



Interim Financial Report 2018

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Patrizio Bertelli



Miuccia Prada

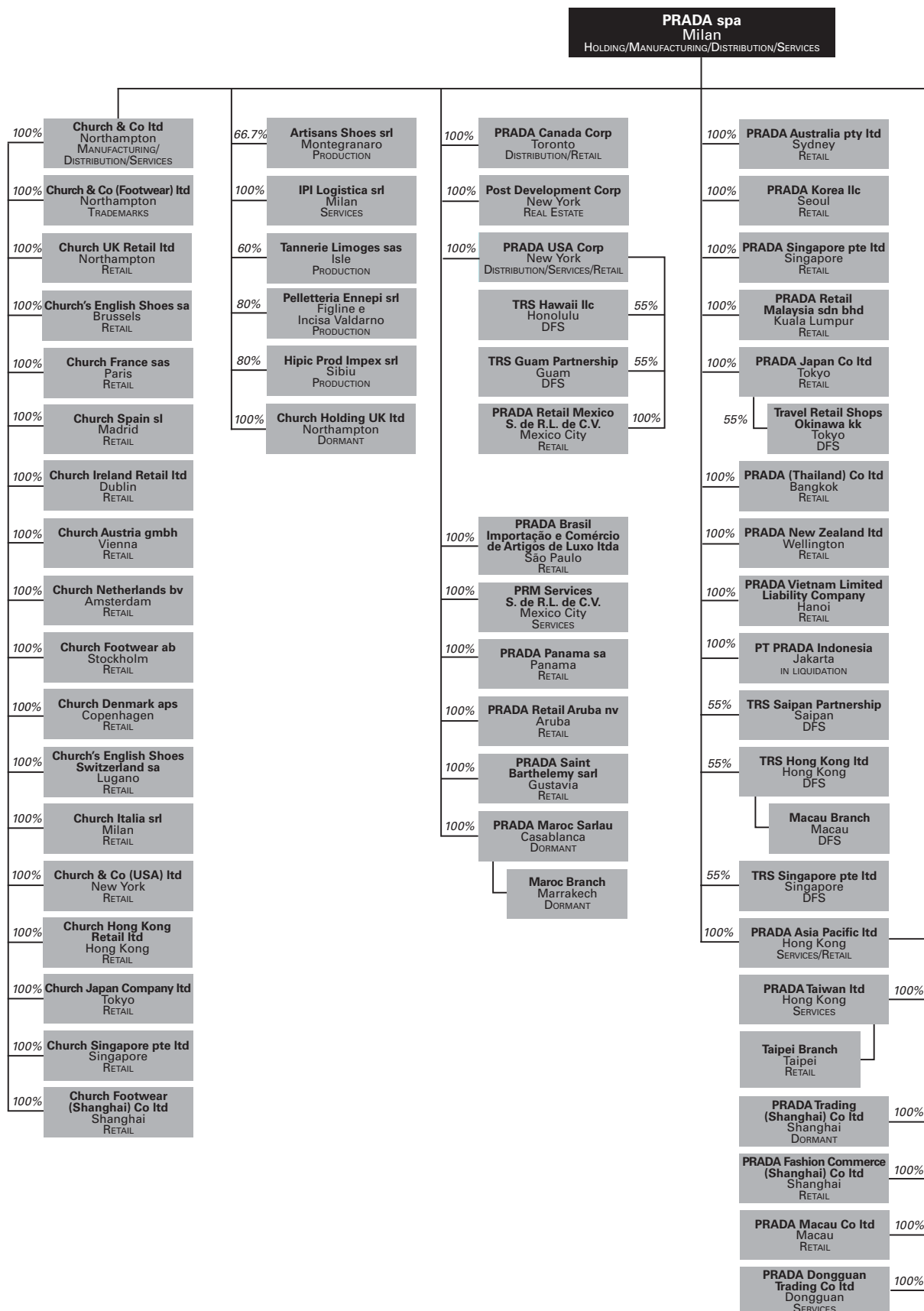
The PRADA Group

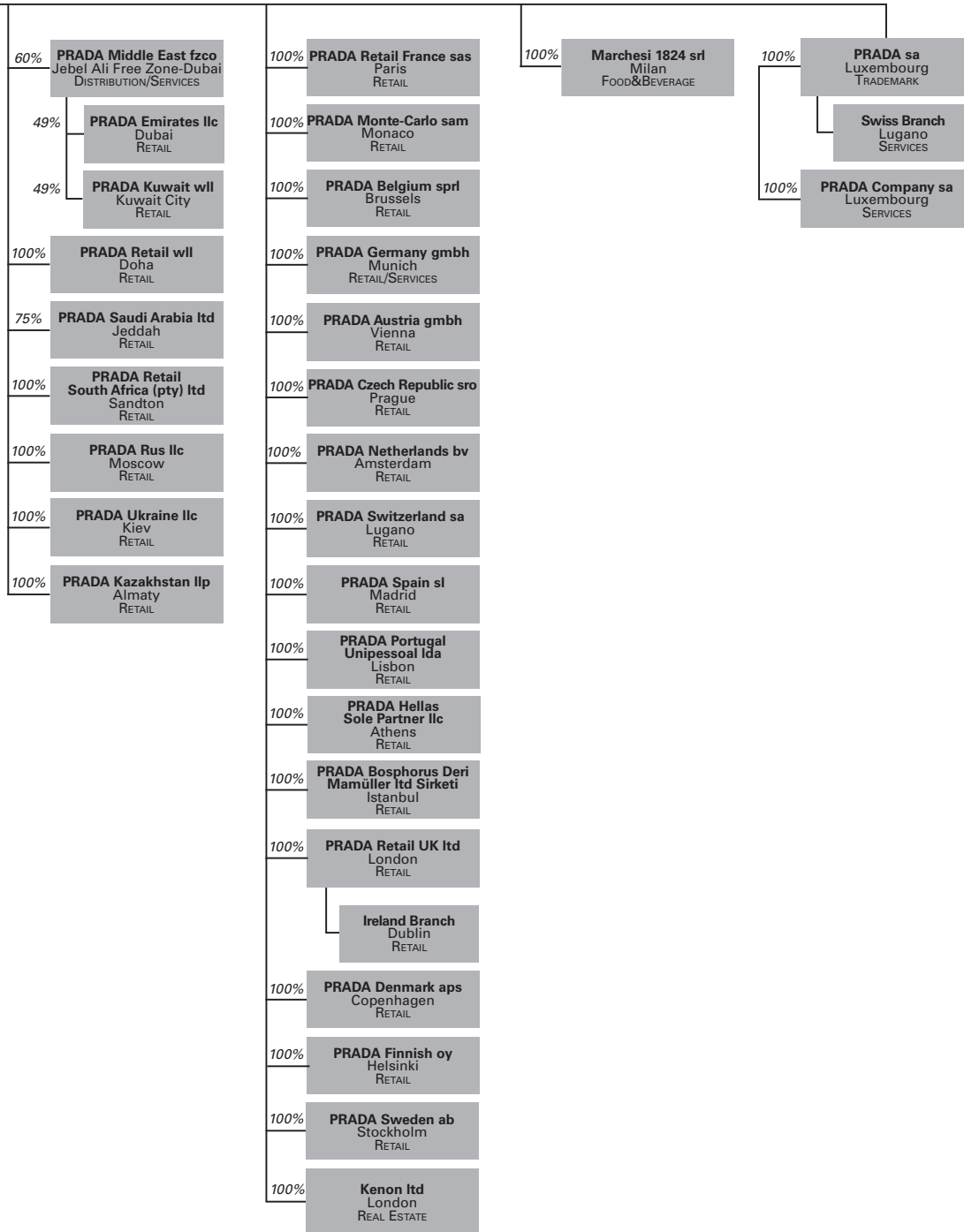
PRADA Spa Corporate Information

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 (Independent 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 Maurizio Cereda
Remuneration Committee	Maurizio Cereda (Chairman) Carlo Mazzi Gian Franco Oliviero Mattei
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 Spa 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 17 th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditor	Deloitte & Touche Spa Via Tortona, 25 20144 Milan, Italy

PRADA Group Structure





Financial Review

Basis of preparation of Financial Review

As a result of the change in the end of the annual reporting period from January 31 to December 31, approved at the General Meeting held on May 31, 2017, the Prada Group's Interim Statement of Profit or Loss for the first six months of 2017 prepared in accordance with IFRS ("2017 IFRS Statement of Profit or Loss") is not perfectly comparable with the 2018 IFRS Interim Statement of Profit or Loss because it ended on July 31 instead of June 30. In order to provide meaningful comparison of the Group's business and financial performance, management has prepared a 2017 Pro-Forma Interim Statement of Profit or Loss that refers to the six months ended June 30, 2017.

Consolidated Statement of Profit or Loss

	IFRS		pro-forma	
(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	%	six months ended June 30 2017 (unaudited)	%
Net Sales	1,510,603	98.4%	1,460,474	98.3%
Royalties	24,723	1.6%	25,545	1.7%
Net revenues	1,535,326	100%	1,486,019	100%
Cost of goods sold	(429,474)	-28.0%	(408,127)	-27.5%
Gross margin	1,105,852	72.0%	1,077,892	72.5%
Operating expenses	(946,664)	-61.6%	(940,716)	-63.3%
EBIT	159,188	10.4%	137,176	9.2%
Interest and other financial expenses, net	(10,752)	-0.7%	262	0.0%
Dividends from investments	302	0.0%	357	0.0%
Income before taxation	148,738	9.7%	137,795	9.2%
Taxation	(43,574)	-2.9%	(41,614)	-2.8%
Net income for the period	105,164	6.8%	96,181	6.4%
Net income - Non-controlling interests	(504)	0.0%	753	0.1%
Net income - Group	105,668	6.9%	95,428	6.4%
Basic and diluted earnings per share (in Euro per share)	0.041		0.037	
Depreciation, amortization and impairment	111,618	7.3%	113,462	7.6%
EBITDA	270,806	17.7%	250,638	16.9%

Key financial information

	IFRS	IFRS
(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Net operating working capital	601,882	546,205
Net invested capital	3,034,008	2,969,909
Net financial position surplus/(deficit)	(240,201)	(103,738)
Shareholders' equity - Group	2,776,166	2,844,652
Net operating cash flows (*)	180,018	446,517

(*) eleven month period ended December 31, 2017

Highlights for the six months ended June 30, 2018

The Prada Group's negative sales performance of the previous year turned around in the first six months of 2018, and revenues increased across markets, products and brands. Such growth was held back in part by unfavorable exchange rates.

The transformation process of the past few years has enabled Prada to interpret more readily the spirit of the times and of the new generations, and has paved the way for the expansion of its sales strategy. The sales recovery was assisted by a rebalancing of the leather goods product mix and clear communication strategies for the collections, such as those centered on nylon, the emblematic material that blends Prada's past, present and future style identity. Also important were the market responses to the new sneaker collection offered in more models for both women and men.

Use of the pop-up format was continued in the period. The displays involved Prada and Miu Miu in particular and created innovative shopping experiences, such as Prada Spirit, dedicated to the Chinese New Year, and Miu Miu Disco, inspired by the discotheques of the 1970s and 1980s. The pop-ups, infused with the basic styles of the brands and conceived as traveling projects in a selected number of malls, brought additional footfall to stores and further strengthened the relationship with customers.

The marketing activities of the period focused on a growing number of strictly digital initiatives, with the creation of visual identities and the production of content particularly suitable for the communication channels closest to millennials and generation z. The program to update the e-commerce platform was continued with the extension of the new user experience of the prada.com website, which will cover all the Group's core markets soon, and the ongoing development of the new miumiu.com.

Investments have been made to restyle store layouts in order to make them even more attractive and have more effective product displays. Important new stores were opened, including in the prestigious SKP mall in Xi'an, China, and in the Dubai Mall in the United Arab Emirates.

The Group's interest in the world of culture and art went on mainly through the sponsorship of Fondazione Prada.

Operating margins improved not only as a result of efficient cost management, but also because of revenue growth benefiting from the aforementioned initiatives in terms of product innovation, digital transformation and brand visibility.

Analysis of Net Revenues

	IFRS		pro-forma		
(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	%	six months ended June 30 2017 (unaudited)	%	% change
Net Sales by geographical area					
Europe	563,003	37.3%	535,680	36.7%	5.1%
Americas	203,967	13.5%	211,617	14.5%	-3.6%
Asia Pacific	519,594	34.4%	487,643	33.4%	6.6%
Japan	171,278	11.3%	170,747	11.7%	0.3%
Middle East	50,805	3.4%	52,862	3.6%	-3.9%
Other countries	1,956	0.1%	1,925	0.1%	1.7%
Total Net Sales	1,510,603	100%	1,460,474	100%	3.4%
Net Sales by brand					
Prada	1,236,703	81.9%	1,188,093	81.3%	4.1%
Miu Miu	234,545	15.5%	230,739	15.8%	1.6%
Church's	31,663	2.1%	33,888	2.3%	-6.6%
Other	7,692	0.5%	7,754	0.6%	-0.8%
Total Net Sales	1,510,603	100%	1,460,474	100%	3.4%
Net Sales by product line					
Leather goods	858,769	56.8%	839,121	57.5%	2.3%
Footwear	307,860	20.4%	313,190	21.4%	-1.7%
Clothing	315,354	20.9%	278,380	19.1%	13.3%
Other	28,620	1.9%	29,783	2.0%	-3.9%
Total Net Sales	1,510,603	100%	1,460,474	100%	3.4%
Net Sales by channel					
Net Sales of direct operated stores (DOS)	1,236,991	81.9%	1,200,737	82.2%	3.0%
Sales to independent customers and franchisees	273,612	18.1%	259,737	17.8%	5.3%
Total Net Sales	1,510,603	100%	1,460,474	100%	3.4%
Net Revenues					
Net Sales	1,510,603	98.4%	1,460,474	98.3%	3.4%
Royalties	24,723	1.6%	25,545	1.7%	-3.2%
Total Net Revenues	1,535,326	100%	1,486,019	100%	3.3%

Distribution Channels

The retail net sales for the six months ended June 30, 2018 showed growth of 9.7% at constant exchange rates and 3% at current exchange rates. The negative impact of foreign exchange amounted to approximately Euro 80 million, and regarded all the main currencies. The growth at constant exchange rates was almost steady over the entire six-month period after the difference in the Chinese New Year date was recovered, which had benefited January sales in 2017 and February sales in 2018. Regular sales and higher volumes contributed largely to such growth.

Wholesale sales, bolstered by orders from e-tailers, rose by 8.1% at constant exchange rates (5.3% at current exchange rates).

Markets

The Asia Pacific market reported net sales growth of 13.8% at constant exchange rates (6.6% at current exchange rates). Most of the sales increase derived from directly operated stores. The Greater China region, assisted by the recovery of tourist flows,

in HK and in Macau, contributed considerably to the results of the region, with net sales of Euro 344.4 million, up by 17.2% at constant exchange rates (9.2% at current exchange rates).

Net sales in Europe rose by 6.5% at constant exchange rates (5.1% at current exchange rates). Except for the U.K., whose performance was in line with the comparative period, all the main countries in the region reported growth at constant exchange rates.

