,330
PRADA Australia Pty. Ltd	2,734	3,662	2,154	3,471
PRADA Austria Gmbh	4,187	3,866	4,451	4,888
PRADA Belgium sprl	2,743	1,397	416	1,509
PRADA Bosphorus Deri Mamuller Limited Sirketi	1,224	3,354	2,969	4,644
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	8,361	42	2,277	-
PRADA Canada Corp.	5,395	4,233	4,413	4,681
PRADA Company Sa	(5)	-	(9)	-
PRADA Czech Republic s.r.o.	1,658	460	1,246	250
PRADA Denmark Aps	2,205	1,463	2,111	1,799
PRADA Dongguan Trading co. Ltd	38	313	49	139
PRADA Emirates Llc[1]	2,073	138	844	70
PRADA Far East II Srl	-	-	121	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	63,939	50,648	58,331	59,531
PRADA Finnish Oy	227	1,197	170	1,437
PRADA Germany Gmbh	19,073	13,651	19,299	13,344
PRADA Hellas Single Partner Limited Liability Company	379	873	1,064	1,585
PRADA Hong Kong P.D. Limited	-	-	159	395
PRADA Japan Co., Ltd.	14,670	41,930	14,410	33,949

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Dec 31, 2017	Dec 31, 2017	Jan 31, 2017	Jan 31, 2017
PRADA Kazakhstan Llp	3,368	347	3,008	379
PRADA Korea Ltd.	26,036	1,841	65,515	152
PRADA Kuwait Wll	850	1	435	11
PRADA Macau Co. Ltd.	6,419	7,806	6,487	11,873
PRADA Maroc Sarlau	-	-	1,773	383
PRADA Middle East Fzco	11,839	2,672	9,886	429
PRADA Montecarlo Sam	997	2,852	646	3,131
PRADA Netherlands Bv	3,948	2,217	3,608	2,862
PRADA New Zealand Pty. Ltd	470	728	469	876
PRADA Panama Sa	866	743	1,158	919
PRADA Portugal, Unipessoal Lda	1,615	190	845	335
PRADA Retail Aruba Nv	800	482	905	685
PRADA Retail France Sas	23,806	37,995	20,129	32,653
PRADA Retail Malaysia Sdn	1,164	99	1,287	100
PRADA Retail Mexico S. de r.l.	5,453	2,888	4,700	2,840
PRADA Retail South Africa (Pty) Ltd	3,336	1,124	3,211	1,390
PRADA Retail Spc	4,014	1,099	2,405	38
PRADA Retail UK Ltd	41,178	27,153	33,382	29,332
PRADA Retail UK Ltd. - Irish Branch	2,975	608	740	758
PRADA Rus Llc	11,420	5,347	10,757	2,371
PRADA Sa	160	6,217	151	6,217
PRADA Sa Lux Swiss Branch	548	12,853	428	33,838
PRADA St. Barthelemy sarl	2,728	759	1,481	494
PRADA Saudi Arabia Ltd.	879	12	412	24
PRADA Singapore Pte, Ltd.	3,002	14,892	2,832	19,621
PRADA Spain Sa	17,339	3,715	9,465	2,264
PRADA Sweden Ab	757	1,530	732	1,666
PRADA Switzerland sa	7,172	11,176	5,294	12,952
PRADA Taiwan Ltd Branch Taipei	2,127	3,787	1,777	8,085
PRADA Usa Corp.	43,927	92,169	66,595	124,453
PRADA Ukraine Llc	3,629	2,113	6,345	2,079
PRADA Vietnam Limited Liability Company	513	1,003	553	1,317
Prm Services S. De R.l. de CV	36	1	22	1
TRS Guam Boutique	601	31	621	18
TRS Hawaii Llc	587	55	1,084	640
TRS Hong Kong Ltd	2	-	2	-
TRS Hong Kong Ltd - Macau	2,259	773	1,626	1,646
TRS New Zealand Pty. Ltd	-	-	74	61
TRS Okinawa Kk	532	77	461	155
TRS Saipan Boutique	203	58	209	64
TRS Singapore Pte Limited	127	77	122	28
Tannerie Limoges Sas	1,024	233	1,037	107

