PRADA Group

2010 Annual Report

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Patrizio Bertelli

Miuccia Prada

The Group

The structure of Terranuova Bracciolini (AR)

The first Prada store,
Galleria Vittorio Emanuele II, Milan

Presentation

"For Prada, fashion, luxury and style have always been core aspects of a project that goes beyond production of clothes, footwear and handbags.

Careful observation and interest in the world, society, and culture are at the core of Prada's creativity and modernity. This has pushed Prada beyond the physical limitations of boutiques and showrooms, leading us to interact with diverse, seemingly distant worlds, and introducing, very naturally, a new way of creating fashion". Miuccia Prada and Patrizio Bertelli.

These values have transformed a family business into a major player in the luxury market worldwide.

The PRADA Group is one of the world's leaders in the design, production and distribution of luxury handbags, leather goods, footwear, ready-to-wear apparel, accessories, eyewear and fragrances. The Group owns some of the most prestigious international brands: Prada, Miu Miu, Car Shoe and Church's .

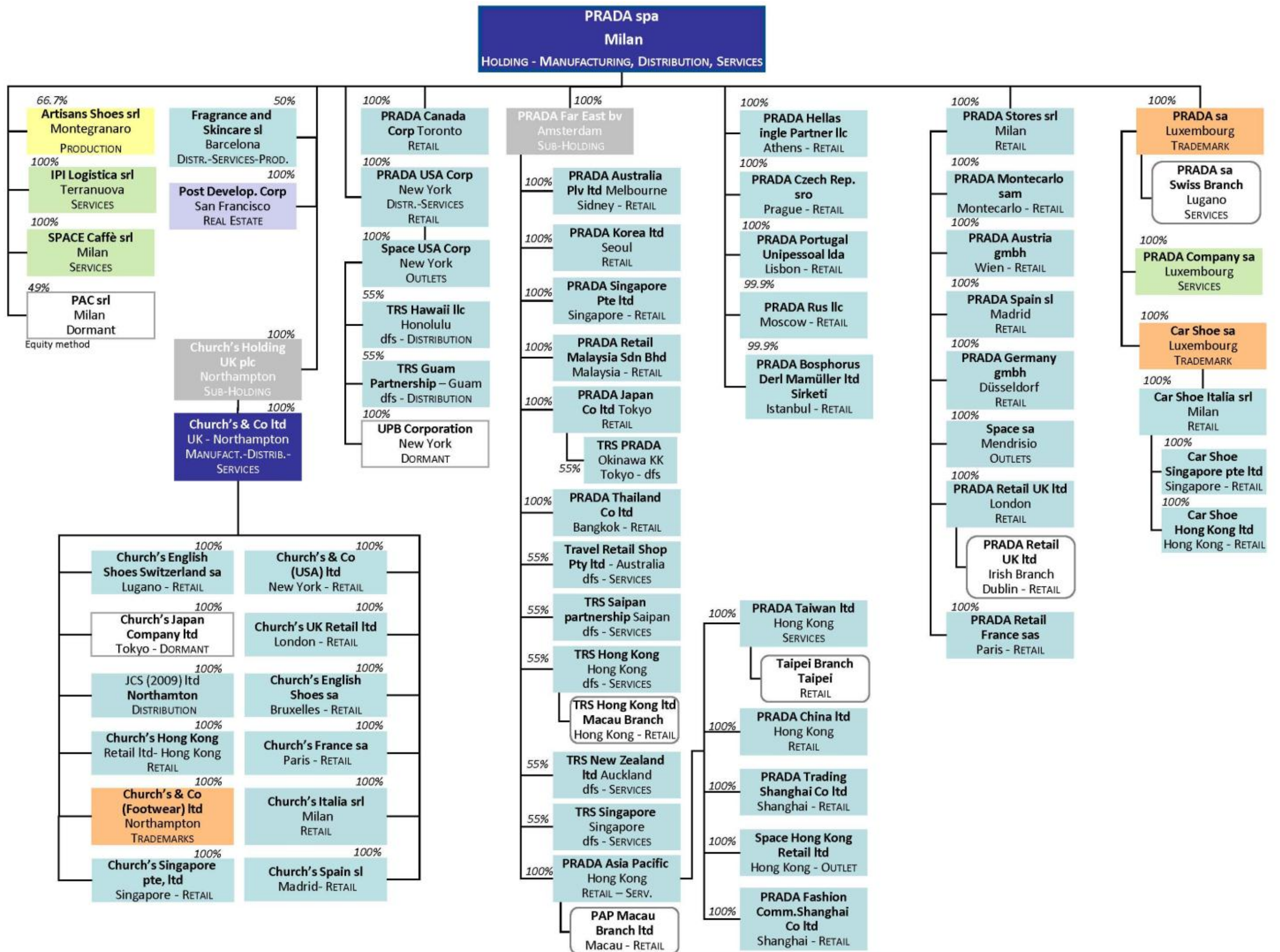
The Group operates in 70 countries through 319 directly operated stores, 35 franchise stores and a network of selected high-end multi-brand stores and luxury department stores.