Net sales in the American market rose by 7.7% at constant exchange rates (-3.6% at current exchange rates). The growth was fueled primarily by the U.S. market, thanks to an expanding domestic clientele.

Sales in Japan rose by 9.1% at constant exchange rates and were in line with those of the comparative period at current exchange rates. The performance of this market benefited from a recovery in tourist flows but also local consumptions.

Net sales in the Middle East region grew by 6.9% at constant exchange rates and fell by 3.9% at current exchange rates. The recovery derived mainly from an increase in local spending. Two important stores, Prada and Miu Miu, were opened at the prestigious Dubai Mall during the period.

Products

Clothing sales increased by 19.5% at constant exchange rates and by 13.3% at current exchange rates. Both Prada and Miu Miu had double-digit growth at constant exchange rates, with higher growth rates than those of 2017.

Leather good sales rose by 8.4% at constant exchange rates and 2.3% at current exchange rates. Within leather goods, handbags continued on the positive trend underway at the end of the previous year, with double-digit sales growth at constant exchange rates compared with the same period of the prior year.

Footwear sales grew by 4% at constant exchange rates and fell by 1.7% at current exchange rates, showing recovery from the negative trend of the past two years.

Brands

Net sales of the Prada brand rose by 10.1% at constant exchange rates (4.1% at current exchange rates). All product categories presented growth at constant exchange rates compared with the same period of the previous year.

Miu Miu made a return to positive growth across all product categories and its net sales rose by 8.2% at constant exchange rates (1.6% at current exchange rates).

Sales of Church's brand products fell by 3.9% at constant exchange rates and by 6.6% at current exchange rates. The decline was nearly entirely attributable to the results of the wholesale channel, which has still not recuperated from its reorganization process.

"Other brands" refers primarily to sales of Marchesi 1824 brand patisserie products, which had double-digit growth compared with the same period of the previous year.

Royalties

Licensing agreements generated royalties income of Euro 24.7 million, down by 3.2% at current exchange rates. The considerable increase in the fragrance sector was offset by a decrease for eyewear.

Number of stores

	June 30, 2018		December 31, 2017		June 30, 2017	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Prada	397	25	394	25	385	25
Miu Miu	166	9	167	9	167	9
Church's	59	-	57	-	55	-
Car Shoe	4	-	4	-	5	-
Marchesi	3	-	3	-	3	-
Total	629	34	625	34	615	34

	June 30, 2018		December 31, 2017		June 30, 2017	
	Owned	Franchises	Owned	Franchises	Owned	Franchises
Europe	228	4	229	4	220	4
Americas	110	-	112	-	112	-
Asia Pacific	189	25	184	25	182	25
Japan	79	-	79	-	79	-
Middle East and Africa	23	5	21	5	22	5
Total	629	34	625	34	615	34

Operating results

The gross margin narrowed from 72.5% in the pro-forma six-month period ended June 30, 2017 to 72%. Foreign exchange losses affected the contraction, despite a better ratio of full-price sales to promotional sales.

Operating expenses grew slightly compared with the pro-forma six-month period of 2017 (from Euro 940.7 million to Euro 946.7 million), but they were lower as a percentage of net sales (from 63.3% to 61.6%). Selling expenses rose due mainly to an increase in the personnel employed in the retail network while advertising and communications activities went up following the numerous digital initiatives, pop-up events and sponsorship costs. Such increases were almost offset by the exchange rate impacts.

(amounts in thousands of Euro)	IFRS		pro-forma	
	six months ended June 30 2018 (unaudited)	% of net revenues	six months ended June 30 2017 (unaudited)	% of net revenues
Product design and development costs	64,572	4.2%	66,006	4.4%
Advertising and communications costs	94,379	6.1%	88,810	6.0%
Selling costs	692,227	45.1%	691,833	46.6%
General and administrative costs	95,486	6.2%	94,067	6.3%
Total Operating expenses	946,664	61.6%	940,716	63.3%

EBITDA for the six months ended June 30, 2018 was Euro 270.8 million, or 17.7% of net sales, up by 80 basis points compared with the same pro-forma period of 2017.

EBIT for the six months ended June 30, 2018 was Euro 159.2 million, or 10.4% of net sales, whereas in the pro-forma comparative period it was Euro 137.2 million or 9.2% of net sales.

The increase in net finance costs was attributable primarily to foreign exchange differences on financial items.

Analysis of the Statement of financial position

Net invested capital

The following table reclassifies the statement of financial position to provide a better view of net invested capital:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)	July 31 2017 (unaudited)
Non-current assets (excluding deferred tax assets)	2,569,487	2,565,359	2,529,920
Trade receivables, net	290,649	289,973	266,795
Inventories, net	612,660	569,929	562,620
Trade payables	(301,427)	(313,697)	(276,730)
Net operating working capital	601,882	546,205	552,685
Other current assets (excluding items of financial position)	201,031	212,102	244,992
Other current liabilities (excluding items of financial position)	(232,261)	(233,181)	(194,043)
Other current assets/(liabilities), net	(31,230)	(21,079)	50,948
Provision for risks	(57,285)	(61,815)	(77,546)
Post-employment benefits	(61,521)	(61,444)	(60,215)
Other long-term liabilities	(171,872)	(174,706)	(176,799)
Deferred taxation, net	184,547	177,389	203,369
Other non-current assets/(liabilities)	(106,131)	(120,576)	(111,191)
Net invested capital	3,034,008	2,969,909	3,022,362
Shareholder's equity - Group	(2,776,166)	(2,844,652)	(2,776,345)
Shareholder's equity - Non-controlling interests	(17,641)	(21,519)	(22,590)
Total Consolidated shareholders' equity	(2,793,807)	(2,866,171)	(2,798,935)
Long-term financial payables	(505,008)	(638,954)	(529,428)
Short-term financial, net surplus/(deficit)	264,807	535,216	306,001
Net financial position surplus/(deficit)	(240,201)	(103,738)	(223,427)
Shareholders' equity and net financial position	(3,034,008)	(2,969,909)	(3,022,362)
Net Debt to Consolidated equity ratio	8.6%	3.6%	8.0%

As at June 30, 2018, the Group has net invested capital of Euro 3,034 million, net financial indebtedness of Euro 240.2 million and Group's equity of Euro 2,776.2 million.

Non-current assets, consisting essentially of property plant, equipment and intangible assets, amount to Euro 2,569.5 million as at June 30, 2018. There was practically no change for the period because the capital expenditure of Euro 125.8 million was nearly the same as the depreciation and amortization expense of Euro 111.6 million.

The capital expenditure is broken down below:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	eleven months ended December 31 2017 (audited)
Retail	74,191	110,026
Production, Logistics and Corporate	51,591	140,638
Total	125,782	250,664

Capital expenditure was invested in the retail area primarily for renovation and relocation projects, as well as for the store openings of the period concentrated at the prestigious SKP mall in Xi'an in China and the Dubai Mall in the U.A.E. Other capital expenditure was used to build up production structures and enhance the corporate spaces in Italy.

The net working capital is Euro 601.9 million, up by Euro 55.7 million compared with December 31, 2017 due mainly to the inventory increase, which is consistent with the seasonal production and store procurement.

The net current liabilities are higher than at December 31, 2017 mainly because of the use of tax receivable in the period.

The reduction of non-current liabilities was attributable substantially to an increase in deferred taxes assets and the use of risk provisions for tax disputes.

Net financial position

The following table provides details of the Group's net financial position:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)	July 31 2017 (unaudited)
Bonds - non-current	-	-	(130,000)
Bank borrowing – non-current	(505,008)	(638,954)	(399,428)
Total financial payables – non-current	(505,008)	(638,954)	(529,428)
Bonds - current	(130,000)	(130,000)	-
Financial payables and bank overdrafts - current	(481,810)	(222,971)	(359,206)
Payables to related parties - current	(4,336)	(4,423)	(4,523)
Total financial payables – current	(616,146)	(357,394)	(363,729)
Total financial payables	(1,121,154)	(996,348)	(893,157)
Cash and cash equivalents	880,953	892,610	669,730
Total cash and cash equivalents	880,953	892,610	669,730
Net financial surplus/(deficit), total	(240,201)	(103,738)	(223,427)
Net financial surplus/(deficit) excluding related party balances	(235,865)	(99,315)	(218,904)
EBITDA / Net financial surplus/(deficit)	2.5	5.7	2.7

The cash flow generated by operating activities in the six-month period, Euro 180 million, together with the existing funds enabled to finance the capital expenditure of Euro 139.1 million and to pay dividends totaling Euro 185.7 million. The end-of-period net financial indebtedness is Euro 240.2 million, up by Euro 136.5 million compared with December 31, 2017.

Risk Factors

Risk factors regarding the international luxury goods market

Economic risks and international business risks

The performance of the luxury goods market is influenced by the general economy. Accordingly, the Group's business performance is exposed to global macroeconomic risks due to its international scale. An unfavorable global economy could adversely affect the propensity to spend on luxury goods and have a negative impact on the Group's operations, results, cash flows and financial condition.

Moreover, a substantial portion of the Group's sales originates from purchases of products by customers on trips abroad. Consequently, unfavorable economic conditions, social or geopolitical situations leading to instability, and natural disasters resulting in lower travel volumes have in the past, and could in the future, negatively impact the Group's business and results.

The Group believes that the full control of its value chain and a global retail presence enable to mitigate the risk that conditions such as these could influence significantly the consolidated sales.

Intellectual property risks

The Prada Group's brands have always been associated with beauty, creativity, tradition and excellent quality. Prada's ability to protect its brands and other intellectual property rights means safeguarding these fundamental assets that are responsible for the success of the brands and the brand positioning.

The Group protects its brands, designs, patents and websites by registering them and obtaining legal protection for them in all countries throughout the world. The Group actively opposes all forms of counterfeiting and intellectual property infringement by adopting strong, systematic measures worldwide. The wholesale, retail, online and off-line markets are monitored daily in close collaboration with customs authorities and police.

Risks regarding image and brand recognition

The Group's success in the international luxury goods business is linked to the image and distinct character of its brands. These features depend on many factors, such as the style and design of the products, the quality of the materials and production techniques used, the image and locations of DOS, careful selection of licensees, communications activities and the general corporate profile.

Preserving the image and prestige acquired by its brands in the fashion and luxury business is an objective that the Prada Group pursues by monitoring meticulously each internal and external phase of the value chain. This allows to constantly ensure undisputed quality and uphold Group's reputation, while constantly pursuing innovation in styles, products and communications in order to convey messages that are always consistent with the strong brand identities.

Risks regarding ability to anticipate trends and react to shifts in consumer tastes

The Group's success is reliant on its ability to create and define fashion and product trends, and to anticipate shifts in consumer tastes and luxury market trends in a timely manner.

The Group pursues those objectives dedicating great effort in the creative activities of its style office and throughout the whole product design and product development department.

This business area comprises approximately 1,000 individuals working in the design division, where a mix of nationalities, cultures and talents contribute to creativity, and in the development division, where craft skills combined with solid manufacturing processes enable the Group to continue to compete and keep abreast of emerging consumer trends and lifestyles.

Another fundamental way for understanding the evolution of costumes is represented by the close collaboration with the words of culture and art.

Risks specific to the Prada Group

Strategic risks

The possibility for the Group to improve its business performance depends on the successful implementation of its strategy for each brand, translated primarily in the continuous support and development of retail sales.

The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positioning, accompanied by store management geared toward making the buying experience unique. The restyling of the store layout and revamping of concepts aim to further expand the capacity to attract customers. The performance of the retail channel is also supported by localized marketing initiatives intended to enhance the identity of the brands and emphasize the unique features that distinguish the style and craftsmanship of the products.

Moreover, the implementation of the omnichannel strategy has paved the way for medium to long-term business development based on product quality, high-performance innovation, and distribution and communication channels that are constantly evolving and in line with the needs of the new generations of consumers.

Risks regarding the importance of key personnel

The Group's success depends on the contribution of key individuals who have played an essential role in the Group's expansion and who have substantial experience in the fashion and luxury goods business. Its success also depends on Prada's ability to attract and retain people who are qualified in the design, marketing, merchandising and distribution of the products.

The Group considers its management structure to be capable of ensuring business continuity, and has recently implemented a long-term incentive plan to retain key employees so that they will continue to cover the roles essential to the achievement of the challenging objectives that the Group constantly sets itself.

Risks regarding the outsourcing of manufacturing activities

While the Group designs, controls and produces in-house the majority of its prototypes, samples and most sophisticated products, it outsources the production of its other finished products to external manufacturers with appropriate expertise and capacity. Moreover, the Group centralizes the management of all raw materials.

The Group has implemented a strict inspection and quality control process for all outsourced production and contractually requires its manufacturers to comply with all regulations on brand ownership and other intellectual property rights. Moreover, the Group demands compliance with applicable regulations concerning labor, social security, and occupational health and safety. The Group also requires its contract manufacturers to read the Prada Group Code of Ethics and comply with the principles set forth therein. Risk of contractual non-compliance is mitigated by a control system based on procedures that define internal responsibilities for the assessment of the suppliers' ethical, technical and financial soundness.

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 to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through its business and financial strategies.

With respect to trade receivables, credit risk is managed by monitoring and checking the reliability and solvency of customers.

Concerning liquid assets, the risk of default substantially relates to bank deposits, which represent the Group's most widely-used financial product for investing its operating cash flows, in keeping with its low-risk policy. Default risk is mitigated by the allocation of cash holdings to bank deposits that are diversified in terms of counterparty (always investment-grade), country and currency, and by the consistently short-term period. The residual portion of liquid assets consists of cash and bank accounts. The Group considers no significant risk to exist on these kinds of liquid assets given that they are used for operating activities and business processes and, consequently, the number of independent parties involved is fragmented.

Liquidity risk

Liquidity risk refers to difficulty that the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, whereas the Corporate Finance management, which reports to the CFO, is responsible for optimizing financial resources.

The Directors consider the current funds and credit lines, in addition to those that will be generated by operating and financing activities, to be sufficient for enabling the Group to meet its requirements from investing activities, manage working capital, make punctual loan repayments and pay dividends as planned.

Tax risks

The Group's tax risks, which may derive from non-compliance or incorrect interpretation of the regulations, are constantly monitored within the internal control system and, in particular, within the tax control framework implemented by the Group. Thanks to such system of management of fiscal risks, PRADA spa was admitted to the Collaborative Compliance Regime (as provided for by the Italian Legislative Decree n. 128/2015).

Legal and regulatory risks

The Prada Group operates in a complex regulatory environment and so is exposed to the following legal risks:

- risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong that the Company must observe since it is listed on the main board of said Stock Exchange;
- risks associated with non-compliance with laws and regulations applicable to the Company due to the listing on the Irish Stock Exchange of the bond notes issued in August 2013;
- risks associated with occupational health and safety under Italian Legislative Decree 81/08 and equivalent regulations in force in other countries;
- possible legal penalties for wrongful acts pursuant to Italian Law 231/2001 as

- subsequently amended;
- possible events that could adversely affect the reliability of the financial statements and the protection of assets;
 - changes in international tax rules applicable in the various countries where the Group operates;
 - possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used.