(amounts in thousands of Euro)	Trade receivables	Trade receivables	Trade payables	Trade payables
	Dec 31, 2017	Dec 31, 2017	Jan 31, 2017	Jan 31, 2017
Related parties	12,715	6,375	23,116	12,260
Chora Srl	-	578	-	2,203
Conceria Superior Spa	2	4,748	3	8,282
F.lli PRADA Spa	12,145	903	22,770	1,171
Le Mazza srl	48	128	134	412
Luna Rossa Challenge Srl	512	18	129	11
PRA 1 S.r.l.	-	-	-	95
Peschiera Immobiliare srl	8	-	-	-
Other(2)	-	-	80	86
Total	405,502	509,457	466,852	587,990

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

(amounts in thousands of Euro)	Financial receivables Dec 31, 2017	Other receivables Dec 31, 2017	Financial receivables Jan 31, 2017	Other receivables Jan 31, 2017
Subsidaries and associates	**298,083**	**4,413**	**214,479**	**2,733**
Artisans Shoes Srl	3,644	912	3,580	736
Church & Co Ltd	3,490	-	2,201	-
Church Italia Srl	-	2,396	-	1,269
IPI Logistica Srl	-	19	20	17
Marchesi Angelo Srl	-	264	-	104
Montenapoleone 9 Srl	3,698	-	1,674	-
Pelletteria Ennepì Srl	-	25	-	-
PRADA (Thailand) Co. Ltd.	5,156	-	-	-
PRADA Asia Pacific Ltd	-	179	-	53
PRADA Austria Gmbh	7,019	-	7,001	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	4,105	5	-	5
PRADA Denmark Aps	825	-	-	-
PRADA Dongguan Trading co Ltd	-	6	-	1
PRADA Far East II Srl	-	-	1,004	-
PRADA Fashion Commerce (Shanghai) Co, Ltd	-	110	-	117
PRADA Finnish Oy	1,639	-	850	14
PRADA Germany Gmbh	27,484	116	27,356	116
PRADA Hellas Single Partner Limited Liability Company	1,821	9	1,791	5
PRADA Hong Kong P.D. Limited	-	-	-	80
PRADA Japan Co Ltd	18,259	-	8,209	-
PRADA Maroc Sarlau	-	-	3,051	-
PRADA Middle East Fzco	3,352	-	3,738	-
PRADA Montecarlo Sam	29,352	-	31,444	-
PRADA Netherlands Bv	224	-	-	-
PRADA New Zealand Pty Ltd	2,103	-	-	-
PRADA Portugal, Unipessoal lda	1,261	-	1,267	-
PRADA Retail France Sas	59,822	-	59,290	-
PRADA Retail South Africa (Pty) Ltd	-	-	-	45
PRADA Retail UK Ltd	20,434	-	20,918	-
PRADA Retail UK Ltd - Irish Branch	1,926	-	1,917	-
PRADA Sa Lux, Swiss Branch	23,064	-	-	123
PRADA Saudi Arabia Ltd	6,566	13	7,322	-
PRADA Spain sa	16,049	-	16,116	-
PRADA Switzerland sa	49,480	-	7,566	-
PRADA Usa Corp	-	356	-	9
PRADA Ukraine Llc	-	-	4,564	-
PRADA Vietnam Limited Liability Company	3,661	-	-	-
Prm Services S. De R.I. de CV	-	3	-	3
Tannerie Limoges sas	3,649	-	3,600	36

(amounts in thousands of Euro)	Financial receivables	Other receivables	Financial receivables	Other receivables
	Dec 31, 2017	Dec 31, 2017	Jan 31, 2017	Jan 31, 2017
Related parties	-	6,108	-	14,886
Chora Srl	-	5,848	-	5,848
F.lli PRADA Spa	-	118	-	118
Ludo Srl	-	142	-	-
Luna Rossa Challenge Srl	-	-	-	8,741
PRA 1 Srl	-	-	-	91
Peschiera Immobiliare srl	-	-	-	88
Total	298,083	10,521	-	17,619