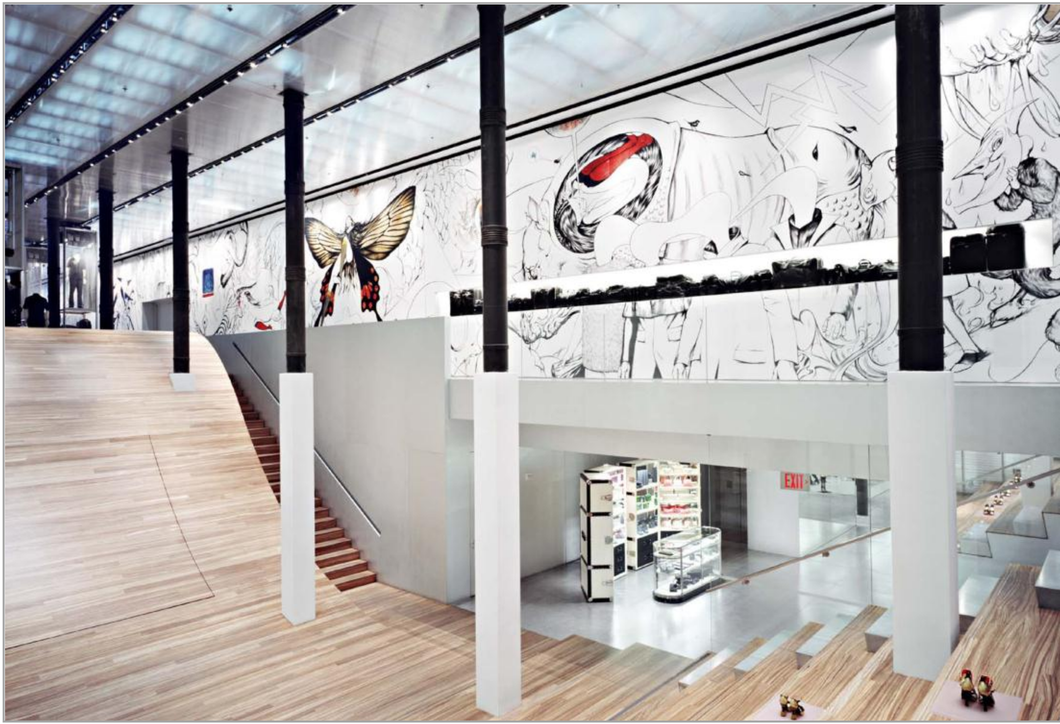
Prada's distinctive features and prestige derive from its particular industrial process management which allows the Group to offer its customers products of unequalled quality, creativity and exclusivity.

A focus on quality permeates every aspect of the Group's business. The individual heritage and identity of each brand is rigorously defended with the Group's designers and craftsmen being constantly challenged to keep tradition alive through a continuous process of re-invention and innovation. Each step of the process, both inside and outside the company, is carefully monitored in order to guarantee uncompromised quality.

The result is an exclusive relationship between each customer and the PRADA Group brands, its products, its communications and its stores. This is why customers recognize in Prada's products a personal and important part of their desire for self-expression and communication with the world around them.

PRADA Group structure





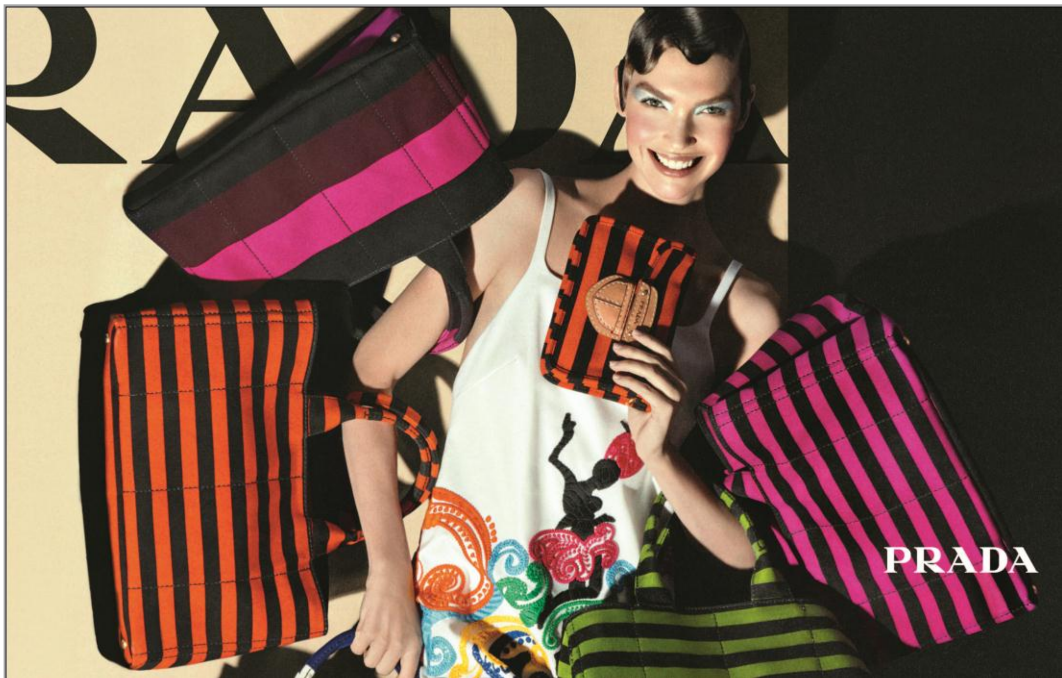
The first Prada Epicenter Concept Store, Broadway, New York
by architect Rem Koolhaas and Studio OMA

The second Prada Epicenter Concept Store, Aoyama, Tokyo
by architects Herzog & de Meuron

The third Prada Epicenter Concept Store, Los Angeles, Beverly Hills
by architect Rem Koolhaas and Studio OMA

The third Prada Epicenter Concept Store, Los Angeles, Beverly Hills
by architect Rem Koolhaas and Studio OMA

Fall/Winter 2011
Advertising campaign for Prada



Fall/Winter 2011
Advertising campaign for Prada

History of PRADA Group

The Prada brand dates back to the beginning of the last century. In 1913, Mario Prada opened a luxury store in the Galleria Vittorio Emanuele II in Milan, selling leather handbags, travelling trunks, leather accessories and beauty cases, luxury accessories and articles of value. Thanks to its exclusively designed goods, handcrafted using fine materials and sophisticated techniques, Prada rapidly became a reference point for European aristocracy and the most elegant members of the *haute-bourgeoisie* in Europe.

In 1919, PRADA became an official supplier to the Italian Royal Family. Over the years, the Prada name gained increasing renown and prestige.

The Group saw a turning point in the development of its activities at the end of the Seventies, when Miuccia Prada, Mario's grand-daughter, launched a partnership with Patrizio Bertelli, a Tuscan businessman already involved in the leather goods sector with Granello and Sir Robert. This partnership combined creativity and business ideas to commence a new era.

In 1977, Patrizio Bertelli set up I.P.I. spa to consolidate the production resources that he had built up over the previous ten years, including those of Sir Robert and Granello. In the same year, I.P.I. spa obtained an exclusive license from Miuccia Prada to produce and distribute leather goods bearing the Prada brand name. In the following years, the activities of the two families were gradually brought together within a single Group and, in 2003, IPI spa was merged into PRADA spa.