The Group involves various divisions and uses external experts as necessary to keep its processes and procedures constantly updated in order to comply with changing rules and regulations, thereby reducing legal and regulatory risk to an acceptable level. Monitoring activities are performed by divisional managers, auditors, and special entities and committees such as the Supervisory Board, Internal Control Committee and Industrial Compliance Committee.

Foreign exchange risk

The Group has a vast international presence, and therefore is exposed to the risk that changes in currency exchange rates could adversely impact revenue, costs, margins and profit. In order to hedge the foreign exchange risk, the Group enters into derivative contracts designed to fix the value in Euro (or other functional currency) of the identified future cash flows. The future cash flows consist primarily of inflows of trade and financial receivables and outflows of trade payables. They refer mainly to PRADA spa, the Group's parent company and worldwide distributor of Prada and Miu Miu brand products.

Interest rate risk

Interest rate risk is the risk that future cash flows could be affected by interest rate fluctuation. In order to hedge this risk, which refers mainly to PRADA spa, the Group uses derivatives (such as interest rate swaps) to convert variable-rate debt into fixed-rate debt or debt within a specified range of rates.

Digital security and data processing risks

Due to the digital innovation characterizing the Group's business environment, digital security has become a core risk that could impact the Company's operations and its image. In keeping with the Internal Control Committee's objectives, the Internal Audit function, assisted by external experts, recently concluded an assessment of cyber risk and data fraud risk that identified the absence of significant or urgent remediation actions. The current information system and future business plans aim to guarantee that data is processed with a governance model that ensures that:

- information is adequately protected against the risk of unauthorized access and disclosure, improper information modification or destruction (including accidental loss), and use that is incompatible with the job assigned;
- information and personal data are processed in accordance with the applicable laws and regulations.

In light of the legal and regulatory changes regarding personal data protection, the Group has put into place organizational and operational controls to adapt the processes and procedures for the implementation of appropriate security measures to minimize risks of non-compliance.

Other information

Information on related-party transactions

Information on the Group's transactions and balances with related parties is provided in the Notes to the Interim Condensed Consolidated financial statements, insofar as required by IFRS, and in the Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange rules.

Non-IFRS measures

The Group uses certain financial measures ("non-IFRS measures") to measure its business performance and to help readers understand and analyze its statement of financial position. Although they are used by the Group's management, the measures are not universally or legally defined and are not regulated by the IFRS adopted to prepare the Consolidated financial statements. Other companies operating in the luxury goods business might use the same measures, but with different calculation criteria, so non-IFRS measures should always be read in conjunction with the related notes, and may not be directly comparable with those used by other companies.

The Prada Group used the following non-IFRS measures in this Interim Financial Report:

EBITDA: Earnings Before Interest, Taxation, Depreciation and Amortization, i.e. "consolidated net income for the period" adjusted to exclude "interest and other financial costs/(income) and dividends from investments", "taxes on income" and "depreciation, amortization and impairment".

EBIT: Earnings Before Interest and Taxation, i.e. "consolidated net income for the period" adjusted to exclude "interest and other financial income/(costs) and dividends from investments" and "taxes on income".

Net Financial Position: Short-term and long-term financial payables due to third parties and related parties, including lease obligations, net of cash and cash equivalents and short-term and long-term financial receivables due from third parties and related parties.

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

The following table sets forth the EBITDA and EBIT:

	IFRS	pro-forma	IFRS
(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended June 30 2017 (unaudited)	six months ended July 31 2017 (unaudited)
Consolidated net income for the period	105,164	96,181	116,082
Taxes on income	43,574	41,614	50,222
Interest and other financial (income)/expense and dividends from investments	10,450	(619)	533
EBIT (Earnings Before Interest and Taxation)	159,188	137,176	166,837
Depreciation, amortization and impairment	111,618	113,462	112,716
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization)	270,806	250,638	279,553

Treasury shares

At June 30, 2018 the Group does not hold treasury shares, as reported in the section relating to the Report on Corporate Governance.

Events after the reporting date

Nothing to report.

Outlook

Over the past few years, the Management has been working to reshape the Prada Group to adapt to the rapid changes in society and to interpret the spirit of new generations without losing its brand integrity. The results of this transformation are visible and supported by positive signals from the market.

The Group will continue its path of sustainable growth, based on the creative leadership of its brands and the attractiveness of its retail network, where the Management sees great potential to be unlocked through integration with digital technologies.

Milan, August 1, 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 the Company's corporate governance practices have complied with the code provisions set out in the Code throughout the six months from January 1, 2018 to June 30, 2018 (the "Reviewed Period").

The Board

The Board of Directors of the Company (the "Board") is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group.

On April 27, 2018, the shareholders' general meeting of the Company (the "AGM") has appointed the Board for a term of three financial years, ending on the date of the shareholders' general meeting to be called to approve the financial statements for the year ending December 31, 2020.

The newly appointed Board consists of nine individuals, being five Directors, namely, Mr. Carlo MAZZI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Ms. Alessandra COZZANI and Mr. Stefano SIMONTACCHI, and four Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI, Mr. Sing Cheong LIU and Mr. Maurizio CEREDA. Mr. Carlo MAZZI was elected by the AGM as the Chairman of the Board for the above mentioned term.

In accordance with the applicable provisions of Italian laws and the Company's by-laws, the executive roles of the Directors were resolved by the Board at the first Board meeting (which was on May 23, 2018) held after the AGM. The current executive roles are as follows:

Mr. Carlo MAZZI - Chairman of the Board and Executive Director
Ms. Miuccia PRADA BIANCHI - Chief Executive Officer and Executive Director
Mr. Patrizio BERTELLI - Chief Executive Officer and Executive Director
Ms. Alessandra COZZANI - Chief Financial Officer and Executive Director

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

The newly appointed Board resolved on the current memberships of the three Board committees at the first Board meeting (which was on May 23, 2018) held after the AGM as follows:

Audit Committee

Mr. Gian Franco Oliviero MATTEI (Chairman)
Mr. Giancarlo FORESTIERI
Mr. Maurizio CEREDA

Remuneration Committee

Mr. Maurizio CEREDA (Chairman)
Mr. Gian Franco Oliviero MATTEI
Mr. Carlo MAZZI

Nomination Committee

Mr. Gian Franco Oliviero MATTEI (Chairman)
Mr. Carlo MAZZI
Mr. Sing Cheong LIU

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

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or related financial management expertise to discharge the responsibility of the Audit Committee. The Audit Committee consists of three independent non-executive directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Maurizio Cereda who, as of May 23, 2018, has replaced 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 and internal audit processes and the implementation of the Company's risk management functions and to perform other duties and responsibilities as are assigned to the Audit Committee by the Board. During the Reviewed Period, the Audit Committee held four meetings on February 6, 2018, March 7, 2018 and May 23 and 29, 2018, with an attendance rate of 100%, mainly to review with the senior management, the Group's internal and external auditors and the board of statutory auditors, significant internal and external audit findings and financial matters, as required under the Committee's terms of reference, and to make relevant recommendations to the Board. The Audit Committee's review covered the audit plan for the year 2018, the findings of the internal auditors, internal controls, risk assessment, annual review of the Group's continuing connected transactions for 2017, tax and legal updates (including litigations and cooperative compliance regime with the Italian tax authorities) and the financial reporting matters (including the annual results for the year 2017), before recommending them to the Board for approval.

The Audit Committee also held a meeting on August 1, 2018 to, among others, review the interim results for the period ended June 30, 2018, before recommending them to the Board for approval.

Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. In compliance with Rule 3.25 of the Listing Rules, the Remuneration Committee is chaired by an independent non-executive director and comprises of a majority of independent non-executive directors. 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, where appropriate, adoption. The Remuneration Committee consists of two independent non-executive directors, namely, Mr. Maurizio Cereda (Chairman), who has replaced Mr. Giancarlo Forestieri as a member and Mr. Gian Franco Oliviero Mattei as the Chairman as of May 23, 2018, and Mr. Gian Franco Oliviero Mattei, and one executive director, Mr. Carlo Mazzi. During the Reviewed Period, the Remuneration Committee held two meetings on March 8, 2018 and June 14, 2018, with an attendance rate of 100% to recommend the aggregate basic remuneration of the Board for each year of its three-year term to the shareholders for approval at the AGM, and to review and, if deemed appropriate, to make recommendations on the additional remuneration of the directors vested with special authorities, and to review and recommend certain updates to the long term incentive plan for executives and Directors.

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 on the structure, size and composition of the Board itself, on the selection of new Directors and on the succession plans for Directors. The Nomination Committee also assesses on an annual basis 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 on March 7, 2018, with an attendance rate of 100% to perform the annual review of the independence of independent non-executive directors, to recommend the structure and composition of the Board for a term of three financial years, to recommend the re-election of Mr. Giancarlo Forestieri and Mr. Gian Franco Oliviero Mattei, who served the Board for more than nine years and for almost nine years, respectively, as independent non-executive directors of the Company and to recommend the re-designation of Mr. Maurizio Cereda as an independent non-executive director upon his election at the AGM.

Board of Statutory Auditors

Under Italian law, the Company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable law, regulations and the By-laws, as well as on its 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.

As resolved at the AGM, the following persons were elected as statutory auditors or alternate statutory auditors of the Company (as the case may be) for a term of three financial years, ending on the date of the shareholders' meeting to be called to approve the financial statements for the year ending December 31, 2020:

Mr. Antonino Parisi - statutory auditor and Chairman of the board of statutory auditors;
Mr. Roberto Spada - statutory auditor;
Mr. David Terracina - statutory auditor;
Ms. Stefania Bettoni - alternate statutory auditor; and
Mr. Cristiano Proserpio - alternate statutory auditor.

During the Reviewed Period, the board of statutory auditors attended two meetings of the Board on March 9, 2018 and May 23, 2018.

Supervisory Body

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

Dividends

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

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

On March 9, 2018, the Board recommended for the financial year 2017 the payment of a final dividend of Euro/cents 7.5 per share in the capital of the Company, representing a total dividend of Euro 191,911,800. The Shareholders approved the distribution and payment of the final dividend at the AGM. The dividend was paid on May 23, 2018, while the relevant withholding tax was paid in July 2018.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors since the Company's 2017 Annual Report, other than the changes disclosed in other paragraphs of this Corporate Governance report, is set out below:

Name of Director	Change
Carlo MAZZI	Appointed on April 26, 2018, as an independent non-executive director of Banca Profilo S.p.A., an Italian bank listed on the Italian Stock Exchange.
Maurizio CEREDA	Aggregate remuneration to be received for each financial year of the three-year term of his mandate as an independent non-executive director and a member of the Board committees equal to Euro 80,000.00.
Gian Franco Oliviero MATTEI	Aggregate remuneration to be received for each financial year of the three-year term of his mandate as an independent non-executive director and a member of the Board committees equal to Euro 140,000.00 plus Euro 20,000.00 for his office as a member of the Supervisory Body.
Giancarlo FORESTIERI	Aggregate remuneration to be received for each financial year of the three-year term of his mandate as an independent non-executive director and a member of the Board committees equal to Euro 60,000.00.
Sing Cheong LIU	Aggregate remuneration to be received for each financial year of the three-year term of his mandate as an independent non-executive director and a member of the Board committees equal to Euro 60,000.00.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Specific written confirmations have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding Directors' securities transactions for the Reviewed Period. There was no incident of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by relevant employees who are likely to be in possession of 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.

Purchase, Sale, or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reviewed Period.

Directors' interests and short positions in securities

As at June 30, 2018, the Directors of the Company and their associates held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

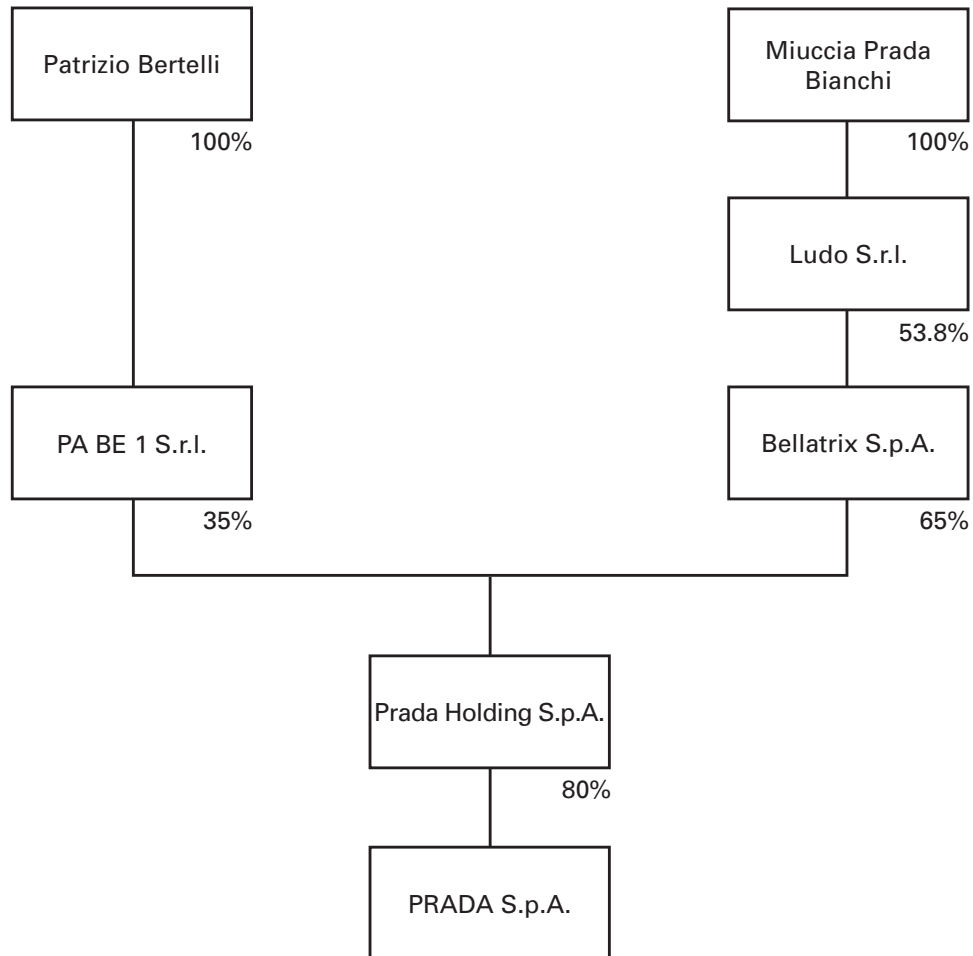
(a) Long positions in shares and underlying shares of the Company

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

Notes:

1. Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.
2. Ms. Miuccia Prada Bianchi, owns indirectly through Ludo S.r.l. 53.8% (comprised of 438,460 ordinary shares and 100,000 preference shares) of the capital in Bellatrix S.p.A., which in turn owns 65% (comprised of 1,650 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Ms. Miuccia Prada Bianchi is also a director of Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l..
3. Mr. Patrizio Bertelli owns, indirectly through PABE 1 S.r.l. 35% (comprised of 750 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Mr. Patrizio Bertelli is also a director of PABE 1 S.r.l..