(amounts in thousands of Euro)	Fair value IRS *"fair value through profit or loss"*	
	December 31 2017	January 31 2017
Kenon Ltd	7,588	7,547

(amounts in thousands of Euro)	Financial payables Dec 31, 2017	Other payables Dec 31, 2017	Financial payables Jan 31, 2017	Other payables Jan 31, 2017
Subsidaries and associates	**149,973**	**4,872**	**320,060**	**3,611**
Artisans Shoes Srl	-	3	-	84
Church Italia Srl	-	14	-	-
IPI Logistica Srl	39	9	1	5
Marchesi Angelo Srl	-	109	-	85
Montenapoleone 9 Srl	-	2,630	-	1,446
Post Development Corp.	122	-	22,582	-
PRADA Asia Pacific Ltd.	70,571	-	-	-
PRADA Denmark Aps	-	1	-	-
PRADA Dongguan Trading co. Ltd	-	61	-	61
PRADA Emirates llc(1)	-	28	-	-
PRADA Far East II Srl	-	-	242,840	-
PRADA Fashion Commerce (Shanghai) Co. Ltd	-	143	-	150
PRADA Finnish Oy	-	-	-	-
PRADA Germany Gmbh	5,341	-	4,067	-
PRADA Kuwait Wll	-	17	-	-
PRADA Middle East Fzco	-	30	-	-
PRADA Netherlands Bv	224	-	-	-
PRADA Portugal, Unipessoal lda	-	-	-	-
PRADA Retail France Sas	741	4	285	8
PRADA Retail UK Ltd.	-	1	-	-
PRADA Retail UK Ltd. - Irish Branch	2,034	-	668	-
PRADA Sa Lux,Swiss Branch	70,698	1,572	49,392	1,572
PRADA Saudi Arabia Ltd.	-	22	-	-
PRADA Spain sa	-	147	-	146
PRADA Switzerland sa	16	73	17	54
PRADA Usa Corp.	187	8	208	-
Related parties	**-**	**62**	**-**	**63**
F.lli PRADA Spa	-	-	-	8
Luna Rossa Challenge Srl	-	62	-	55
Total	**149,973**	**4,934**	**320,060**	**3,674**

(amounts in thousands of Euro)	Other liabilities	
	December 31 2017	January 31 2017
Emoluments of Board of Directors	7,094	3,433
Other (1)	411	255