In 1983, the Prada family opened a second store in the prestigious Via della Spiga in Milan. The new store showcased the new brand image as it blended traditional elements with a modern architectural setting and would represent a revolution and a benchmark for luxury retail. In response to the growing demand for and appreciation of Prada products, the range was extended from leather goods (such as bags, luggage and accessories) to include footwear, as well as men's and women's ready-to-wear apparel.

A new brand, Miu Miu, was launched in 1993.

In 1999 PRADA acquired full control of Church's Group, a prestigious brand of English shoes.

In 2001 PRADA, acquired control of Car Shoe, an historical Italian brand famous for exclusive driving shoes.

In 2003, Prada entered into a ten-year licensing agreement with Italian eyewear manufacturer Luxottica, one of the world leaders in the eyewear industry. The Luxottica Group currently produces eyewear for the Prada and Miu Miu brands.

In 2003 a joint-venture with Spanish cosmetic manufacturer PUIG Beauty & Fashion Group was set up and it launched its new Prada women's fragrance at the end of 2004.

Fall/Winter 2011
Advertising campaign for Miu Miu

Fall/Winter 2011
Advertising campaign for Miu Miu

The main stages in the recent development of the Prada and Miu Miu brands were as follows:

1979: launch of Prada women's footwear collection

1983: opening of a second store in Via della Spiga, Milan

1986: opening of the first store in the United States, in New York

1989: launch of Prada women's ready-to-wear collection

1993: launch of Miu Miu women's collections (ready-to-wear apparel, handbags and footwear)
launch of PRADA men's collections (ready-to-wear and footwear)

1997: launch of Prada Linea Rossa products

2000: launch of Prada eyewear collection

2001: opening of the first "Epicenter" store in SoHo, New York

2003: opening of the second "Epicenter" store in Aoyama,Tokyo
joint-venture with Puig Beauty for the fragrance lines

2004: opening of the third "Epicenter" store in Beverly Hills, Los Angeles

2006: Miu Miu fashion show in Paris
Prada launches its first men's fragrance

2007: launch of first Prada phone by LG
launch of new Prada women's fragrance, Infusion d'Iris

2008: launch of Infusion d'Homme, the new Prada men's fragrance
launch of the new Prada phone by LG.

2009: launch of exclusive new "Made to measure" (customized and made to measure men's shirts) and "Made to order" (possibility to customize clothes, accessories and shoes) services available as part of a new concept at the store in Corso Venezia, Milan
launch of new Prada women's fragrances Eau Ambrée and Infusion de Fleur d'Oranger

2010: Prada is an official partner of the Italian Pavilion at the Shanghai World Expo
launch of the "Prada Made in..." collection
launch of "Postcard" eyewear

Fall/Winter 2011
Advertising campaign for Prada Eyewear

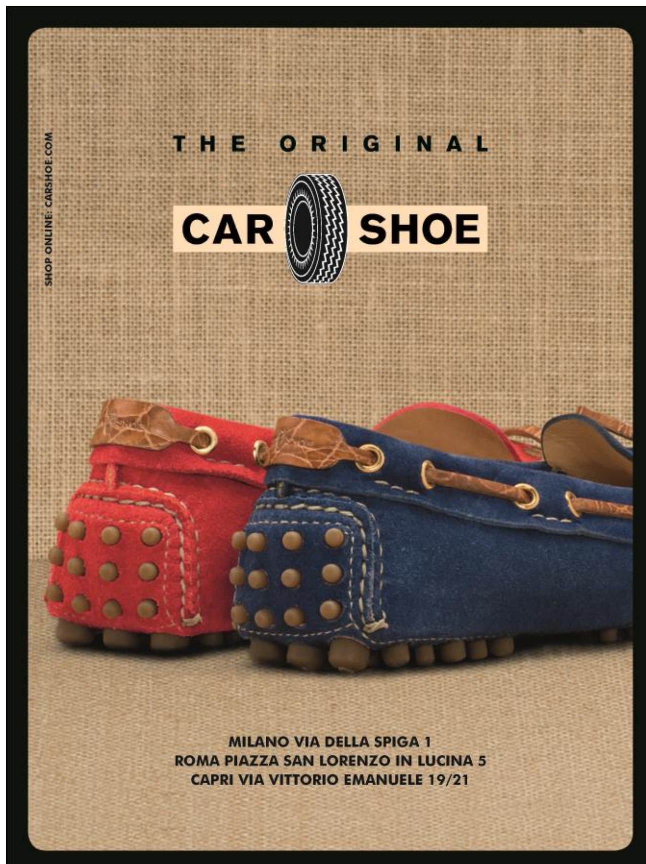
Fall/Winter 2011
Advertising campaign for Prada Eyewear

The Group Brands

Prada spa owns and operates some of the most prestigious luxury brands in the world. These brands, together with the Group's know-how and expertise, represent a key asset for the company.

- PRADA: an historic brand that represents the best of Italian culture and tradition with unmistakable style, sophisticated elegance and uncompromising quality. At the same time, this is one of the most innovative fashion brands, able to re-define the norm and set new trends. Prada tends to go beyond conventional solutions to anticipate and satisfy consumer tastes.
- MIU MIU: Miuccia Prada's other soul, a brand with a very strong and autonomous identity, characterized by an avant-garde, sensual, sometimes provocative, style aimed at a clientele particularly focused on experimentation and the pursuit of originality.
- Church's: founded in Northampton (England) in 1873, is a world renowned symbol of a century-old tradition in luxury, handcrafted footwear production, characterized by classic style and sophisticated English elegance. In 2009 the brand proposed a new range of lifestyle items.
- Car Shoe: a long established Italian brand, identified for decades with the most exclusive driving shoes with black rubber studded soles that give better grip on the car pedals. More recently, the brand has developed new models and offers a complementary line of accessories.

2011
Advertising campaign for Church's



2011
Advertising campaign for Car Shoe

Strategic processes

Design

Creativity is the first step of the quality process.

Miuccia Prada has the ability to combine intellectual curiosity, the pursuit of new and unconventional ideas, cultural and social interests with a strong sense of fashion and close attention to detail.