The deemed interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at June 30, 2018 are summarized in the following chart:



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

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%
	Ludo S.r.l.	Ordinary Shares	100,311	Beneficial Owner	100%
	C.I.D. – Cosmetics International Distribution Corp.	Common Share	1	Controlled Corporation	100%
	Fratelli Prada S.p.A.	Ordinary Shares	890,094	Controlled Corporation	89.01%
			16,706	Beneficial Owner	1.67%
PH-RE LLC	Capital Contribution (JPY)	1,000,000	Controlled Corporation	100%	
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	C.I.D. – Cosmetics International Distribution Corp.	Common Share	1	As above	100%
	PH-RE LLC	Capital Contribution (JPY)	1,000,000	As above	100%

Save as disclosed above, as at June 30, 2018, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at June 30, 2018, other than the interests of the Directors of the Company as disclosed above, the following persons held interests in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
Long Positions			
Prada Holding S.p.A.	Legal and beneficial owner	2,046,470,760	80.00%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80.00%
Ludo S.r.l.	Interest of controlled corporation	2,046,470,760	80.00%
PABE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80.00%
OppenheimerFunds, Inc.	Investment Manager	130,063,230	5.08%

Note:

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

Interim condensed consolidated financial statements

Consolidated Statement of financial position

(amounts in thousands of Euro)	Note	June 30 2018 (unaudited)	December 31 2017 (audited)
Assets			
Current assets			
Cash and cash equivalents	6	880,953	892,610
Trade receivables, net	7	290,649	289,973
Inventories, net	8	612,660	569,929
Derivative financial instruments – current	9	6,096	13,923
Receivables from, and advance payments to, related parties - current	10	6,635	6,107
Other current assets	11	188,299	192,072
Total current assets		1,985,292	1,964,614
Non-current assets			
Property, plant and equipment	12	1,526,596	1,522,782
Intangible assets	13	927,042	921,458
Associated undertakings	14	9,156	8,416
Deferred tax assets	33	215,578	209,402
Other non-current assets	15	103,642	110,698
Derivative financial instruments - non-current	9	3,051	2,005
Total non-current assets		2,785,065	2,774,761
Total Assets		4,770,357	4,739,375
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term financial payables and bank overdraft	16	611,562	352,971
Payables to related parties – current	17	4,418	4,488
Trade payables	18	301,427	313,697
Tax payables	19	80,555	68,116
Derivative financial instruments - current	9	13,529	7,654
Other current liabilities	20	138,343	157,346
Total current liabilities		1,149,834	904,272
Non-current liabilities			
Long-term financial payables	21	505,008	638,954
Long-term employee benefits	22	61,521	61,444
Provision for risks and charges	23	57,285	61,815
Deferred tax liabilities	32	31,031	32,012
Other non-current liabilities	24	165,535	167,595
Derivative financial instruments non-current	9	6,336	7,112
Total non-current liabilities		826,716	968,932
Total Liabilities		1,976,550	1,873,204
Share capital		255,882	255,882
Total other reserves		2,395,246	2,375,084
Translation reserve		19,370	(4,035)
Net income for the period		105,668	217,721
Net Equity attributable to owners of the Group	25	2,776,166	2,844,652
Net Equity attributable to Non-controlling interests	26	17,641	21,519
Total Net Equity		2,793,807	2,866,171
Total Liabilities and Total Net Equity		4,770,357	4,739,375
Net current assets		835,458	1,060,342
Total Assets less current Liabilities		3,620,523	3,835,103

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	Note	six months ended June 30 2018 (unaudited)	%	six months ended July 31 2017 (unaudited)	%
Net Revenues	27	1,535,326	100%	1,468,636	100%
Cost of goods sold	28	(429,474)	-28.0%	(379,995)	-25.9%
Gross margin		1,105,852	72.0%	1,088,641	74.1%
Operating expenses	29	(946,664)	-61.6%	(921,804)	-62.7%
EBIT		159,188	10.4%	166,837	11.4%
Interest and other financial income / (expenses), net	30	(10,752)	-0.7%	(890)	-0.1%
Dividends from investments	31	302	0.0%	357	0.0%
Income before taxation		148,738	9.7%	166,304	11.3%
Taxation	32	(43,574)	-2.9%	(50,222)	-3.4%
Net income for the period		105,164	6.8%	116,082	7.9%
Net income - Non-controlling interests	26	(504)	0.0%	340	0.0%
Net income - Group	25	105,668	6.9%	115,742	7.9%
Basic and diluted earnings per share (in Euro per share)	33	0.041		0.045	

Consolidated Statement of cash flows

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Income before taxation	148,738	166,303
Profit or loss adjustments		
Depreciation and amortization	109,871	108,334
Impairment of property, plant and equipment and intangible assets	1,747	4,382
Non-monetary financial (income) expenses	12,152	(12,487)
Other non-monetary charges	10,647	9,899
Balance Sheet changes		
Other non-current assets and liabilities	(11,970)	(10,799)
Trade receivables, net	(1,365)	13,134
Inventories, net	(41,106)	(54,017)
Trade payables	(11,967)	25,265
Other current assets and liabilities	(14,491)	(16,932)
Cash flows from operating activities	202,256	233,082
Interest paid, net	(1,446)	(7,318)
Taxes paid	(20,792)	(17,608)
Net cash flows from operating activities	180,018	208,156
Purchases of property, plant and equipment and intangible assets	(139,065)	(103,869)
Disposals of property, plant and equipment and intangible assets	1,638	841
Dividends from investments	302	-
Acquisition of additional shares from Non-Controlling Interests	(2,000)	(1,275)
Net cash flow utilized by investing activities	(139,125)	(104,303)
Dividends paid to shareholders of PRADA Spa	(181,912)	(307,059)
Dividends paid to non-controlling shareholders	(3,835)	(451)
Repayment of short-term portion of long-term borrowings	(39,227)	(26,909)
Arrangement of long-term borrowings	103,875	8,668
Change in short-term borrowings	52,371	218,623
Share capital increases by non-controlling shareholders of subsidiaries	297	89
Cash flows generated/(utilized) by financing activities	(68,431)	(107,039)
Change in cash and cash equivalents, net of bank overdrafts	(27,538)	(3,186)
Foreign exchange differences	15,881	(49,686)
Opening cash and cash equivalents, net of bank overdraft	892,610	722,214
Closing cash and cash equivalents, net of bank overdraft	880,953	669,342
Cash and cash equivalents	880,953	669,730
Bank overdraft	-	(388)
Closing cash and cash equivalents, net of bank overdraft	880,953	669,342

Consolidated Statement of comprehensive income

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	eleven months ended December 31 2017 (audited)	six months ended July 31 2017 (unaudited)
Net income for the period – Consolidated	105,164	218,017	116,082
A) Items recyclable to P&L:			
Change in Translation Reserve	23,824	(151,016)	(122,894)
Tax impact	-	-	-
Change in Translation Reserve less tax impact	23,824	(151,016)	(122,894)
Change in Cash Flow Hedge reserve	(6,710)	5,729	13,477
Tax impact	1,853	(1,105)	(3,265)
Change in Cash Flow Hedge reserve less tax impact	(4,857)	4,624	10,212
Change in Fair Value reserve	740	(3,362)	(2,475)
Tax impact	-	(552)	572
Change in Fair Value reserve less tax impact	740	(3,914)	(1,903)
B) Items not recycled to P&L:			
Change in Actuarial reserve	-	1,921	-
Tax impact	-	(330)	-
Change in Actuarial reserve less tax impact	-	1,591	-
Consolidated comprehensive income for the period	124,871	69,302	1,497
Comprehensive income for the period - Non Controlling Interests	(82)	(1,907)	(1,411)
Comprehensive income for the period - Group	124,953	71,209	2,908

Consolidated Statement of changes in equity (1 of 2)
(amounts in thousands of Euro, except number of shares)

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Available for sale Reserve	Other reserves	Total other reserves	Net income for period	Equity		Total Net Equity
											Equity attributable to owners of the Group	Equity attributable to Non-controlling interests	
Balance at January 31, 2017 (audited)	2,558,824,000	255,882	144,791	410,047	(7,897)	(5,707)	(1,656)	2,006,713	2,401,500	278,329	3,080,502	24,028	3,104,530
Allocation of 2016 net income	-	-	-	-	-	-	-	278,329	278,329	(278,329)	-	-	-
Dividends	-	-	-	-	-	-	-	(307,059)	(307,059)	-	(307,059)	(451)	(307,510)
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	335	335
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	89	89
Comprehensive income for the six months (recyclable to P&L)	-	-	(121,155)	-	10,212	-	(1,903)	4	8,313	115,742	2,900	(1,411)	1,489
Comprehensive income for the six months (not recyclable to P&L)	-	-	-	-	-	2	-	-	2	-	2	-	2
Balance at July 31, 2017 (unaudited)	2,558,824,000	255,882	23,636	410,047	2,315	(5,705)	(3,559)	1,977,987	2,381,085	115,742	2,776,345	22,590	2,798,935
Dividends	-	-	-	-	-	-	-	-	-	-	-	(563)	(563)
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Comprehensive income for the five months (recyclable to P&L)	-	-	(27,671)	-	(5,588)	-	(2,011)	(4)	(7,603)	101,979	66,705	(483)	66,222
Comprehensive income for the five months (not recyclable to P&L)	-	-	-	-	-	1,602	-	-	1,602	-	1,602	(13)	1,589
Balance at December 31, 2017 (audited)	2,558,824,000	255,882	(4,035)	410,047	(3,273)	(4,103)	(5,570)	1,977,983	2,375,084	217,721	2,844,652	21,519	2,866,171

Consolidated Statement of changes in equity (2 of 2)
(amounts in thousands of Euro, except number of shares)

(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Available for sale Reserve	Other reserves	Total other reserves	Net income for period	Equity		Total Net Equity
											Equity attributable to owners of the Group	Equity attributable to Non-controlling interests	
Balance at December 31, 2017 (audited)	2,558,824,000	255,882	(4,035)	410,047	(3,273)	(4,103)	(5,570)	1,977,983	2,375,084	217,721	2,844,652	21,519	2,866,171
First Time Adoption IFRS 9 – Allowance for bad and doubtful debts	-	-	-	-	-	-	-	(1,724)	(1,724)	-	(1,724)	(33)	(1,757)
First Time Adoption IFRS 9 – Derivatives	-	-	-	-	(2,063)	-	-	2,063	-	-	-	-	-
Balance at January 1, 2018 (unaudited)	2,558,824,000	255,882	(4,035)	410,047	(5,336)	(4,103)	(5,570)	1,978,322	2,373,360	217,721	2,842,928	21,486	2,864,414
Allocation of 2017 net income	-	-	-	-	-	-	-	217,721	217,721	(217,721)	-	-	-
Dividends	-	-	-	-	-	-	-	(191,912)	(191,912)	-	(191,912)	(3,835)	(195,747)
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	197	197	-	197	(225)	(28)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	297	297
Comprehensive income for the six months (recyclable to P&L)	-	-	23,405	-	(4,857)	-	740	(3)	(4,120)	105,668	124,953	(82)	124,871
Balance at June 30, 2018 (unaudited)	2,558,824,000	255,882	19,370	410,047	(10,193)	(4,103)	(4,830)	2,004,325	2,395,246	105,668	2,776,166	17,641	2,793,807

The accounting policies and the notes are an integral part of the consolidated financial statements.

Notes to the Interim condensed consolidated Financial Statements

1. General information

PRADA spa (the “Company”), together with its subsidiaries (jointly the “Group”), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church’s and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements stipulated with industry leaders, and with the recent acquisition of Pasticceria Marchesi 1824, it has made its entry into the food industry, where it is positioned at the highest levels in terms of quality.

The Group’s products are sold in 70 countries worldwide through a network that included 629 Directly Operated Stores (DOS) at June 30, 2018 and a selected network of luxury department stores, independent retailers, franchise stores and on-line distributors (e-tailers).

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

The Interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors of PRADA spa on August 1, 2018.

2. Basis of preparation

The unaudited Interim condensed consolidated financial statements of the Prada Group for the six months ended June 30, 2018, including the “Consolidated Statement of financial position”, the “Consolidated Statement of profit or loss”, the “Consolidated statement of cash flows”, the “Consolidated Statement of comprehensive income”, the “Consolidated Statement of changes in equity”, and the “Notes to the Interim condensed consolidated Financial Statements”, have been prepared in accordance with the “IAS 34 Interim Financial Reporting”.

These Interim condensed consolidated financial statements should be read together with the Consolidated financial statements of the Prada Group for the eleven months ended December 31, 2017 that were prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union.

At the date of presentation of these Interim condensed consolidated financial statements, there were no differences between IFRSs as endorsed by the European Union and applicable to the Prada Group and those issued by the IASB.

IFRSs also refer to all International Accounting Standards (“IAS”) and all interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously called the Standing Interpretations Committee (“SIC”).

The Group has prepared the Interim condensed consolidated Statement of financial position presenting separately current and non-current assets and liabilities. All the details needed for an accurate and complete information are provided in the Notes to the Interim condensed consolidated Financial Statements. The Consolidated Statement of profit or loss is classified by destination. The cash flow information is provided in the Consolidated Statement of cash flows which has been prepared under the indirect method.

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

In accordance with IFRSs, the preparation of Consolidated financial statements requires

management to make estimates and assumptions when determining the values of certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

3. New IFRS and Amendments to IFRS

New Standards and Amendments issued by the IASB, endorsed by the European Union and applicable to the Prada Group from January 1, 2018.

New Standards IFRS and Amendments to existing Standards	Effective date for Prada Group	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
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 2 Classification and Measurement of Share-based Payment Transactions	January 1, 2018	Endorsed in February 2018
IAS 40: Transfers of Investment Property	January 1, 2018	Endorsed in March 2018
IFRIC Interpretation 22: "Foreign Currency Transactions and Advance Consideration"	January 1, 2018	Endorsed in March 2018

IFRS 9 Financial Instruments

On January 1, 2018 IFRS 9 "Financial Instruments" replaced IAS 39 "Financial Instruments: Recognition and Measurement". The new standard had two applications for the Group.

The first relates to the new "expected loss" impairment model replacing the previous "incurred loss" model. In response to this new method for measuring financial assets, which for the Prada Group are the trade receivables, a new impairment procedure was developed deriving in part from the commercial scoring system already used, which is based on the probabilities of default of the country in which the counterparty operates and of the counterparty itself. The new standard was adopted without restating the December 31, 2017 balances, and the effect on the opening reserves was Euro 1.7 million, net of taxes.

A second application refers to a different way to account for derivatives, which is now to recognize all fair value changes in the cash flow hedge reserve, on the condition that the cash flow being hedged does not already affect profit or loss (as per IAS 39). The new standard was adopted without restating the December 31, 2017 balances, and it resulted in a reclassification within equity between the "cash flow hedge reserve" and "other reserves" of Euro 2.1 million, net of taxes.

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, IFRS 15 "Revenue from Contracts with Customers" fully replaced IAS 18 "Revenue" and IAS 11 "Construction Contracts". The new standard was adopted by the Group without retroactive effects on previous periods and did not anyway impact the opening equity as at January 1, 2018. The only effects, although immaterial, of adopting the new standard regard a different classification of some components of income in the statement of profit or loss and a different method for recognizing future liabilities for returns of finished products. The latter change resulted in an increase in the current liabilities accounted for at December 31, 2017, with a corresponding new inventory item, "return assets" (Euro 4.6 million at January 1, 2018).