Note:
(1) Relative of a Director

Statement of Profit or Loss

(amounts in thousands of Euro)	Net Revenues Dec 31, 2017	Net Revenues Jan 31, 2017	Cost of goods sold Dec 31, 2017	Cost of goods sold Jan 31, 2017
Subsidaries and associates	888,640	913,995	84,377	79,760
Artisans Shoes Srl	1	(3)	54,147	50,653
Church & Co Ltd	9,744	13,353	839	711
Church France Sa	1	-	-	-
Church Italia Srl	(10)	(1)	4	-
Church UK Retail Ltd	15	15	-	-
Hipic Prod Impex Srl	3	-	5,527	2,933
IPI Logistica Srl	-	-	739	2,168
Montenapoleone 9 Srl	-	4	9	-
Pelletteria Ennepì Srl	-	1	6,883	5,258
PRADA (Thailand) CoLtd	4,258	3,370	-	15
PRADA Asia Pacific Ltd	17,068	6,354	1,486	1,691
PRADA Australia Pty Ltd	7,759	14,064	(1)	25
PRADA Austria Gmbh	15,423	16,421	-	6
PRADA Belgium Sprl	1,148	-	-	-
PRADA Bosphorus Deri Mamuller Limited Sirketi	5,459	6,808	54	71
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	7,025	5,371	(1)	-
PRADA Canada Corp	23,936	23,599	(1)	(1)
PRADA Czech Republic sro	3,065	2,602	48	-
PRADA Denmark Aps	518	491	-	-
PRADA Dongguan Trading co Ltd	-	-	885	1,354
PRADA Emirates Llc(1)	669	743	48	68
PRADA Fashion Commerce (Shanghai) Co. Ltd	154,577	126,734	10	624
PRADA Finnish Oy	-	-	-	-
PRADA Germany Gmbh	23,310	25,902	27	3
PRADA Hellas Single Partner Limited Liability Company	768	425	-	-
PRADA Hong Kong PD Limited	-	-	549	1,589
PRADA Japan Co Ltd	65,930	82,541	379	463
PRADA Kazakhstan Llp	1,697	1,880	-	-
PRADA Korea Ltd	96,559	119,264	293	754
PRADA Kuwait Wll	328	438	-	(1)
PRADA Macau Co Ltd	18,904	16,316	-	-
PRADA Maroc Sarlau	(313)	51	-	-
PRADA Middle East Fzco	37,071	38,007	-	(7)
PRADA Montecarlo Sam	2,628	1,616	-	1
PRADA Netherlands Bv	17,522	20,910	53	-
PRADA New Zealand Pty Ltd	846	1,460	48	2
PRADA Panama Sa	398	499	-	-
PRADA Portugal Unipessoal Lda	3,687	3,264	-	6
PRADA Retail Aruba Nv	67	(264)	-	-
PRADA Retail France Sas	16,815	18,014	2,588	3,118
PRADA Retail Malaysia Sdn	7,544	7,619	13	32
PRADA Retail Mexico S de rl	5,428	3,755	-	-
PRADA Retail South Africa (Pty) Ltd	747	860	48	65
PRADA Retail Spc	2,940	(22)	6	2
PRADA Retail UK Ltd	64,372	71,232	1,915	2,511
PRADA Retail UK Ltd - Irish Branch	2,911	454	-	-
PRADA Rus Llc	15,523	17,975	8	13
PRADA St Barthelemy sarl	1,493	1,022	-	-
PRADA Saudi Arabia Ltd	170	153	-	7
PRADA Singapore Pte Ltd	6,269	2,117	21	49
PRADA Spain Sa	17,484	10,966	59	1

(amounts in thousands of Euro)	Net Revenues	Net Revenues	Cost of goods sold	Cost of goods sold
	Dec 31, 2017	Jan 31, 2017	Dec 31, 2017	Jan 31, 2017
PRADA Sweden Ab	163	121	-	-
PRADA Switzerland Sa	2,121	3,394	4	71
PRADA Taiwan Ltd Branch Taipei	4,678	6,870	2	-
PRADA Usa Corp.	189,023	207,618	2,431	2,827
PRADA Ukraine Llc	646	941	-	-
PRADA Vietnam Limited Liability Company	852	785	49	-
TRS Guam Boutique	4,161	4,833	-	-
TRS Hawaii Llc	6,264	6,806	-	-
TRS Hong Kong Ltd - Macau	13,212	9,506	-	-
TRS New Zealand Pty, Ltd	(171)	481	-	-
TRS Okinawa Kk	3,452	4,287	-	-
TRS Saipan Boutique	1,465	1,262	-	-
TRS Singapore Pte Limited	1,017	711	-	-
Tannerie Limoges Sas	-	-	5,208	2,678
Related parties	25,723	21,643	22,277	14,632
Conceria Superior Spa	-	-	21,008	13,286
F.lli PRADA Spa	25,723	21,641	203	453
La Mazza Srl	-	-	1,077	925
Luna Rossa Challenge Srl	-	2	-	(32)
Peschiera Immobiliare Srl	-	-	(8)	-
Premiata Srl	-	-	(3)	-
Total	914,363	935,638	106,654	94,392