This unique approach enables Prada to anticipate and set trends, continually experimenting with shapes, fabrics, leathers and production techniques. This experimentation and exchange of ideas are the essential components of the design content found in each PRADA product. The time spent at the "drawing board" and the in the "fitting room" represents research and stylistic development for the brands and is fundamental in defining each collection so that each ready-to-wear apparel, footwear and accessories complement one another and create a well-defined, consistent brand image.

Miuccia Prada and Patrizio Bertelli's flair, coupled with their extraordinary personalities, continue to attract other internationally renowned talents who want to work with them in many different creative fields. This results in formidable teams in all aspects of the creative process: from design, to architecture, to photography and the interior design of the stores. Prada products have even been presented and interpreted as works of art.

Production

The second step of the value chain involves the choice and selection of fabrics, leathers and other raw materials. These are always carefully chosen and often exclusively made for Prada based on very detailed specifications. With an annual consumption of some 4 million meters of fabric and a similarly impressive amount of leathers, Prada enjoys the priority attention of the best fabric makers and tanners in the world.

Prada products are made at 11 state-of-the-art facilities in Italy and England and through a network of external sub-contractors, all of them selected for their craftsmanship skills. This system enables close control of the overall production process and maximizes the individual capacities of each facility. Furthermore, it guarantees the utmost quality and the highest level of flexibility.

The core of Prada's production employees has been working with the company for an average of 20 years. This leads to the highest level of specialization and dedication to the brand while ensuring that know-how is handed on smoothly to younger generations.

Distribution

The Group's innovative approach and quality standards also apply to distribution.

The clearest evidence lies in the Epicenter Concept Store Program. These very special stores, located in New York, Los Angeles and Tokyo, have been designed in collaboration with world-famous architects such as Rem Koolhaas and Herzog & de Meuron, to re-invent and re-visit the concept of shopping. PRADA Epicenters blend shopping and interaction with space, creating synergies with new technologies and different cultural influences. This offers customers a multitude of unique experiences and exclusive services.

In terms of distribution channels, the Group has developed a strong network of Directly Operated Stores which is accompanied by franchise stores and a significant presence in selected high-end multi-brand stores and luxury department stores.

Directly Operated Stores provide a direct relationship with customers and offer real-time information on the performance of each product category. The retail network is also an effective platform to showcase the product range and project a strong and consistent brand image.

2011
Advertising campaign for Prada Parfums

2011
Advertising campaign for Prada Parfums

The wholesale channel (department and multi-brand stores) guarantees a number of points of sale in prestigious locations in key markets and provides a direct and immediate comparison with the competition. The sales performance in the wholesale channel is a very useful indicator of consumer tastes and the brand's relative strength.

71% of PRADA Group's consolidated sales are generated by the retail channel, while the remaining 29% comes from wholesale.

Image and communications

Effective communication is key to building and maintaining a unique and powerful brand image. From impeccably executed fashion shows to award-winning advertising campaigns, PRADA continues to successfully create an appealing and cutting-edge image that attracts an international customer base.

Strong editorial coverage of Prada and Miu Miu, featured prominently on hundreds of covers of the most important fashion magazines worldwide, contributes to the visibility of both brands' products.

Cultural and commercial in-store events (such as fashion and trunk shows as well as the highly-acclaimed "Waist Down" skirt exhibition) help raise the brands' profile and increase awareness of the most recent collections in local markets, from Tokyo to New York, from Hong Kong to London.

Special projects carried out in fields other than Prada's core business form an important part of the Company's communications strategy, highlighting the many different facets that identify the brand.

Prada took part in the America's Cup in 2000, 2003 and 2007. This experience, which led also to the development of a sports clothing and accessories line, helped further spread the image of Prada in the world, associating the brand with one of the oldest and most prestigious international sports competitions.

Art and culture

Miuccia Prada and Patrizio Bertelli's interest in contemporary art led them to the decision, in 1993, to create a space to hold exhibitions dedicated to acclaimed international artists. The Fondazione Prada was born with the purpose of receiving and communicating what Miuccia Prada calls "the most powerful mental and cultural provocations".

Organized with the full collaboration of the artists themselves, the exhibitions presented by the Fondazione Prada in Milan have so far included artists of international fame such as Anish Kapoor, Mariko Mori, Louise Bourgeois, Laurie Anderson, Walter De Maria, Marc Quinn, Carsten Hoeller, Steve McQueen, Giulio Paolini, Francesco Vezzoli, Tom Sachs, Thomas Demand, Tobias Rehberger, Natalie Djurberg and John Wesley.

The flexible nature of the Fondazione Prada has also developed along a number of different routes, in a variety of fields of cultural research including art, architecture, philosophy, science, design and cinema.

Brand recognition and valuation

According to the Interbrand ranking for 2009, Prada is one of the 100 most valuable brands in the world.
This gives strength to the Group's "brand equity" as a fashion brand's desirability must be accompanied by equally strong appeal and recognition.

Prada has managed to gain such a high level of international renown that it has even captured the attention of literature and the movie industry (the best selling novel "The Devil Wears Prada" was published in 2003, followed by a movie of same name in 2006), to testify the fact that this brand is now synonymous with elegance and style.

Luna Rossa
Valencia 2007

Luna Rossa
Valencia 2007

PRADA Group’s Human Resources

Human Resources are considered a fundamental asset for the development of the Group, which builds its competitive advantage on the skills and commitment of its employees, promoting and rewarding pro-activity, goal orientation and teamwork.

The Human Resources Department operates in an international environment, cooperating closely with the business areas in order to verticalize processes and develop local competencies and specificities.