New Standards and Amendments issued by the IASB, endorsed by the European Union but not yet applicable to the Prada Group as effective for financial years beginning on January 1, 2019.

New Standards IFRS and Amendments to existing standards	Effective date for Prada Group	EU endorsement status
IFRS 16 Leases	January 1, 2019	Endorsed in October 2017
IFRS 9: Prepayment Features with Negative Compensation	January 1, 2019	Endorsed in March 2018

As reported in the 2017 Annual Report, the adoption of IFRS 16 "Leases" will have a material impact on the Prada Group's statement of profit or loss and statement of financial position.

In 2017, following the creation of a multidisciplinary team to deal with the transition to the new standard, a proper IT solution was determined and then started to be implemented in early 2018. The goal of the new IT architecture is to meet the new reporting requirements and improve the corporate processes involved in the management of leased assets. The solutions were designed to ensure full integration with the transactional systems (not all countries where the Group operates adopt IFRS 16), and an adequate internal control level based on process standardization and automation.

The impact of the new standard cannot be fully quantified due to some interpretative uncertainty regarding the legislation of the various countries where the Group operates and the different contractual cases. The Group is monitoring carefully the main trends so that it can adopt the new standard completely by the end of the year. In any case, the scale of impact on the statement of financial position remains in line with the commitments for future lease payments (Euro 2.6 billion), as reported in the 2017 Annual Report.

New Standards, changes and operational guidelines issued by the IASB, not yet endorsed by the European Union at the date of this Interim condensed consolidated financial statements.

New Standards	Effective date for the Prada Group	EU endorsement status
IFRS 17 Insurance Contracts	January 1, 2021	Not endorsed yet
IFRIC Interpretation 23: "Uncertainty over Income Tax Treatments"	January 1, 2019	Not endorsed yet

Amendments to existing Standards	Effective date for the Prada Group	EU endorsement status
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
IAS 19: Plan Amendment, Curtailment or Settlement	January 1, 2019	Not endorsed yet
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Not endorsed yet

As at the date of these Interim condensed consolidated financial statements, the Directors have not yet completed the analysis necessary to assess the impacts of the above reported new standards, amendments and operational guides not yet endorsed by the European Union.

4. Mergers and acquisitions

On January 11, 2018 the deed of transfer to PRADA spa for the remaining 20% stake in Angelo Marchesi srl was finalized. On March 29, 2018, in order to simplify the corporate structure of the three Group's companies operating in the food industry, Montenapoleone 9 srl and Isarcodue srl were merged into the aforementioned Marchesi Angelo srl, now Marchesi 1824 srl. The merger became effective from April 1, 2018.

On May 22, 2018 the liquidation of TRS New Zealand Limited was completed.

5. Operating segments

"IFRS 8 Operating Segments" requires that detailed information be provided for each operating segment that makes up the business. An operating segment is defined as a business division whose operating results are regularly reviewed by top management in order to allocate appropriate resources to the segment and assess its performance.

Because of the Group's matrix-based organizational structure (whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas), the complementary nature of the various brands' production processes and the many relationships between the different business divisions, it is not possible to designate operating segments as defined by IFRS 8 since the top management is only provided with the financial performance on a Group-wide level. For this reason, the business is considered a single operating segment, as it better represents the specific characteristics of the Prada Group business model.

Net revenues

Detailed information on net revenues by distribution channel, brand, geographical area and product are provided in the Financial Review together with additional comments.

Geographical information

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

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Europe	2,020,548	2,005,887
USA	192,634	193,757
Asia Pacific	216,111	235,010
Japan	78,391	81,709
Middle East and Africa	45,714	34,015
Total	2,553,398	2,550,378

The total amount of Euro 2,553.4 million (Euro 2,550.4 million at December 31, 2017) relates to the Group's non-current assets with the exception of derivative financial instruments, deferred tax assets and the pension fund surplus, as required by IFRS 8.

6. Cash and cash equivalents

Cash and cash equivalents are detailed as follow:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Cash on hand	45,227	66,162
Bank deposit accounts	581,805	477,950
Bank current accounts	253,921	348,498
Total cash and cash equivalent	880,953	892,610

Bank deposits accounts are broken down by currency as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Renmimbi	52,613	66,611
US Dollar	207	1,868
Korean Won	13,495	12,269
Hong Kong Dollar	503,311	387,212
Other currencies	12,179	9,990
Total bank deposit accounts	581,805	477,950

Bank current accounts are broken down by currency as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Euro	82,279	188,438
US Dollar	91,113	74,525
Korean Won	1,910	1,473
Hong Kong Dollar	6,783	7,058
GB Pound	11,748	8,408
Other currencies	60,088	68,596
Total bank current accounts	253,921	348,498

At June 30, 2018, bank current accounts and bank deposit accounts generated interest income of between 0% and 6.4% per year (between 0% and 6.8% at December 31, 2017).

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

7. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Trade receivables - third parties	288,964	284,602
Allowance for bad and doubtful debts	(10,230)	(7,892)
Trade receivables - related parties	11,915	13,263
Total	290,649	289,973

Trade receivables from related parties mainly refer to the sale of finished products to Fratelli Prada spa, a related company and franchisee of the Prada Group.

Movements during the period in the allowance for bad and doubtful debts are as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Opening Balance	7,892	6,654
IFRS 9 First time Adoption - Bad Debt Provision	2,246	-
Exchange differences	44	(171)
Increases	150	1,926
Utilization	(102)	(517)
Closing Balance	10,230	7,892

The following table contains a summary, by due date, of total receivables before the allowance for bad and doubtful debts at the reporting date:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	300,879	260,480	16,139	5,942	4,970	1,652	11,696
Total	300,879	260,480	16,139	5,942	4,970	1,652	11,696

(amounts in thousands of Euro)	December 31 2017 (audited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	297,865	267,271	9,871	6,225	2,052	1,622	10,824
Total	297,865	267,271	9,871	6,225	2,052	1,622	10,824

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

(amounts in thousands of Euro)	June 30 2018 (unaudited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less provision for doubtful debts	290,649	257,843	16,139	5,942	4,970	1,652	4,103
Total	290,649	257,843	16,139	5,942	4,970	1,652	4,103

(amounts in thousands of Euro)	December 31 2017 (audited)	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	289,973	267,133	9,871	6,225	2,052	1,622	3,070
Total	289,973	267,133	9,871	6,225	2,052	1,622	3,070

8. Inventories, net

Inventories can be broken down as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Raw materials	107,889	102,246
Work in progress	41,058	30,556
Finished products	500,105	484,709
Allowance for obsolete and slow-moving inventories	(42,260)	(47,582)
Total	606,792	569,929
Return assets	5,868	-
Total, net	612,660	569,929

The increase in the inventory compared to December 31, 2017 was consistent with the seasonal production and store procurement.

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

(amounts in thousands of Euro)	Raw materials	Finished Products	Total
Balance at December 31, 2017 (audited)	23,774	23,808	47,582
Exchange differences	-	(58)	(58)
Increase	-	659	659
Utilization	(39)	(5,884)	(5,923)
Balance at June 30, 2018 (unaudited)	23,735	18,525	42,260

The utilization of the allowance related to the scrapping of items written down in prior years.

9. Derivative financial instruments: assets and liabilities

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

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Financial assets regarding derivative instruments – current	6,096	13,923
Financial assets regarding derivative instruments – non-current	3,051	2,005
Total Financial Assets - Derivative financial instruments	9,147	15,928
Financial liabilities regarding derivative instruments – current	(13,529)	(7,654)
Financial liabilities regarding derivative instruments – non-current	(6,336)	(7,112)
Total Financial Liabilities - Derivative financial instruments	(19,865)	(14,766)
Net carrying amount - current and non-current	(10,718)	1,162

The net carrying amount of derivatives, both the current and the non-current portion, has the following composition:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)	IFRS7 Category
Forward contracts	9,147	15,721	Level II
Options	-	207	Level II
Positive fair value	9,147	15,928	
Forward contracts	(9,095)	(3,573)	Level II
Options	(870)	(501)	Level II
Interest rate swaps	(9,900)	(10,692)	Level II
Negative fair value	(19,865)	(14,766)	
Net carrying amount – current and non-current	(10,718)	1,162	

All of the above derivative instruments are qualified as Level II of the fair value hierarchy proposed by IFRS 7. The Group has not entered into any derivative contracts that could be qualified as Level I or III.

The fair values of derivatives arranged to hedge interest rate risks (interest rate swaps, "IRS") and of derivatives arranged to hedge foreign exchange rate risks (forward contracts and options) were determined by using one of the most widely used valuation platforms on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

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

Foreign exchange rate transactions

The cash flows resulting from the Group's international activities are exposed to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements, so as to guarantee the value of identified cash flows in Euro (or in other currencies used locally). The projected future cash flows mainly regard the collection of trade receivables, the settlement of trade payables and financial cash flows.

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate at June 30, 2018) are as stated below.

Contracts in effect as of June 30, 2018 to hedge projected future trade cash flows:

(amounts in thousands of Euro)	Forward sale contracts (*)	Forward purchase contracts (*)	June 30 2018 (unaudited)
Currency			
Canadian Dollar	9,365	-	9,365
Chinese Renminbi	71,595	(12,881)	58,714
GB Pound	40,460	(2,956)	37,504
Hong Kong Dollar	43,950	-	43,950
Japanese Yen	41,460	-	41,460
Korean Won	27,377	-	27,377
Russian Ruble	5,878	-	5,878
Singapore Dollar	10,539	-	10,539
Swiss Franc	5,143	-	5,143
US Dollar	73,340	(16,311)	57,029
Other currencies	23,302	-	23,302
Total	352,409	(32,148)	320,261

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

Contracts in effect as of June 30, 2018 to hedge projected future financial cash flows:

(amounts in thousands of Euro)	Forward sale contracts (*)	Forward purchase contracts (*)	June 30 2018 (unaudited)
Currency			
GB Pound	20,315	-	20,315
Japanese Yen	9,299	-	9,299
Swiss Franc	49,270	-	49,270
US Dollar	9,328	(54,469)	(45,141)
Other currencies	9,331	-	9,331
Total	97,543	(54,469)	43,074

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

All contracts in place as at June 30, 2018 will mature within 12 months, except for some forward contracts to hedge future financial cash flows which mature after June 30, 2019 and whose notional net amount is Euro 60.7 million (referring entirely to forward sale contracts).

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 Group 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 as at June 30, 2018 and December 31, 2017 are summarized as follows:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	June 30, 2018 (unaudited)	Currency	Type of debt	Amount	Expiry
IRS	Euro/000	44,000	1.457%	May-2030	(2,226)	Euro/000	Term loan	44,000	May-2030
IRS	Euro/000	60,000	0.105%	Mar-2019	(187)	Euro/000	Term loan	60,000	Mar-2019
IRS	Euro/000	90,000	0.013%	Feb-2021	(409)	Euro/000	Term loan	90,000	Feb-2021
IRS	Euro/000	100,000	0.252%	Jun-2021	(870)	Euro/000	Term loan	100,000	Jun-2021
IRS	GBP/000	54,975	2.778%	Jan-2029	(6,122)	GBP/000	Term loan	54,975	Jan-2029
IRS	Yen/000	1,200,000	1.360%	Mar-2020	(86)	Yen/000	Term loan	1,200,000	Mar-2020
Total fair value (amounts in thousands of Euro)					(9,900)				

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.

10. Receivables from, and advance payments to, related parties

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

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Prepaid sponsorships	787	-
Other receivables and advances	5,848	6,107
Receivables from and advances to related parties - current	6,635	6,107

Additional information on related party transactions is provided in Note 36.

11. Other current assets

The other current assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
VAT	41,309	42,444
Income tax and other tax receivables	44,388	69,652
Other assets	20,068	18,755
Prepayments	68,240	52,779
Deposits	14,294	8,442
Total	188,299	192,072

Other assets

The other assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Advances	3,786	1,760
Incentives for retail investments	4,470	5,247
Other receivables	11,812	11,748
Total	20,068	18,755

Prepayments

The prepayments are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Rental costs	21,769	16,889
Insurance	2,593	1,809
Design Costs	11,490	11,743
Fashion shows and advances on advertising campaigns	12,643	8,363
Amortized costs on loans	820	820
Other	18,925	13,155
Total	68,240	52,779

The prepaid design costs mainly consist of costs incurred to design collections that will generate revenue after the reporting period.

Deposits

The deposits refer primarily to security deposits paid under retail leases.

12. Property, plant and equipment

Historical cost and accumulated depreciation are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	767,797	183,162	1,319,813	434,511	191,240	91,006	2,987,529
Accumulated depreciation	(108,447)	(137,425)	(862,814)	(259,040)	(97,021)	-	(1,464,747)
Net carrying amount at December 31, 2017 (audited)	659,350	45,737	456,999	175,471	94,219	91,006	1,522,782
(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	825,145	193,017	1,345,295	453,269	179,081	58,895	3,054,702
Accumulated depreciation	(117,895)	(141,587)	(902,976)	(269,055)	(96,593)	-	(1,528,106)
Net carrying amount at June 30, 2018 (unaudited)	707,250	51,430	442,319	184,214	82,488	58,895	1,526,596

The changes in the carrying amount during the six months ended June 30, 2018 were as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Balance at December 31, 2017 (audited)	659,350	45,737	456,999	175,471	94,219	91,006	1,522,782
Additions	15,133	6,565	33,167	13,804	1,991	29,828	100,488
Depreciation	(8,833)	(4,480)	(55,787)	(16,811)	(5,997)	-	(91,908)
Disposals	(1)	(35)	(19)	(334)	(8,039)	-	(8,428)
Exchange differences	489	(1)	4,373	1,477	66	165	6,569
Other movements	41,112	3,644	4,586	11,167	273	(62,019)	(1,237)
Impairment	-	-	(1,000)	(560)	(25)	(85)	(1,670)
Balance at June 30, 2018 (unaudited)	707,250	51,430	442,319	184,214	82,488	58,895	1,526,596

Capital expenditure was invested in the retail area primarily for renovation and relocation projects, as well as for the store openings of the period concentrated at the prestigious SKP mall in Xi'an, in China, and the Dubai Mall in the U.A.E. Other capital expenditure was used to build up production structures and enhance the corporate spaces in Italy.

The impairment of Euro 1,7 million referred principally to the store closures and to the retail restyling projects.