Note:
(1) Company consolidated according to IFRS 10 definition of control

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Dec 31, 2017	Jan 31, 2017	Dec 31, 2017	Jan 31, 2017
Parent company	50	232	-	-
PRADA Holding Spa	50	232	-	-
Subsidiaries and associates	(165,936)	(195,617)	30,631	46,446
Artisans Shoes Srl	(2,749)	(3,028)	905	742
Church & Co Ltd	856	1,172	62	57
Church & Co. (USA) Ltd.	11	7	-	-
Church Austria Gmbh	12	10	-	-
Church Denmark Aps	8	18	-	-
Church English shoes Sa	13	14	-	-
Church Footwear (Shanghai) Co., Ltd	19	12	-	-
Church Footwear Ab	10	7	-	-
Church France Sa	72	101	-	27
Church Holding UK Plc	-	2	-	-
Church Hong Kong Retail Ltd.	21	15	-	-
Church Ireland Retail Ltd	8	7	-	-
Church Italia Srl	1,042	799	-	-
Church Japan Co., Ltd.	24	33	-	-
Church Netherlands Bv	16	14	-	-
Church Singapore Pte Ltd	10	7	-	-
Church Spain Sl	8	8	-	-
Church UK Retail Ltd	163	174	-	-
Church's English Shoes Sw.Sa	25	17	-	-
Hipic Prod Impex Srl	41	4	-	-
IPI Logistica Srl	(239)	(299)	-	-
Isarcodue Srl	30	-	-	-
Kenon Limited	11	5	1,472	1,194
Marchesi Angelo Srl	21	6	-	-
Montenapoleone 9 Srl	2,849	2,881	47	18
Pelletteria Ennepì Srl	2	(31)	-	-
Post Development Corp.	5	-	-	-
PRADA (Thailand) Co.,Ltd.	409	357	(61)	(150)
PRADA Asia Pacific Ltd.	(38,861)	(32,928)	215	-
PRADA Asia Pacific Macau Branch	(2)	-	(2,498)	-
PRADA Australia Pty. Ltd	729	576	-	-
PRADA Austria Gmbh	614	653	-	-
PRADA Belgium Sprl	13	(626)	79	121
PRADA Bosphorus Deri Mamuller Limited Sirketi	(1,176)	(2,621)	-	-
PRADA Brasil Importaçao e Comercio de Artigos de Luxo ltda	333	142	-	295
PRADA Canada Corp.	(3,158)	(3,332)	80	475
PRADA Company Sa	4	1	-	-
PRADA Czech Republic sro	1	166	-	-
PRADA Denmark Aps	180	(178)	-	18
PRADA Dongguan Trading co. Ltd	35	40	19	-
PRADA Emirates Llc [1]	1,099	638	-	-
PRADA Far East II srl	-	121	-	(247)
PRADA Fashion Commerce (Shanghai) Co. Ltd	(20,683)	(25,046)	-	-
PRADA Finnish Oy	(1,189)	(1,362)	53	44
PRADA Germany Gmbh	1,924	1,744	384	414
PRADA Hellas Single Partner Limited Liability Company	153	382	30	82
PRADA Hong Kong P.D. Limited	(347)	(1,094)	-	-
PRADA India Fashion Private Limited	-	-	-	-