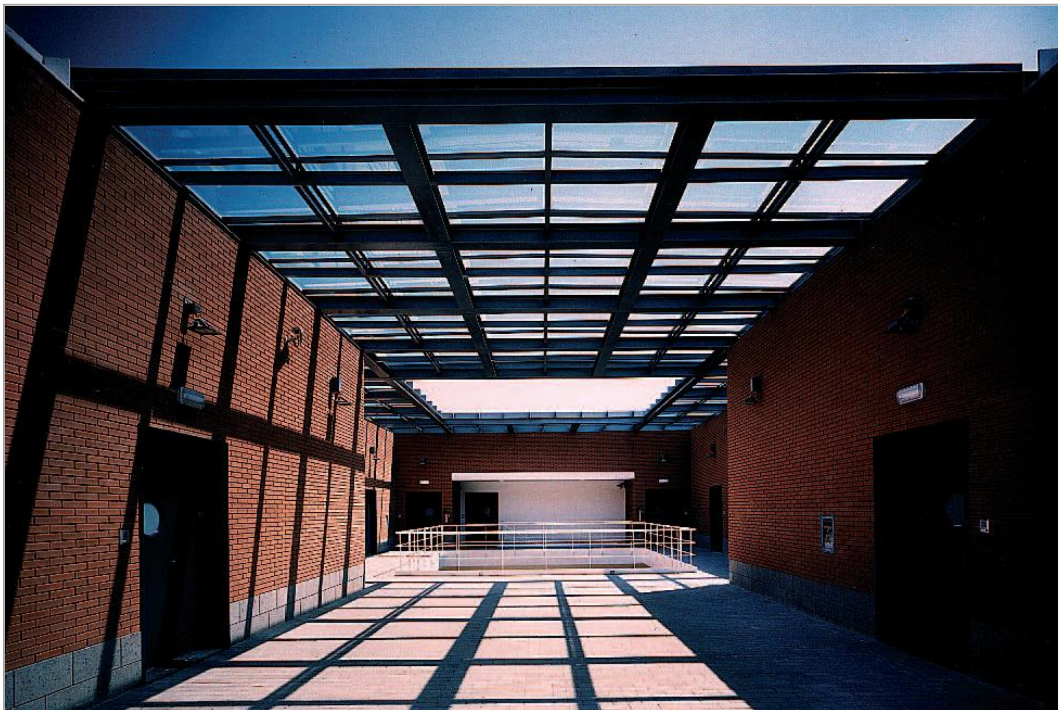
In 2010 the Human Resources Department continued its activities aimed at the reorganization of business processes with a view on efficiency and effectiveness, integration between headquarters and subsidiaries and focus on the business.

Through a structured and transparent selection process which is also based on cooperation with the most prestigious universities and fashion schools, the Group constantly seeks and attracts the best talents in the international employment market.

The training and development policies implemented were mainly aimed at strengthening the Retail Stores Area fully in line with the development of this channel.

The Group’s presence in the international market through its four brands offers it employees the chance to grow both inside their areas of competence as well as on a horizontal and international level.

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


The I.P.I. Amiata facility inPiancastagnaio (SI),
project by Studio Cerri PRADA

Corporate Information

Board of Directors
Miuccia Prada Bianchi (Chairwoman)
Patrizio Bertelli (Chief Executive Officer)
Carlo Mazzi (Deputy Chairman)
Donatello Galli (Managing Director)
Marco Salomoni (Director)
Marco Cerrina Feroni (Director)
Gian Franco Oliviero Mattei (Independent Director)
Giancarlo Forestieri (Independent Director)
Davide Mereghetti (Director, appointed on April 28, 2010)

Internal Control Committee
Gian Franco Oliviero Mattei (Chairman)
Marco Salomoni
Giancarlo Forestieri

Remuneration Committee
Carlo Mazzi (Chairman)
Giancarlo Forestieri
Gian Franco Oliviero Mattei

Board of Statutory Auditors
Antonino Parisi (Chairman)
Riccardo Perotta (Standing member)
Gianandrea Toffoloni (Standing member)

Supervisory Board (Law 231/2001)
David Terracina (Chairman)
Franco Bertoli
Marco Salomoni

Listing Committee
Gian Franco Oliviero Mattei (Chairman, appointed on March 26, 2010)
Carlo Mazzi
Marco Cerrina Feroni

Majority Shareholder
PRADA Holding bv
Dam 3-7
1012 JS Amsterdam - The Netherlands

Corporate Headquarters
Via A. Fogazzaro, 28
20135 Milan
Italy

Auditor
Deloitte & Touche Spa
Via Tortona 25
20144 Milan
Italy

Corporate Governance

The Corporate governance model adopted by the PRADA Group since 2007, consists of a set of legal rules and standards able to grant an efficient and transparent operation of corporate bodies and control systems. The structure, in compliance with applicable regulations and with the guidelines of the "Corporate Governance Code" for Listed Companies, is in line with the models adopted in the most advanced financial markets.

This structure, based on the traditional system of Governance, provides for the following Corporate bodies at the Prada spa:

- Board of Directors (two of whose members meet independence requirements);
- Board of Statutory auditors;
- Internal Control Committee
- Remuneration Committee

Related parties transactions are regulated by a formal procedure adopted by the Board of Directors on December 18, 2007.

Finally, the organizational, management and control model introduced by the Company in terms of Legislative Decree 231/2001, together with the Supervisory Board, as resolved by the Board of Directors on December 18, 2007, was updated to take account of legislative change.

Directors' report

The report of the Board of Directors refers to the Group of companies controlled by PRADA spa (the "Company"), holding company of the PRADA Group (the "Group") and is based on the Consolidated Financial Statements of the Group at January 31, 2011 (year 2010), prepared in accordance with IAS/IFRS. The Report must be read together with the Financial Statements and the Notes to the Financial Statements which are an integral part of the Consolidated Financial Statements.

Consolidated income statement

(amounts in thousands of Euro)	January 31 2011	%	January 31 2010	%
Retail	1,427,356	69.8%	991,493	63.5%
Wholesale	589,708	28.8%	539,084	34.5%
Royalties	29,587	1.4%	30,661	2.0%
Net revenues	2,046,651	100.0%	1,561,238	100.0%
Cost of goods sold	(658,763)	-32.2%	(586,582)	-37.6%
Gross margin	1,387,888	67.8%	974,656	62.4%
Operating expenses	(969,501)	-47.4%	(787,624)	-50.4%
EBIT	418.387	20,4%	187.032	12,0%
Interest and other financial expenses, net	(30,158)	-1.5%	(31,882)	2.0%
Income before taxation	388,229	19.0%	155,150	9.9%
Taxation	(134,678)	-6.6%	(52,503)	-3.4%
Net income from continuing operations	253,551	12.4%	102,647	6.6%
Net income from continuing operations pertaining to minority interests	2,732	0.1%	177	0.0%
Group net income from continuing operations	250,819	12.3%	102,470	6.6%
Net loss from discontinued operations	-	-	(2,306)	0.1%
Total Group net income	250,819	12.3%	100,163	6.4%
Amortization, Depreciation and Impairment	117,543	5.7%	103,187	6.6%
EBITDA	535,930	26.2%	290,219	18.6%

The “Cheaney” business unit (owned by the Church's Group) was sold in 2009. Therefore, pursuant to IFRS 5, it was classified as a “discontinued operation” in the income statement of the prior year.