13. Intangible assets

Historical cost and accumulated amortization are set forth below:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	402,693	547,808	209,702	116,828	63,143	31,062	1,371,236
Accumulated depreciation	(153,703)	(29,472)	(132,973)	(81,743)	(51,887)	-	(449,778)
Net carrying amount at December 31, 2017 (audited)	248,990	518,336	76,729	35,085	11,256	31,062	921,458

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Historical cost	403,619	547,843	234,223	127,207	63,145	15,494	1,391,531
Accumulated depreciation	(160,691)	(29,496)	(134,516)	(86,855)	(52,931)	-	(464,489)
Net carrying amount at June 30, 2018 (unaudited)	242,928	518,347	99,707	40,352	10,214	15,494	927,042

The changes in the carrying amount during the six months ended June 30, 2018 were as follows:

(amounts in thousands of Euro)	Trademarks	Goodwill	Store Lease Acquisitions	Software	Other intangibles	Assets in progress	Total
Balance at December 31, 2017 (audited)	248,990	518,336	76,729	35,085	11,256	31,062	921,458
Additions	828	-	11,825	4,057	16	8,523	25,249
Amortization	(6,954)	-	(4,832)	(5,118)	(1,058)	-	(17,962)
Disposals	-	-	(1,634)	(4)	-	-	(1,638)
Exchange differences	64	11	(31)	7	-	(23)	28
Other movements	-	-	17,650	6,325	-	(23,990)	(15)
Impairment	-	-	-	-	-	(78)	(78)
Balance at June 30, 2018 (unaudited)	242,928	518,347	99,707	40,352	10,214	15,494	927,042

The carrying amount of trademarks at the reporting date is broken down as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Miu Miu	141,225	144,005
Church's	80,768	82,609
Prada	5,833	5,292
Other trademarks and other intellectual property right	15,102	17,084
Total	242,928	248,990

No impairment was recognized for the Group's trademarks during the period.

"Key money" includes intangible assets recognized in respect of costs incurred by the Group to stipulate or take over leases for retail premises in prestigious locations.

The total capital expenditure for tangibles and intangibles in the six months ended June 30, 2018 was Euro 125.8 million, as broken down below:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Retail	74,191	110,026
Production, Logistics and Corporate	51,591	140,638
Total	125,782	250,664

Impairment test

As required by IAS 36, "Impairment of Assets", intangible assets with indefinite useful lives are not amortized but tested for impairment at least once a year. The Group reports no intangible assets with indefinite useful lives other than goodwill. As of June 30, 2018 goodwill amounts to Euro 518.3 million, detailed by Cash Generating Unit ("CGU") as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Montecarlo Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Production Division	10,169	10,169
Church's	8,598	8,587
Pasticceria Marchesi 1824	7,975	7,975
Total	518,347	518,336

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

14. Associated undertakings

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Investment available for sale	9,125	8,387
Other investments	31	29
Total	9,156	8,416

The investments available for sale regard a 4.88% stake in Sitoy Group Holdings Ltd, a company listed on the Hong Kong Stock Exchange as at June 30, 2018. 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 increase of Euro 0.7 million compared to December 31, 2017 was recognized in a specific equity reserve. In 2018, the Group accounted for net dividends from Sitoy Group Holdings Ltd totaling HKD 2.8 million (Euro 0.3 million).

15. Other non-current assets

The other non-current assets are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Guarantee deposits	60,705	66,511
Deferred rental income	11,289	13,004
Pension fund surplus	13,039	13,021
Other long-term assets	18,609	18,162
Total	103,642	110,698

The guarantee deposits are set forth below by nature and maturity:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Nature:		
Stores	55,843	61,398
Offices	3,713	3,889
Warehouses	105	100
Other	1,044	1,124
Total	60,705	66,511

(amounts in thousands of Euro)	June 30 2018 (unaudited)
Maturity:	
Between one year to two years	29,268
Between two years to five years	9,638
After more than five years	21,799
Total	60,705

16. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Short-term bank loans	142,937	87,901
Current portion of long-term loans	468,828	265,447
Deferred costs on loans	(442)	(611)
Financial lease	239	234
Total	611,562	352,971

The short-term financial payables as of June 30, 2018 consist primarily of Euro 85 million loans granted to PRADA spa and credit lines granted to PRADA Japan co Ltd for a total equivalent value of Euro 53.4 million. Some of the credit lines contain covenants based on the results of PRADA Japan co Ltd's financial statements, all of which are complied with as at June 30, 2018.

The increase of the current portion is due to the reclassification of some loans from long-term to short-term. Details of the composition of the current portion of long-term loans is presented in Note 21.

Short-term loans are broken down by currency below:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Euro	89,038	31,994
Japanese Yen	53,472	54,979
Other Currencies	427	928
Total	142,937	87,901

The Group generally borrows at variable interest rates (as explained in Note 21) and manages the risk of interest rate fluctuations by using hedging agreements (as explained in Note 9).

17. Payables to related parties – current

The current portions due to related parties are presented below:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Financial payables	4,336	4,423
Other payables	82	65
Payables to related parties - current	4,418	4,488

The financial payables due to related parties regard two interest-free loans granted by the non-controlling shareholders of the Group's subsidiaries in the Middle East (Note 36).

18. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Trade payables - third parties	292,426	302,847
Trade payables - related parties	9,001	10,850
Total	301,427	313,697

The following table summarizes trade payables by maturity date:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	>120
Trade payables	301,427	271,697	16,824	2,736	2,135	1,625	6,410
Total	301,427	271,697	16,824	2,736	2,135	1,625	6,410

(amounts in thousands of Euro)	December 31 2017 (audited)	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	>120
Trade payables	313,697	284,005	13,277	7,097	1,411	748	7,159
Total	313,697	284,005	13,277	7,097	1,411	748	7,159

19. Tax payables

The tax payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Current income taxes	26,757	25,015
VAT and other taxes	53,798	43,101
Total	80,555	68,116

The Group recognizes current tax liabilities of Euro 26.8 million as of June 30, 2018 (Euro 25 million as at December 31, 2017) against tax credits of Euro 44.4 million (Euro 69.7 million as of December 31, 2017), as reported in Note 11.

20. Other current liabilities

The other current liabilities are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Payables for capital expenditure	35,781	62,357
Accrued expenses and deferred income	23,946	20,943
Other payables	78,616	74,046
Total	138,343	157,346

The other payables are detailed as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Short-term benefits for employees and other personnel	58,922	61,252
Customer advances	6,874	6,164
Returns from customers	9,846	4,724
Other	2,974	1,906
Total	78,616	74,046

21. Long-term financial payables

The long-term financial payables are as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Long-term bank borrowings	504,023	638,034
Deferred costs on loans	(951)	(1,137)
Financial lease - non current	1,936	2,057
Total	505,008	638,954

During the first half of 2018 PRADA spa arranged a new long-term loan of Euro 100 million, which is subject to covenants based on PRADA spa's consolidated financial statements. The covenant is respected at June 30, 2018.

In 2018 PRADA Japan Ltd used an additional part (JPY 0.5 billion) of the multi-tranche syndicated loan arranged in 2017 (JPY 11 billion) from a group of Japanese banks. On June 30, 2018 PRADA Japan Ltd used a total amount of JPY 4.0 billion (Euro 31 million). The covenants based on the result of the subsidiary are fully complied as at June 30, 2018.

Hipic Prod Impex srl stipulated in 2017 a loan in Romanian leu of 13.8 million, which was completely drawn in the first half of 2018 (Euro 3 million); the loan will be repaid at maturity.

In the period the Group repaid loans for Euro 39.2 million. The long-term bank borrowings as of June 30, 2018, excluding finance lease obligations and amortized costs, are set forth below:

Borrower	Amount in thousands of Euro	Type of loan	Currency	Expiry date	Interest rate (1)	Current Portion (Euro thousands)	Non-current Portion (Euro thousands)	Pledge
PRADA Spa	130,000	Bond Private placement	EUR	aug-18	2.75%	130,000	-	-
PRADA Spa	60,000	Term-loan	EUR	mar-19	0.76%	60,000	-	-
PRADA Spa	44,000	Term-loan	EUR	may-30	2.74%	3,667	40,333	Mortgage loan
PRADA Spa	40,000	Term-loan	EUR	feb-19	0.61%	40,000	-	-
PRADA Spa	100,000	Term-loan	EUR	jun-21	0.75%	-	100,000	-
PRADA Spa	100,000	Term-loan	EUR	jun-22	0.48%	25,000	75,000	-
PRADA Spa	90,000	Term-loan	EUR	feb-21	0.96%	-	90,000	-
PRADA Spa	10,000	Term-loan	EUR	mar-19	0.71%	10,000	-	-
PRADA Spa	100,000	Term-loan	EUR	jun-19	0.00%	100,000	-	-
PRADA Spa	8,333	Term-loan	EUR	dec-18	0.60%	8,333	-	-
PRADA Spa	60,000	Term-loan	EUR	dec-18	0.20%	60,000	-	-
PRADA Spa	100,000	Term-loan	EUR	feb-22	0.50%	16,000	84,000	-
PRADA Japan Co. Ltd	23,249	Syndicate loan	JPY	sep-22	0.47%	-	23,249	-
PRADA Japan Co. Ltd	9,298	Term-loan	JPY	mar-20	1.36%	4,649	4,649	-
PRADA Japan Co. Ltd	3,100	Term-loan	JPY	mar-20	0.81%	1,550	1,550	-
PRADA Japan Co. Ltd	1,550	Term-loan	JPY	mar-20	1.18%	775	775	-
PRADA Japan Co. Ltd	7,749	Syndicate loan	JPY	sep-22	0.47%	-	7,749	-
PRADA Japan Co. Ltd	1,860	Syndicate loan	JPY	jul-18	0.93%	1,860	-	-
Kenon Ltd	62,045	Term-loan	GBP	jan-29	4.48%	2,455	59,590	Mortgage loan
Prada Middle East	16,083	Term-loan	USD	feb-22	4.34%	4,289	11,794	-
Tannerie Limoges Sas	2,500	Term-loan	EUR	jan-24	1.20%	125	2,375	Mortgage loan
Pelletteria Ennepi Srl	125	Term-loan	EUR	jun-19	2.50%	125	-	-
Hipic Prod Impex Srl	2,959	Term-loan	RON	nov-21	3.90%	-	2,959	-
Total	972,851					468,828	504,023	

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

PRADA spa's mortgage loan is secured by the building in Milan used for the Group's headquarters, whereas Kenon Ltd's loan is secured by the building on Old Bond Street used for one of the most prestigious Prada stores in Europe. The loan to Tannerie Limoges sas is secured by the building used for production.

Apart from PRADA spa, no Group company issued debt securities.

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements, as described in Note 9.

The financial payables are set forth hereunder by their portions with fixed and variable interest rates:

(amounts in thousands of Euro)	June 30, 2018 (unaudited)		December 31, 2017 (audited)	
	variable interest rates	fixed interest rates	variable interest rates	fixed interest rates
Short-term financial payables	65%	35%	56%	44%
Long-term financial payables	41%	59%	27%	73%

22. Long-term employee benefits

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Post-employment benefits	47,026	46,338
Other long-term employee benefits	14,495	15,106
Total liabilities for long-term benefits	61,521	61,444
Pension plan surplus (Note 15)	13,039	13,021
Net liabilities for long-term benefits	48,482	48,423

The net balance of long-term employee benefits as at June 30, 2018 is Euro 48.5 million (Euro 48.4 million as at December 31, 2017), and all the benefits are classified as defined benefit plans.

The post-employment benefits consist of Euro 22.8 million (Euro 23.8 million at December 31, 2017) in liabilities accounted for by Italian companies and Euro 24.2 million by the foreign subsidiaries (Euro 22.5 million at December 31, 2017).

The following table shows the changes in long-term employee benefits in the six months ended June 30, 2018:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Balance at December 31, 2017 (audited)	23,797	22,541	(13,021)	15,106	48,423
Current service cost	221	740	-	3,284	4,245
Actuarial (gains)/losses	-	-	-	(19)	(19)
Benefits paid	(1,179)	(66)	-	(3,989)	(5,234)
Exchange differences	-	971	(17)	113	1,067
Balance at June 30, 2018 (unaudited)	22,839	24,186	(13,038)	14,495	48,482

The defined benefit obligations are measured in accordance with independent appraisals on a yearly basis.

23. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Balance at December 31, 2017 (audited)	3,094	9,928	48,793	61,815
Exchange differences	24	15	713	752
Reversals	(686)	(98)	(275)	(1,059)
Utilized	(1,069)	(2,268)	(2,624)	(5,961)
Increases	-	61	1,711	1,772
Reclassification	-	(1,579)	1,545	(34)
Balance at June 30, 2018 (unaudited)	1,363	6,059	49,863	57,285

Disputes had been filed in previous years by PRADA spa for the dismissal or inadmissibility of petitions to not apply Controlled Foreign Company ("CFC") rules. Following its adherence to the Cooperative Compliance tax regime (described in the 2017 Annual Report), on April 23, 2018 PRADA spa and the Italian Revenue Agency formally jointly agreed to waive such disputes. The settlement of those disputes did not have any effect on the financial statements because the related risk had been deemed remote, so management had not entered risk provisions for them.

PRADA spa had filed a dispute regarding the audit initiated by the Italian Customs Agency in 2012 for the tax years from 2007 to 2011, which had resulted in notices of assessment for the 2010 tax year. In the first half of 2018 a new appeal was discussed at the Livorno Provincial Tax Committee and ruled in favor of the Company, just as the previous one had been. The Customs Agency has lodged an appeal against such rulings.

PRADA Germany gmbh had received a notice of assessment of direct taxes from the German tax authorities for the tax years from 2008 to 2011. The Company has paid the additional tax bills received and is waiting to be summoned for the discussion of the appeal filed.

24. Other non-current liabilities

The other non-current liabilities amount to Euro 165.5 million (Euro 167.6 million as at December 31, 2017). They mainly regard liabilities to recognize, on a straight-line basis, commercial lease costs.

25. Equity attributable to the owners of the Group

The equity attributable to owners of the Group is as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,004,325	1,977,983
Actuarial reserve	(4,103)	(4,103)
Fair value available for sale reserve	(4,830)	(5,570)
Cash flow hedge reserve	(10,193)	(3,273)
Translation reserve	19,370	(4,035)
Net income for the period	105,668	217,721
Total	2,776,166	2,844,652

Share capital

As at June 30, 2018, approximately 80% of PRADA spa's share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve of Euro 410 million did not change from that of December 31, 2017.

Translation reserve

The changes in this reserve result from the translation into Euro of the foreign currency financial statements of the consolidated companies. The reserve increased from the Euro -4 million at December 31, 2017 to Euro 19.4 million.

Other reserves

The other reserves amount to Euro 2,004.3 million as at June 30, 2018. They increased by Euro 26.3 million from December 31, 2017 was due to the allocation of the previous fiscal year's profit (Euro 217.7 million), net of the dividends distributed to PRADA spa shareholders (Euro 191.9 million).

Net income for the period

The Group's net income for the six months ended June 30, 2018 was Euro 105.7 million (Euro 217.7 million for the eleven months ended December 31, 2017).

Capital gains tax in Italy

Capital gains realized from the sale of an Italian company by shareholders resident in Hong Kong have not been subject to taxation in Italy since January 1, 2016. Additional information on the Italian capital gains tax is provided in the Tax Booklet available on the Company's website (www.pradagroup.com).