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Dec 31, 2017	Jan 31, 2017	Dec 31, 2017	Jan 31, 2017
PRADA Japan Co., Ltd.	4,286	4,818	3,082	3
PRADA Kazakhstan Llp	113	478	-	-
PRADA Korea Ltd.	1,670	2,820	-	-
PRADA Kuwait Wll	286	261	-	-
PRADA Macau Co., Ltd.	277	22	-	-
PRADA Maroc Sarlau	51	2	58	63
PRADA Middle East Fzco	2	867	-	-
PRADA Montecarlo Sam	(1,309)	(1,376)	927	1,365
PRADA Netherlands Bv	315	437	-	37,615
PRADA New Zealand Pty. Ltd	37	80	79	-
PRADA Panama, Sa	(594)	(757)	-	-
PRADA Portugal, Unipessoal Lda	337	580	1	7
PRADA Retail Aruba Nv.	23	77	-	-
PRADA Retail France Sas	(7,077)	(8,122)	1,591	1,603
PRADA Retail Malaysia Sdn	207	263	-	-
PRADA Retail Mexico S. de r.l.	(1,491)	(1,796)	-	-
PRADA Retail South Africa (Pty) Ltd.	(609)	(786)	536	1,243
PRADA Retail Spc	163	937	40	59
PRADA Retail UK Ltd.	3,127	3,114	-	-
PRADA Retail UK Ltd. - Irish Branch	149	105	20,000	-
PRADA Rus Llc	(2,684)	713	(135)	(161)
PRADA Sa	9	117	-	-
PRADA Sa,Lux,Swiss Branch	(29,623)	(30,868)	-	-
PRADA Saudi Arabia Ltd.	350	375	-	-
PRADA Singapore Pte, Ltd.	281	808	-	(30)
PRADA Spain Sa	1,046	1,192	-	-
PRADA St. Barthelemy sarl	(702)	(134)	380	439
PRADA Sweden Ab	91	157	-	-
PRADA Switzerland Sa	472	328	2,236	771
PRADA Taiwan Ltd	(1)	(7)	-	-
PRADA Taiwan Ltd Branch Taipei	1,054	869	-	-
PRADA Usa Corp.	(77,482)	(110,217)	-	-
PRADA Ukraine Llc	(815)	(679)	110	272
PRADA Vietnam Limited Liability Company	(914)	(1,208)	-	-
Prm Services S. De R.I. de CV	14	40	198	-
PT PRADA Indonesia	-	-	-	-
TRS Guam Boutique	108	199	-	-
TRS Hawaii Llc	84	221	-	-
TRS Hong Kong Ltd	-	4	-	-
TRS Hong Kong Ltd - Macau	290	356	634	-
TRS New Zealand Pty. Ltd	12	40	-	-
TRS Okinawa Kk	75	139	-	-
TRS Saipan Boutique	20	125	-	-
TRS Singapore Pte Limited	14	69	107	107
Tannerie Limoges Sas	35	132	927	1,365

(amounts in thousands of Euro)	Operating expenses	Operating expenses	Interest and other financial income (expenses), net	Interest and other financial income (expenses), net
	Dec 31, 2017	Jan 31, 2017	Dec 31, 2017	Jan 31, 2017
Related parties	(17,522)	(18,684)	-	(32)
Chora Srl	(2,128)	(2,508)	-	(32)
Conceria Superior Spa	(109)	(70)	-	-
F.lli PRADA Spa	(2,089)	(532)	-	-
HMP Srl	-	1	-	-
Ludo Srl	(402)	-	-	-
Luna Rossa Challenge Srl	(10,742)	(11,683)	-	-
PRA 1 Srl	(778)	(1,139)	-	-
Peschiera Immobiliare Srl	(502)	(540)	-	-
Petranera Srl	-	2	-	-
Progetto PRADA Arte Srl	-	192	-	-
Progetto PRADA Arte Srl (Galleria) [2]	-	(1,632)	-	-
Others [3]	(772)	(776)	-	-
Total	(183,408)	(214,069)	30,631	46,414

Note:
(1) Company consolidated according to IFRS 10 definition of control
(2) The previous year 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 410 million given to third parties and related parties on behalf of Group companies;
- letters of comfort for Euro 306 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)	December 31 2017	January 31 2017
Due within a year	40,124	39,950
Due between one and five years	146,453	155,998
Due after more than five years	161,330	170,623
Total commitments for operating lease/concession fees	347,907	366,571

The decrease in commitments regarding future lease payments is attributable to normal contractual developments.

Lease income is set forth by maturity hereunder:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Due within a year	3,218	3,070
Due between one and five years	8,976	10,427
Due after more than five years	121	804
Total rental/lease income commitments	12,315	14,301

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

Other commitments

The Company had no significant binding purchase commitments as of December 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. At the reporting date, PRADA spa's management could not estimate with reasonable certainty the likelihood that the option will be exercised; hence, the economic value of the option could not be measured.