Key financial information

Key income statement information (amounts in thousands of Euro)	January 31 2009 (adjusted)	January 31 2010	January 31 2011	% change on January 2010
Net revenues	1,643,629	1,561,238	2,046,651	31.1%
Total EBITDA	282,642	290,219	535,930	84.7%
Total EBIT	190,954	187,032	418,387	123.7%
Income before tax	153,818	155,150	388,229	150.2%
Net income of the Group	98,806	100,163	250,819	150.4%
EBITDA %	17.2%	18.6%	26.2%	
EBIT %	11.6%	12.0%	20.4%	

Key balance sheet information (amounts in thousands of Euro)	January 31 2009	January 31 2010	January 31 2011	% change on January 2010
Non-current assets	1,429,837	1,460,521	1,595,990	9.3%
Net operating working capital	271,202	259,278	320,718	23.7%
Net invested capital	1,549,651	1,490,812	1,585,559	6.4%
Net financial position (third party)	554,776	485,338	408,604	-15.8%
Group shareholders' equity	1,003,107	1,047,903	1,204,350	14.9%
Investments	159,204	134,516	206,860	53.8%
Net operating cash flows	165,912	279,886	367,712	31.4%
Average headcount (persons)	6,694	6,764	7,199	6.4%

2010 highlights

In 2010, the world luxury goods market confirmed an ability to respond to the economic and financial crisis that both more rapid, as already apparent from signs seen in the last few months of prior year, but also more solid, considering the healthy rates of growth recorded in 2010.

In this macroeconomic context, the Group's decision to invest in the expansion of its retail network proved to be a winning one. Investment in new stores, the appeal of the products offered and decisive action taken in terms of efficiency, while safeguarding the prestige of the brands, made it possible to achieve volumes of sales and income not previously seen in the century long history of the Group. The growth rates achieved were among the highest recorded in the worldwide luxury goods market.

Consolidated net revenues, amounting to Euro 2,047 million, increased by 31.1% (+24.2% at constant exchange rates), mainly thanks to the expansion of the retail channel which recorded growth of 44% compared to 2009 (+34.6% at constant exchange rates). The wholesale channel also performed well with a 9.4% increase in net revenues (+6.5% at constant exchange rates).

EBITDA for the year totaled Euro 535.9 million (Euro 290.2 million in 2009) with an increase of 84.7% that took it from 18.6% of Group net revenues in 2009 to 26.2% in 2010. This large increase benefited mainly from the significant improvement in gross margin which rose from 62.4% to 67.8%.

EBIT increased by 123.7% in absolute terms to stand at Euro 418.4 million (Euro 187 million in 2009).

The consolidated income statement for the year ended January 31, 2011 reports Group net income of Euro 250.8 million, more than twice that recorded in 2009 (Euro 100.2 million).

Strong cash flow generation despite a major capex program enabled the Group to reduce its net financial indebtedness from Euro 485.3 million to Euro 408.6 million. After distribution of dividends totaling Euro 111 million, Group Shareholders' Equity increased further to stand at Euro 1,204.4 million at January 31, 2011 (Euro 1,047.9 million at January 31, 2010).

Net revenues analysis

(amounts in thousands of Euro)	January 31 2011		January 31 2010		% change
Net sales by geographical area					
Italy	393,285	19.5%	330,005	21.6%	19.2%
Europe	450,463	22.3%	372,992	24.4%	20.8%
North America	294,903	14.6%	227,783	14.9%	29.5%
Asia Pacific	645,680	32.0%	396,123	25.9%	63.0%
Japan	220,924	11.0%	189,447	12.4%	16.6%
Other countries	11,809	0.6%	14,227	0.8%	-17.0%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by brand					
Prada	1,586,840	78.7%	1,209,465	79.0%	31.2%
Miu Miu	353,038	17.5%	252,304	16.5%	39.9%
Church's	53,028	2.6%	43,604	2.8%	21.6%
Car shoe	17,935	0.9%	18,461	1.2%	-2.8%
Other	6,223	0.3%	6,743	0.5%	-7.7%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by product line					
Clothing	483,564	24.0%	396,399	25.9%	22.0%
Leather goods	1,013,626	50.3%	711,642	46.5%	42.4%
Footwear	503,120	24.9%	410,493	26.8%	22.6%
Other	16,754	0.8%	12,043	0.8%	39.1%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by distribution channel					
DOS (including outlet stores)	1,427,356	70.8%	991,493	64.8%	44.0%
Independent customers, franchises and related parties	589,708	29.2%	539,084	35.2%	9.4%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales	2,017,064	98.6%	1,530,577	98.0%	31.8%
Royalties	29,587	1.4%	30,661	2.0%	-3.5%
Total net revenues	2,046,651	100.0%	1,561,238	100.0%	31.1%

Consolidated net revenues for the period ended January 31, 2011 amounted to Euro 2,046.7 million, significantly higher than for 2009 (+31.1%). At constant exchange rates, there was a 24.2% increase.

Distribution channels

Net sales generated by the retail network of directly operated stores (DOS) totaled Euro 1,427.4 million, up by 44% (+34.6% at constant exchange rates) on the Euro 991.5 million recorded in 2009. Organic growth was significant, amounting to +22% on a like-for-like basis, while sales by the 59 stores opened during the year accounted for the remaining growth.
The Group’s commitment to improving its DOS network was confirmed by the significant refurbishment and expansion work carried out on 24 more stores.

As a result of the retail development strategy, retail sales through the DOS network have risen from 64.8% of consolidated net sales in 2009 to 70.8% in 2010.

The wholesale channel achieved net sales growth of +9.4% (+6.5% at constant exchange rates), a healthy recovery compared to prior year thanks to the better situation on the market.