26. Equity attributable to non-controlling interests

The following table shows the changes in the non-controlling interests during the periods ended June 30, 2018 and December 31, 2017:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Opening Balance	21,519	24,028
Translation differences	422	(2,190)
Dividends	(3,835)	(1,014)
Net income for the period	(504)	296
Actuarial reserve	-	(13)
Capital injection in subsidiaries	297	89
Transactions with non-controlling shareholders	(225)	323
IFRS 9 First time Adoption - Bad Debt Provision	(33)	-
Closing balance	17,641	21,519

27. Net revenues

The consolidated net revenues are mainly generated by sales of finished products and are stated net of returns and discounts:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Net sales	1,510,603	1,442,556
Royalties	24,723	26,080
Total	1,535,326	1,468,636

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

28. Cost of goods sold

The cost of goods sold is analyzed as follows:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Purchases of raw materials and production costs	386,544	365,403
Logistic costs, duties and insurance	76,250	68,843
Change in inventories	(33,320)	(54,251)
Total	429,474	379,995

The cost of goods sold increased from 25.9% of net revenues to 28% due essentially to the negative impact of the foreign currency, despite the more favorable ratio of promotional sales to regular sales.

29. Operating expenses

The operating costs are detailed below:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	% of net revenues	six months ended July 31 2017 (unaudited)	% of net revenues
Product design and development costs	64,572	4.2%	66,786	4.5%
Advertising and communications costs	94,379	6.1%	82,587	5.6%
Selling costs	692,227	45.1%	679,606	46.3%
General and administrative costs	95,486	6.2%	92,825	6.3%
Total	946,664	61.6%	921,804	62.7%

Operating expenses grew compared with the six-month period of July 31, 2017 (from Euro 921.8 million to Euro 946.7 million), but they were lower as a percentage of net sales (from 62.7% to 61.6%). Selling expenses rose mainly due to an increase in the personnel employed in the retail network, while advertising and communications rose due to the numerous digital initiatives, pop-up events and sponsorship costs.

The following table shows the depreciation, amortization and impairment, cost of labor and rent expense included within the operating expenses:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Depreciation, amortization and impairment	103,811	105,789
Labor Cost	293,840	279,735
Variable rent	161,538	161,511
Fixed rent	141,247	153,827
Total	700,436	700,862

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

The net interest and other financial income/(expenses) are analyzed as follows:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Interest expenses on borrowings	(7,756)	(7,157)
Interest income	3,931	2,882
Interest income / (expenses) IAS 19	(3)	-
Exchange gains / (losses) - realized	(2,753)	(2,372)
Exchange gains / (losses) - unrealized	(3,346)	6,638
Other financial income / (expenses)	(825)	(881)
Total	(10,752)	(890)

The increase in interest and other financial income was influenced primarily by higher exchange losses on financial items mainly due to the fluctuation of the Chinese renminbi against the Hong Kong dollar. The cost of bank debt increased compared to six-months ended July 31, 2017 due to an higher average bank debt.

31. Dividends from investments

At June 30, 2018, the Group owned a 4.88% stake (unchanged from the prior reporting date) in Sitoy Group Holdings Ltd, a company listed on Hong Kong Stock Exchange (HK: 1023). During these six months of 2018, the dividends accrued from said company amounted to Euro 302 thousand (Euro 357 thousand in the six months period ended July 31, 2017).

32. Taxation

Income taxes have the following composition:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Current taxation	45,134	52,771
Deferred taxation	(1,560)	(2,549)
Income taxes	43,574	50,222

The effective tax rate of 29.3% is almost in line with the same period of last year.

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

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	eleven months ended December 31 2017 (audited)
Opening balance	177,390	216,126
Exchange differences	3,169	(15,310)
Deferred taxes on derivative instruments recognized in equity (cash flow hedges)	2,163	(1,657)
Deferred taxes on FTA IFRS 9	502	-
Deferred taxes on post-employment benefits recognized in equity (reserve for actuarial differences)	-	(334)
Other movements	(237)	469
Deferred taxes for the period in profit or loss	1,561	(21,904)
Closing balance	184,547	177,390

Deferred tax assets and liabilities are classified by type hereunder:

(amounts in thousands of Euro)	June 30, 2018 (unaudited)		December 31, 2017 (audited)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	104,149	-	100,620	-
Receivables and other assets	541	1,414	94	1,412
Useful life of non-current assets	47,426	8,729	46,405	9,048
Deferred taxes due to acquisitions	-	15,170	-	15,071
Provision for risks / accrued expenses	37,977	587	38,078	437
Non-deductible / taxable charges/income	8,828	1,471	9,416	2,024
Tax loss carryforwards	3,752	-	3,627	-
Derivative financial instruments	2,651	-	1,306	593
Long term employee benefits	9,259	2,217	8,986	2,214
Other	995	1,443	870	1,213
Total	215,578	31,031	209,402	32,012

33. Earnings and Dividends per share

Earnings per share basic and diluted

Earnings per share are calculated by dividing the net income attributable to the Group's shareholders by the weighted average number of ordinary shares outstanding in issue:

	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Group net income in Euro	105,668,240	115,741,559
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Earnings per share in Euro, calculated on weighted average number of shares	0.041	0.045

Dividends per share

During the six months ended June 30, 2018, the Company distributed dividends of Euro 191,911,800, as approved by Shareholders at the General Meeting held on April 27, 2018 to approve the December 31, 2017 financial statements.

The dividends net of the withholding taxes (Euro 182 million) were paid during the period under review, whereas such withholding tax (Euro 10 million), calculated by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, was paid in July 2018.

34. Additional information

The average number of employees by business division is presented below:

(number of employees)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Production	2,744	2,552
Product design and development	1,022	996
Advertising and Communications	154	125
Selling	7,855	7,479
General and administrative services	954	942
Total	12,729	12,094

Employee remuneration

The employee remuneration by business division is presented below:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Production	63,999	59,070
Product design and development	35,051	34,845
Advertising and Communications	8,267	7,365
Selling	207,830	196,109
General and administrative services	44,722	41,416
Total	359,869	338,805

The types of employee remuneration are presented below:

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Wages and salaries	272,307	255,790
Post-employment benefits and other long-term benefits	16,194	16,213
Social contributions	57,022	54,456
Other	14,346	12,346
Total	359,869	338,805

Distributable reserves of Parent company, PRADA Spa

(amounts in thousands of Euro)	June 30, 2018 (unaudited)	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882		-	-	-
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	328,040	A, B, C	307,524	-	870,001
Fair value reserve	(4,831)		-	-	-
Cash flow hedge reserve	(6,064)		-	-	-
Distributable amount			900,470		870,001

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 since the amount of the legal reserve is equal to or exceeds 20% of share capital. Under Italian Legislative Decree 38/2005, Article 7, Euro 20.5 million of the retained earnings is not distributable.

Exchange rates

The exchange rates against the Euro used for consolidation of the statements of financial position and statements of profit or loss whose presentation currency differed from that of the consolidated financial statements as of June 30, 2018 and comparative periods are listed hereunder:

Currency	Average rate six months ended June 30 2018	Average rate six months ended July 31 2017	Closing rate June 30 2018	Closing rate December 31 2017
UAE Dirham	4.449	4.029	4.282	4.405
Australian Dollar	1.569	1.444	1.579	1.535
Brazilian Real	4.137	3.488	4.488	3.973
Canadian Dollar	1.546	1.454	1.544	1.504
Swiss Franc	1.170	1.082	1.157	1.170
Czech Koruna	25.494	26.635	26.020	25.535
Danish Kronor	7.448	7.437	7.453	7.445
GB Pound	0.880	0.864	0.886	0.887
Hong Kong Dollar	9.493	8.536	9.147	9.372
Indonesian Rupiah	16,670.214	14,615.598	16,654.040	16,239.120
Japanese Yen	131.653	122.852	129.040	135.010
Korean Won	1,302.851	1,243.630	1,296.720	1,279.610
Kuwait Dinar	0.364	0.334	0.353	0.362
Kazakhstani Tenge	395.518	348.484	397.260	398.230
Macau Pataca	9.778	8.792	9.416	9.653
Mexican Peso	23.070	20.678	22.882	23.661
Malaysian Ringgit	4.768	4.783	4.708	4.854
New Zealand Dollar	1.690	1.541	1.725	1.685
Panamanian Balboa	1.211	1.097	1.166	1.199
Qatari Riyal	4.430	4.008	4.253	4.398
Chinese Renminbi	7.712	7.518	7.717	7.804
Romanian Leu	4.655	4.548	4.663	4.659
Russian Ruble	71.953	63.585	73.158	69.392
Saudi Riyal	4.543	4.113	4.372	4.498
Swedish Kronor	10.148	9.608	10.453	9.844
Singapore Dollar	1.606	1.530	1.590	1.602
Thai Baht	38.427	37.759	38.565	39.121
Turkish Lira	4.950	3.956	5.339	4.546
Taiwan Dollar	35.755	33.413	35.592	35.570
Ukrainian Hryvna	32.406	29.105	30.582	33.495
US Dollar	1.211	1.097	1.166	1.199
Vietnamese Dong	27,235.868	24,495.588	26,207.000	28,697.000
South African Rand	14.880	14.427	16.048	14.805
Moroccan Dirham	11.250	10.836	11.064	11.206

35. Remuneration of Board of Directors

Remuneration of the PRADA Spa Board of Directors for the six months ended June 30, 2018

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	June 30 2018 (unaudited)
Carlo Mazzi	510	-	-	37	19	566
Miuccia Prada Bianchi	6,259	-	-	-	23	6,282
Patrizio Bertelli	6,259	-	-	-	23	6,282
Alessandra Cozzani	25	140	56	7	65	293
Stefano Simontacchi	25	-	-	-	1	26
Maurizio Cereda	30	-	-	-	1	31
Gian Franco Oliviero Mattei	73	-	-	-	13	86
Giancarlo Forestieri	33	-	-	-	5	38
Sing Cheong Liu	33	-	-	-	8	41
Total	13,247	140	56	44	158	13,645

Remuneration of the PRADA Spa Board of Directors for the six months ended July 31, 2017

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	July 31 2017 (unaudited)
Carlo Mazzi	1,510	-	-	37	3	1,550
Miuccia Prada Bianchi	6,335	-	-	-	-	6,335
Patrizio Bertelli	6,335	-	-	-	-	6,335
Alessandra Cozzani	25	135	49	7	63	279
Stefano Simontacchi	25	-	-	-	1	26
Maurizio Cereda	25	-	-	-	1	26
Gian Franco Oliviero Mattei	75	-	-	-	-	75
Giancarlo Forestieri	35	-	-	-	6	41
Sing Cheong Liu	35	-	-	-	8	43
Total	14,400	135	49	44	82	14,710

36. Related party transactions

The Group carries out transactions with companies classifiable as related parties according to IAS 24 "Related Party Disclosures". These transactions mainly refer to the sales and purchase of goods, supplies of services, loans, sponsorships, leases and franchise agreements. These transactions take place on an arm's length basis.

The following tables show the effect of related-party transactions on the consolidated financial statements in terms of statement of financial position balances at the reporting date and total transactions affecting the statement of profit or loss.

Statement of financial position balances as of June 30, 2018 (unaudited)

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Trade payables	Payables to related parties – current	Other Liabilities – current and non-current
DFS Hawaii	-	-	516	-	-
DFS Venture Singapore (Pte) Limited	-	-	23	19	-
DFS DFS Cotai limitada	200	-	733	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	2,037	-
STICHTING Prada (ex Sticing Fondazione Prada)	1	-	-	-	-
Progetto Prada Arte Srl	3	-	-	-	-
Luna Rossa Challenge 2013 Srl	653	787	18	62	-
Chora Srl	-	5,848	728	-	-
Premiata Srl	2	-	470	-	-
La Mazza Srl	-	-	3	-	-
Conceria Superior Spa	5	-	3,825	-	-
Perseo Srl	-	-	762	-	-
COR 36 Srl.	4	-	-	-	-
Al Tayer Group Llc	-	-	45	-	-
Al Tayer Insignia Llc	708	-	104	2,299	-
Danzas Llc	-	-	-	1	-
Al Tayer Motors	-	-	1	-	-
Al Tayer Trends	12	-	-	-	-
Al Sanam Rent a Car Llc	-	-	2	-	-
TRS New Zealand Pty. Ltd	-	-	2	-	-
PRADA HOLDING Spa	115	-	-	-	-
Fratelli Prada Spa	10,210	-	1,770	-	-
PH-RE Llc	-	-	-	-	12,325
Members of the Board of Directors of PRADA Spa	-	-	-	-	7,310
Relatives of members of the Board of Directors	-	-	-	-	573
Total at June 30, 2018 (unaudited)	11,913	6,635	9,002	4,418	20,208

Statement of financial position balances as of December 31, 2017 (audited)

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Trade payables	Payables to related parties – current	Other Liabilities – current
STICHTING Prada (ex Stichting Fondazione Prada)	1	-	-	-	-
Progetto Prada Arte Srl	3	-	-	-	-
Al Tayer Group Llc	-	-	10	-	-
Al Tayer Insignia Llc	354	-	35	2,235	-
DFS Hawaii	-	-	670	-	-
DFS Venture Singapore (Pte) Limited	-	-	51	-	-
Luna Rossa Challenge 2013 Srl	512	-	18	65	-
Chora Srl	-	5,847	578	-	-
DFS DFS Cotai limitada	96	-	848	-	-
Al Tayer Trends	12	-	-	-	-
Al Tayer Motors	-	-	1	-	-
Al Sanam Rent a Car Llc	-	-	2	-	-
Peschiera Immobiliare Srl	8	-	-	-	-
Premiata Srl	7	-	657	-	-
Le Mazza Srl	48	-	128	-	-
Conceria Superior Spa	4	-	5,506	-	-
PRADA HOLDING Spa	54	-	-	-	-
Fratelli Prada Spa	12,158	118	923	-	-
Perseo Srl	8	-	1,421	-	-
LUDO Srl	-	142	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	2,188	-
Members of the Board of Directors of PRADA Spa	-	-	-	-	7,094
Relatives of members of the Board of Directors	-	-	-	-	494
Total at December 31, 2017 (audited)	13,265	6,107	10,848	4,488	7,588

**Statement of profit or loss transactions for the six months ended June 30, 2018
(unaudited)**

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income
DFS Hawaii	-	-	1,541	-
DFS Venture Singapore (Pte) Limited	-	-	139	-
DFS DFS Cotai limitada	-	-	2,493	-
SPELM Sa	-	-	214	-
Luna Rossa Challenge 2013 Srl	35	-	(72)	-
Luna Rossa Challenge 2013 Srl (Sponsoring Agreement CCT)	-	-	9,213	-
Chora Srl	-	-	990	-
Peschiera Immobiliare Srl	-	(2)	277	-
Premiata Srl	-	504	350	-
La Mazza Srl	-	92	-	-
Conceria Superior Spa	6	9,997	57	-
Perseo Srl	-	829	-	-
COR 36 S.r.l.	1	-	(14)	-
Al Tayer Group Llc	-	-	103	-
Al Tayer Insignia Llc	569	-	71	-
Danzas Llc	-	11	52	-
Al Tayer Motors	-	-	(1)	-
Al Sanam Rent a Car Llc	-	-	5	-
PRADA HOLDING Spa	-	-	(54)	-
LUDO Srl	-	-	671	-
PH-RE Llc	-	-	10,143	-
Fratelli Prada Spa	10,183	49	970	301
Relatives of members of the Board of Directors	-	-	412	-
Total at June 30, 2018 (unaudited)	10,794	11,480	27,560	301

Statement of profit or loss transactions for the six months ended July 31, 2017 (unaudited)

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income
DFS Hawaii	-	-	1,705	-
DFS Hong Kong Limited	-	-	2	-
DFS New Zealand Limited	-	-	66	-
DFS Venture Singapore (Pte) Limited	-	-	132	-
DFS Cotai limitada	-	-	2,307	-
SPELM Sa	-	-	270	-
Luna Rossa Challenge 2013 Srl	-	-	5,984	-
Chora Srl	-	-	1,099	-
Peschiera Immobiliare Srl	-	-	277	-
Premiata Srl	-	624	333	-
Le Mazza Srl	-	659	-	-
Conceria Superior Spa	4	12,953	22	-
Perseo Srl	-	1,119	-	-
PABE-RE Llc	-	-	9,243	-
Al Tayer Group Llc	-	-	10	-
Al Tayer Insignia Llc	643	-	113	-
Danzas Llc	-	330	20	-
Al Sanam Rent a Car Llc	-	-	6	-
PRADA HOLDING Spa	-	-	(36)	-
Fratelli Prada Spa	15,347	227	1,237	458
PRA 1 Srl	-	-	672	-
Relatives of members of the Board of Directors	-	-	381	-
Total at July 31, 2017 (unaudited)	15,994	15,912	23,843	458

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

The transactions with related party "PH-RE llc" (formerly PABE-RE llc) refer to the transaction between PABE-RE llc and PRADA Japan Co. Ltd in relation to the lease for the Aoyama buildings in Tokyo. The transactions reported for the six months ended June 30, 2018 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 July 15, 2015 ("Prada Aoyama") and May 26, 2017 ("Miu Miu Aoyama").