Additional information

Board of Directors remuneration

(amounts in thousands of Euro)	December 31 2017
Directors' fees	25,460
Remuneration and other benefits	252
Bonuses and other incentives	2,437
Benefits in kind	86
Pension, healthcare and TFR contributions	134
Total	28,368

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 financial statements 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 reporting period ended December 31, 2017, and for other consulting services provided by Deloitte to PRADA spa amounting to Euro 1,924 thousand, are as follows:

Type of service	Audit Firm	Fees in thousands of Euro
Audit services	Deloitte & Touche spa	516
Other advisory services	Deloitte network	1,408
Total fees of audit firm for period ended December 31, 2017		1,924

Number of employees

The average number of employees by business division as of December 31, 2017 and January 31, 2017 is presented below:

Number of employees	December 31 2017	January 31 2017
Production	1,675	1,506
Product design and development	957	958
Communications	58	56
Selling	901	859
General and administrative services	506	535
Total	4,097	3,914

Cost of labor

The remuneration of employees by business division as of December 31, 2017 and January 31, 2017 is presented below:

(amounts in thousands of Euro)	December 31 2017	January 31 2017
Production	76,934	77,434
Product design and development	57,649	60,863
Communications	6,578	7,252
Selling	50,916	51,444
General and administrative services	40,181	41,696
Total	232,258	238,689

Independent Auditors’ Reports

The Independent Auditor's Reports included in this Separate Financial Statements are in two different formats taking into account the differences between the auditing standards adopted in the Italian jurisdiction (ISA Italia) and the International Auditing Standards (ISAs) issued by the International Auditing and Assurance Standard Boards (IAASB). Specifically, in Italy, where the Company is domiciled, the Independent Auditor's 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 Auditors' report is issued in accordance with ISAs.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prada S.p.A.

Opinion

We have audited the separate financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2017, 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 separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Separate 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.

Key Audit Matters

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

Impairment test

Description of the key audit matter

As described in Notes 8 and 9 to the separate financial statements, the Company has recognised goodwill of € 108.4 million and investments in subsidiaries of € 851,8 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.

Audit procedures performed

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, which were performed along 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 (reports on the fashion & luxury industry related to the main geographical areas in which the Group operates) as well as 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 and development of an independent sensitivity analysis.
- Verification of the appropriateness of the methodology used and of the information disclosed in the notes to the separate financial statements.

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 2017 but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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.

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

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

Deloitte.

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

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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 separate 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.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti

Patrizia Arienti
Partner

Milan, Italy
March 9, 2018

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Prada S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Prada S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2017, 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 separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Separate Financial Statements

The Directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Directors are 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 they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 International Standards on Auditing (ISA Italia) 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 separate financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 the Directors.

- 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 separate 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.

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

We communicate with Those Charged with Governance, identified at an appropriate level as required by ISA Italia, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10

The Directors of Prada S.p.A. are responsible for the preparation of the report on operations of Prada S.p.A. as at December 31, 2017, including its consistency with the related separate financial statements and its compliance with the law.

Deloitte.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the separate financial statements of Prada S.p.A. as at December 31, 2017 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the separate financial statements of Prada S.p.A. as at December 31, 2017 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 9, 2018

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 December 31st, 2017 pursuant to art. 2429, second paragraph of the Italian Civil Code.

Dear Shareholders,

during the financial year closed as at December 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.

First of all it is highlighted that on May 31st, 2017 the Extraordinary Shareholders' Meeting approved the amendment of art. 27.1 of the By-laws, changing the closing date of the financial year to December 31st starting from the current year, therefore the year closed as at 31.12.2017 concerns the period February 1st, 2017 – December 31st, 2017 (11 months).

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 period from February 1st, 2017 to January 31st, 2017 the Board of Statutory Auditors met eight 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 all the Audit Committee's Meetings, during which the two bodies exchanged the necessary information, sharing and coordinating control planning activities with the Committee members, and sharing views in particular with the Internal Auditing structure on the activities carried out by the latter, 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 December 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 December 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 December 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. The above-mentioned opinion also certifies that the Directors' Report is consistent with the financial statements closed as at December 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 the Independent Auditors' Opinion on the consolidated financial statements certifying that the Prada Groups' consolidated financial statements as at December 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 opinion also certifies that the Directors' Report is consistent with the Prada Group's consolidated financial statements as at December 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 December 31st, 2017, showing a net profit for the year of Euro 161,553,964.65, and to the appropriation of the net profit for the year as proposed by the Directors.

Milan, 9 March 2018

The Board of Statutory Auditors

The Chairman

Mr. Antonino Parisi