Markets

The Asia Pacific area was confirmed as the leading market in terms of net sales and recorded the highest rate of growth of all the geographical areas in which the Group operates. Net sales in the Asia Pacific area rose from Euro 396.1 million in 2009 to Euro 645.7 million, an increase of 63% (+48.7% at constant exchange rates), and increased from 25.9% to 32% of consolidated net sales.

Net sales growth in the Asia Pacific area benefited from exceptional organic growth of 35%, on a like-for-like basis, the opening of 17 new stores and major refurbishment and expansion work on existing stores. As of January 31, 2011, the Group had 104 DOS in the Asia Pacific area (87 at January 31, 2010), one third of the Group's entire retail network. The most important new initiatives included the opening of two stores (1 Prada and 1 Miu Miu) at the IFC mall in Shanghai, a Prada store at the Yanlord Landmark mall in Chengdu, two stores (1 Prada and 1 Miu Miu) at the Marina Bay Sands mall in Singapore and two stores (1 Prada and 1 Miu Miu) at the Chadstone mall in Melbourne. In the area, we highlight the excellent performances achieved by "Greater China" (China, Hong Kong and Macau) – which contributed more than 58% of net sales in the Asia Pacific area and recorded growth of 69.1% (+58.7% at constant exchange rates) – and also by South Korea (+68.2% on 2009) and Singapore (+79.1% on 2009).

The European market recorded net sales of Euro 450.5 million, representing 20.8% growth (+19.3% at constant exchange rates) but with different trends in the two distribution channels. The retail channel, sustained by organic sales growth of 20% and 15 new stores, recorded a 41.9% increase in net sales (+39.1% at constant exchange rates). Meanwhile, the wholesale channel recorded a decrease of 1% (almost no change at constant exchange rates), mainly as a result of the selective distribution policy that has, for several years, been implemented alongside the retail expansion strategy. The most important new initiatives included the opening of a first Prada store in Lisbon and the opening of a second Prada store in Istanbul. Retail expansion also saw the opening of a new Miu Miu store on New Bond Street, London.

The Italian market has recorded 19.2% growth compared to 2009. Its performance was similar to the European market in the retail sector where net sales increased by 39.6% on 2009 while it saw a trend reversal in the wholesale sector. In fact, sales to independent customers began to grow once more, albeit to a limited degree (+6% on 2009).

After two years in decline, the North American began to grow at a health rate once again, recording an overall net sales increase of 29.5% (+21.1% at constant exchange rates) thanks to positive growth in both distribution channels. The retail channel, driven by organic growth of 15% and 13 newly opened stores, grew by 36.7% compared to 2009 (+28.3% at constant exchange rates), while the wholesale channel, boosted, above all, by the recovery in department store business, enjoyed 21.3% growth (+13.1% at constant exchange rates). The most important new initiatives during the period included the opening of new Prada and Miu Miu stores at the City Center mall in Las Vegas and the opening of a Prada store in the South Coast Plaza mall, Costa Mesa.

On the Japanese market, where the Group only operates in the retail channel, net sales accelerated in the second half of 2010 resulting in a net sales increase compared to 2009 – the increase was 2.5% at constant exchange rates and 16.6% if the benefit of the stronger Yen is included.

The decrease in net sales in "Other countries" is mainly due to the ongoing rationalization of the distribution network in the Middle East with the first directly operated stores scheduled for opening in the near future.

Products

The increase in net sales was achieved in relation to all product segments. Leather goods contributed 50.3% of total net sales (46.5% in 2009) and recorded a 42.4% increase (+33% at constant exchange rates). Meanwhile, Clothing and Footwear, which make almost equal contributions together accounting for 48.9% of the Group's net sales (52.7% in 2009), recorded net sales growth of 22% (+16.2% at constant exchange rates) and 22.6% (18.3% at constant exchange rates), respectively.

Brands

The sales performance for the Prada brand, which accounts for 78.7% of net sales (79% in 2009), was broadly in line with the comments made above which are valid for the entire Group.

In evidence of the value of the business development activities undertaken in recent years, Miu Miu has achieved strong growth with a 39.9% increase in net sales (+31.5% at constant exchange rates). Its performance stands out, in particular, in the Asia Pacific where it achieved an 86.1% increase (+70.1% at constant exchange rates) and in North America where it recorded 45.7% growth (36.7% at constant exchange rates).

The Church's brand has recovered well: in 2010, its net sales increased by 21.6% on 2009 (+18.3% at constant exchange rates). It performed well in both its traditional European markets and in Asia Pacific as well as in both distribution channels with a +23.2% increase in net sales in the retail channel (+19.3% at constant exchange rates) and an +18.7% increase in the wholesale channel (+16.4% at constant exchange rates).

Despite the increase in the retail channel, mainly as a result of the recent opening of new stores (Singapore and Hong Kong in 2010), Car Shoe continues to record a slight fall in consolidated revenues (-2.8%) essentially because of its limited presence in countries with the highest rates of growth.

Royalties

The licensed products business contributed net revenues of Euro 29.6 million (Euro 30.7 million in 2009), including royalties of Euro 24 million on sales of eyewear (Euro 23.2 million in 2009) and Euro 3.6 million on sales of perfume (Euro 3.8 million in 2009). Overall royalties income has fallen compared to prior year as the licensing agreement for sales of cell phones expired in December 2009.

Prada brand revenues

(amounts in thousands of Euro)	January 31 2011		January 31 2010		% change
Net sales by geographical area					
Italy	302,025	19.0%	248,993	20.6%	21.3%
Europe	341,544	21.5%	284,285	23.5%	20.1%
North America	260,310	16.4%	203,267	16.8%	28.1%
Asia Pacific	517,024	32.6%	326,939	27.0%	58.1%
Japan	157,061	9.9%	135,176	11.2%	16.2%
Other countries	8,876	0.6%	10,805	0.9%	-17.9%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales by product line					
Clothing	419,464	26.4%	347,658	28.7%	20.7%
Leather goods	785,993	49.6%	553,665	45.8%	42.0%
Footwear	366,392	23.1%	297,139	24.6%	23.3%
Other	14,991	0.9%	11,003	0.9%	36.2%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales by distribution channel					
DOS (including outlet stores)	1,119,962	70.6%	779,181	64.4%	43.7%
Independent customers, franchises and related parties	466,878	29.4%	430,284	35.6%	8.5%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales	1,586,840	98.3%	1,209,465	97.7%	31.2%
Royalties	27,914	1.7%	28,621	2.3%	-2.5%
Total net revenues	1,614,754	100.0%	1,238,086	100.0%	30.4%