The transactions with related party "Fratelli Prada spa – franchising" refer to transactions between the Company and Fratelli Prada spa in relation to the franchising agreement for the Prada stores in Milan. The transactions reported for the six months ended June 30, 2018 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 25, 2017.

The transactions with related party Luna Rossa Challenge srl for the six months ended June 30, 2018 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.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported in Note 36, no transaction reported in the 2018 Interim condensed consolidated 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.

37. Commitments

Operating leases

At June 30, 2018, and December 31, 2017, the operating lease commitments, by maturity date, are as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Within a year	438,550	411,323
After between one year and five years	1,160,703	1,166,798
After more than five years	940,709	1,038,987
Total	2,539,962	2,617,108

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

(amounts in thousands of Euro)	six months ended June 30 2018 (unaudited)	six months ended July 31 2017 (unaudited)
Fixed minimum lease payments	142,575	155,076
Variable lease payments	161,538	161,511
Total	304,113	316,587

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

At June 30, 2018 and December 31, 2017, future rental income under operating leases is analyzed by maturity as follows:

(amounts in thousands of Euro)	June 30 2018 (unaudited)	December 31 2017 (audited)
Within a year	5,537	6,105
After between one year and five years	12,552	14,167
After more than five years	577	759
Total	18,666	21,031

Other commitments

The other commitments for the reporting period include Euro 54.7 million regarding new tangible fixed assets.

38. Financial trend

(amounts in thousands of Euro)	December 31 2017 (*)	January 31 2017	January 31 2016	January 31 2015	January 31 2014
Net revenues	2,741,095	3,184,069	3,547,771	3,551,696	3,587,347
Gross margin	2,030,696	2,289,112	2,567,565	2,550,579	2,648,649
Operating income (EBIT)	315,878	431,181	502,893	701,551	939,237
Group net income	217,721	278,329	330,888	450,730	627,785
Total assets	4,739,375	4,656,929	4,756,555	4,738,877	3,888,292
Total liabilities	1,873,204	1,552,399	1,659,178	1,720,730	1,186,752
Total Group shareholders' equity	2,844,652	3,080,502	3,080,340	3,000,737	2,687,554

(*) eleven-month statement of profit or loss

39. Consolidated Companies

Entity	Local currency	Share capital (000s of local currency)	% Interest	Registered office and principal country of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Italy						
PRADA Spa	EUR	255,882		Milan, IT		Holding Group/ Manufacturing/ Distribution/Services
Artisans Shoes Srl (*)	EUR	1,000	66.7	Montegranaro, IT	02/09/1977	Manufacturing
IPI Logistica Srl (*)	EUR	600	100	Milan, IT	01/26/1999	Services
Pelletteria Ennepi Srl (*)	EUR	93	80	Figline e Incisa Valdarno, IT	12/01/2016	Manufacturing
Church Italia Srl	EUR	51	100	Milan, IT	01/31/1992	Services/Retail
Marchesi 1824 Srl (*)	EUR	1,000	100	Milan, IT	07/10/2013	Food&Beverage

Entity	Local currency	Share capital (000s of local currency)	% Interest	Registered office and principal country of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Europe						
PRADA Retail UK Ltd (*)	GBP	5,000	100	London, UK	01/07/1997	Retail
PRADA Germany Gmbh (*)	EUR	215	100	Munich, GE	03/20/1995	Retail/Services
PRADA Austria Gmbh (*)	EUR	40	100	Vienna, AT	03/14/1996	Retail
PRADA Spain SI (*)	EUR	240	100	Madrid, ES	05/14/1986	Retail
PRADA Retail France Sas (*)	EUR	4,000	100	Paris, FR	10/10/1984	Retail
PRADA Hellas Sole Partner Llc (*)	EUR	2,850	100	Athens, GR	12/19/2007	Retail
PRADA Monte-Carlo Sam (*)	EUR	2,000	100	Monte-Carlo, FR	05/25/1999	Retail
PRADA Sa (*)	EUR	31	100	Luxembourg, LU	07/29/1994	Trademarks/Services
PRADA Company Sa	EUR	3,204	100	Luxembourg, LU	04/12/1999	Services
PRADA Netherland Bv (*)	EUR	20	100	Amsterdam, NL	03/27/2000	Retail
Church Denmark Aps	DKK	50	100	Copenhagen, DK	03/13/2014	Retail
Church Holding UK Ltd (*)	GBP	-	100	Northampton, UK	07/22/1999	Dormant
Church France Sas	EUR	2,856	100	Paris, FR	06/01/1955	Retail
Church UK Retail Ltd	GBP	1,021	100	Northampton, UK	07/16/1987	Retail
Church's English Shoes Switzerland Sa	CHF	100	100	Lugano, CH	12/29/2000	Retail
Church & Co. Ltd (*)	GBP	2,811	100	Northampton, UK	01/16/1926	Sub-Holding/ Manufacturing/ Distribution
Church & Co. (Footwear) Ltd	GBP	44	100	Northampton, UK	03/06/1954	Trademarks
Church English Shoes Sa	EUR	75	100	Brussels, BE	02/25/1963	Retail
PRADA Czech Republic Sro (*)	CZK	2,500	100	Prague, CZ	06/25/2008	Retail
PRADA Portugal Unipessoal Lda (*)	EUR	5	100	Lisbon, PT	08/07/2008	Retail
PRADA Rus Llc (*)	RUB	250	100	Moscow, RU	11/07/2008	Retail
Church Spain SI	EUR	3	100	Madrid, ES	05/06/2009	Retail
PRADA Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	73,000	100	Istanbul, TR	02/26/2009	Retail
PRADA Ukraine Llc (*)	UAH	240,000	100	Kiev, UA	10/14/2011	Retail
Church Netherlands Bv	EUR	18	100	Amsterdam, NL	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100	Dublin, IE	11/20/2011	Retail
Church Austria Gmbh	EUR	35	100	Vienna, AT	01/17/2012	Retail
PRADA Sweden Ab (*)	SEK	500	100	Stockholm, SE	12/18/2012	Retail
Church Footwear Ab	SEK	100	100	Stockholm, SE	12/18/2012	Retail
PRADA Switzerland Sa (*)	CHF	24,000	100	Lugano, CH	09/28/2012	Retail
PRADA Kazakhstan Llp (*)	KZT	500,000	100	Almaty, KZ	06/24/2013	Retail
Kenon Ltd (*)	GBP	84,000	100	London, UK	02/07/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	600	60	Isle, FR	08/19/2014	Manufacturing
PRADA Denmark Aps (*)	DKK	26,000	100	Copenhagen, DK	05/19/2015	Retail
PRADA Finnish Oy (*)	EUR	3	100	Helsinki, FI	11/09/2015	Retail
PRADA Belgium Sprl (*)	EUR	1,800	100	Brussels, BE	12/04/2015	Retail
Hipic Prod Impex Srl (*)	RON	200	80	Sibiu, RO	04/15/2016	Manufacturing

Entity	Local currency	Share capital (000s of local currency)	% Interest	Registered office and principal country of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Americas						
PRADA USA Corp. (*)	USD	152,211	100	New York, US	10/25/1993	Distribution/Services/Retail
TRS Hawaii Llc	USD	400	55	Honolulu, US	11/17/1999	Duty-Free Stores
PRADA Canada Corp. (*)	CAD	300	100	Toronto, CA	05/01/1998	Distribution/Retail
Church & Co. (USA) Ltd	USD	85	100	New York, US	09/08/1930	Retail
Post Development Corp. (*)	USD	45,138	100	New York, US	02/18/1997	Real Estate
PRADA Retail Mexico, S. de R.L. de C.V.	MXN	269,058	100	Mexico City, MX	07/12/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	210,000	100	Sao Paulo, BR	04/12/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100	Mexico City, MX	02/27/2014	Services
PRADA Panama Sa (*)	PAB	30	100	Panama, PA	09/15/2014	Retail
PRADA Retail Aruba Nv (*)	USD	2,011	100	Oranjestad, AW	09/25/2014	Retail
PRADA St. Barthelemy Sarl (*)	EUR	1,220	100	Gustavia, BL	04/01/2016	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific Ltd (*)	HKD	3,000	100	Hong Kong, HK	09/12/1997	Retail/Services
PRADA Taiwan Ltd	TWD	3,800	100	Hong Kong, HK	09/16/1993	Retail
PRADA Retail Malaysia Sdn. Bhd (*)	MYR	1,000	100	Kuala Lumpur, MY	01/23/2002	Retail
TRS Hong Kong Ltd	HKD	500	55	Hong Kong, HK	02/23/2001	Duty-Free Stores
PRADA Singapore Pte Ltd (*)	SGD	1,000	100	Singapore, SG	10/31/1992	Retail
TRS Singapore Pte Ltd (*)	SGD	500	55	Singapore, SG	08/08/2002	Duty-Free Stores
PRADA Korea Llc (*)	KRW	8,125,000	100	Seoul, KR	11/27/1995	Retail
PRADA (Thailand) Co. Ltd (*)	THB	372,000	100	Bangkok, TH	06/19/1997	Retail
PRADA Japan Co. Ltd (*)	JPY	1,200,000	100	Tokyo, JP	03/01/1991	Retail
TRS Guam Partnership	USD	1,095	55	Guam, GU	07/01/1999	Duty-Free Stores
TRS Saipan Partnership	USD	1,405	55	Saipan, MP	07/01/1999	Duty-Free Stores
PRADA Australia Pty Ltd (*)	AUD	13,500	100	Sydney, AU	04/21/1997	Retail
PRADA Trading (Shanghai) Co. Ltd	RMB	1,653	100	Shanghai, CN Limited Liability Company	02/09/2004	Dormant
TRS Okinawa KK	JPY	10,000	55	Tokyo, JP	01/21/2005	Duty-Free Stores
PRADA Fashion Commerce (Shanghai) Co. Ltd	RMB	474,950	100	Shanghai, CN Limited Liability Company	10/31/2005	Retail
Church Japan Company Ltd	JPY	100,000	100	Tokyo, JP	04/17/1992	Retail
Church Hong Kong Retail Ltd	HKD	29,004	100	Hong Kong, HK	06/04/2004	Retail
Church Singapore Pte Ltd	SGD	7,752	100	Singapore, SG	08/18/2009	Retail
PRADA Dongguan Trading Co. Ltd	RMB	8,500	100	Dongguan, CN Limited Liability Company	11/28/2012	Services
Church Footwear (Shanghai) Co. Ltd	RMB	31,900	100	Shanghai, CN Limited Liability Company	12/05/2012	Retail
PRADA New Zealand Ltd (*)	NZD	3,500	100	Wellington, NZ	07/05/2013	Retail
PRADA Vietnam Limited Liability Company (*)	VND	66,606,570	100	Hanoi City, VN	09/09/2014	Retail
PT PRADA Indonesia (*)	IDR	3,023,844	100	Jakarta, ID	10/15/2014	Dormant
PRADA Macau Co. Ltd	MOP	25	100	Macau, MO	01/22/2015	Retail

Entity	Local currency	Share capital (000s of local currency)	% Interest	Registered office and principal country of operation	Date of incorporation/ establishment (MM/DD/YYYY)	Main Business
Middle East						
PRADA Middle East Fzco (*)	AED	18,000	60	Jebel Ali Free Zone, AE	05/25/2011	Distribution/Services
PRADA Emirates Llc (**)	AED	300	29.4	Dubai, AE	08/04/2011	Retail
PRADA Kuwait WII (**)	KWD	50	29.4	Kuwait city, KW	09/18/2012	Retail
PRADA Retail WII (*)	QAR	15,000	100	Doha, QA	02/03/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75	Jeddah, SA	07/02/2014	Retail
Other countries						
PRADA Maroc Sarlau (*)	MAD	95,000	100	Casablanca, MA	11/11/2011	Dormant
PRADA Retail South Africa (Pty) Ltd (*)	ZAR	50,000	100	Sandton, ZA	09/06/2014	Retail

(*) Company owned directly by PRADA Spa

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

40. Disclosures regarding non-controlling interests

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

June 30, 2018 financial statements:

Entity	Group's percentage interest	Local currency	Total assets	Total equity	Net revenues six months	Net income / (loss) six months	Dividends paid to non-controlling shareholders (amounts in Euro thousands)
Artisans Shoes Srl.	66.7	EUR	34,240	7,905	29,887	941	(816)
TRS Hawaii Llc	55	USD	6,756	3,822	6,286	(19)	-
TRS Hong Kong Ltd	55	HKD	50,633	577	-	(34)	(2,371)
TRS Singapore Pte Ltd	55	SGD	2,041	1,495	1,708	285	(560)
TRS Guam	55	USD	8,915	7,832	5,299	434	-
TRS Saipan	55	USD	4,248	3,766	2,402	435	-
TRS New Zealand Pty. Ltd	55	NZD	-	-	-	-	(88)
TRS Okinawa	55	JPY	969,955	817,908	531,369	56,870	-
TRS MACAU	55	MOP	151,759	88,983	138,463	19,748	-
Prada United Arab Emirates	29.4	AED	292,000	(98,604)	102,959	(26,501)	-
Prada Middle East FZCO	60	AED	444,094	183,583	96,769	(516)	-
Prada Kuwait	29.4	KWD	7,657	648	4,478	448	-
Prada Saudi Arabia	75	SAR	74,057	15,225	31,516	(2,294)	-
Tannerie Limoges Sas.	60	EUR	9,155	369	2,654	(51)	-
Hipic Prod Impex Srl	80	RON	17,978	(545)	-	(559)	-
Pelletteria Ennepi Srl	80	EUR	6,749	2,387	-	166	-

There are no significant restrictions on the Group's ability to access or use assets and settle liabilities as of the reporting date.

41. Subsequent Events

Nothing to report.