Miu Miu brand revenues

(amounts in thousands of Euro)	January 31 2011		January 31 2010		% change
Net sales by geographical area					
Italy	61,337	17.4%	51,782	20.5%	18.5%
Europe	70,137	19.9%	55,772	22.1%	25.8%
North America	32,181	9.1%	22,092	8.8%	45.7%
Asia Pacific	123,731	35.0%	66,474	26.3%	86.1%
Japan	63,341	17.9%	53,692	21.3%	18.0%
Other countries	2,311	0.7%	2,492	1.0%	-7.3%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales by product line					
Clothing	63,258	17.9%	46,497	18.4%	36.1%
Leather goods	224,337	63.6%	154,570	61.3%	45.1%
Footwear	63,681	18.0%	50,198	19.9%	26.9%
Other	1,762	0.5%	1,039	0.4%	69.6%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales by distribution channel					
DOS (including outlet stores)	264,375	74.9%	177,278	70.3%	49.1%
Independent customers, franchises and related parties	88,663	25.1%	75,026	29.7%	18.2%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales	353,038	99.6%	252,304	99.3%	39.9%
Royalties	1,458	0.4%	1,688	0.7%	-13.6%
Total net revenues	354,496	100.0%	253,992	100.0%	39.6%

Church’s brand revenues

(amounts in thousands of Euro)	January 31 2011		January 31 2010		% change
Net sales by geographical area					
Italy	15,307	28.9%	13,176	30.2%	16.2%
Europe	31,435	59.3%	25,910	59.4%	21.3%
North America	1,966	3.7%	1,849	4.2%	6.3%
Asia Pacific	3,622	6.8%	2,137	4.9%	69.5%
Japan	511	0.9%	245	0.6%	108.6%
Other countries	187	0.4%	287	0.7%	-34.8%
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales by product line					
Clothing	551	1.0%	422	1.0%	30.6%
Leather goods	1,432	2.7%	1,206	2.8%	18.7%
Footwear	51,045	96.3%	41,976	96.2%	21.6%
Other	-	-	-	-	-
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales by distribution channel					
DOS (including outlet stores)	34,683	65.4%	28,153	64.6%	23.2%
Independent customers, franchises and related parties	18,345	34.6%	15,451	35.4%	18.7%
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales	53,028	99.8%	43,604	99.5%	21.6%
Royalties	101	0.2%	209	0.5%	-51.7%
Total net revenues	53,129	100.0%	43,813	100.0%	21.3%

Car Shoe brand revenues

(amounts in thousands of Euro)	January 31 2011		January 31 2010		% change
Net sales by geographical area					
Italy	12,509	69.7%	13,709	74.3%	-8.7%
Europe	3,353	18.7%	3,536	19.2%	-5.2%
North America	353	2.0%	385	2.1%	-8.3%
Asia Pacific	1,275	7.1%	175	0.9%	628.6%
Japan	11	0.1%	23	0.1%	-52.2%
Other countries	434	2.4%	633	3.4%	-31.4%
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales by product line					
Clothing	-	-	-	-	-
Leather goods	1,760	9.8%	2,010	10.9%	-12.4%
Footwear	16,175	90.2%	16,451	89.1%	-1.7%
Other	-	-	-	-	-
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales by distribution channel					
DOS (including outlet stores)	6,027	33.6%	4,550	24.6%	-32.5%
Independent customers, franchises and related parties	11,908	66.4%	13,911	75.4%	-14.4%
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales	17,935	100.0%	18,461	100.0%	-2.8%
Royalties	-	-	-	-	-
Total net revenues	17,935	100.0%	18,461	100.0%	-2.8%

Number of stores

	January 31, 2011		January 31, 2010	
	Owned	Franchises	Owned	Franchises
Prada	207	27	177	29
Miu Miu	71	6	51	6
Car Shoe	5	-	3	-
Church's	36	-	34	-
Total	319	33	265	35

	January 31, 2011		January 31, 2010	
	Owned	Franchises	Owned	Franchises
Italy	37	5	31	5
Europe	88	13	73	13
North America	34	-	21	-
Asia Pacific	104	13	87	15
Japan	56	-	53	-
Middle East	-	2	-	2
Total	319	33	265	35

A list of stores opened and closed during the period is provided below.

Prada	DOS	Opened	
			Bologna (Italy)
			Chengdu Yanlord Lendmark (China)
			Costa Mesa (United States)
			Lotte Centum, Busan (South Korea)
			Lisbon (Portugal)
			Selfridges footwear, London (United Kingdom)
			Chadstone, Melbourne (Australia)
			Raermond (Netherlands)
			Cannes (France)
			IFC, Shanghai (China)
			Peninsula, Shanghai (China)
			Le Bon Marché women's footwear, Paris (France)
			Le Bon Marché men's footwear, Paris (France)
			Saks bags&access., Beverly Hills (United States)
			Neiman Marcus women, Las Vegas (United States)
			Neiman Marcus men, Las Vegas (United States)
			Neiman Marcus handbags&access., Las Vegas (United States)
			Saks bags&access., San Francisco (United States)
			Ginza Mitsukoshi handbags (Japan)
			Ginza Mitsukoshi footwear (Japan)
			City Center, Las Vegas (United States)
			Saks, Chicago (United States)
			Beverly Center (United States)
			Sano (Japan)
			Bloomingdale's (United States)
			Sawgrass Mill (United States)
			IlsanKintex Hyunda (South Korea)
			El Corte Ingles, Barcelona (Spain)
			House of Fraser, Glasgow (United Kingdom)
			Bicester Village (United Kingdom)
			Istinye, Istanbul (Turkey)
			Perth (Australia)
			Marina Bay Sands (Singapore)
			Noventa di Piave (Italy)

Miu Miu	DOS	Opened	
			Chadstone, Melbourne (Australia)
			Daimaru, Kyoto (Japan)
			City Center, Las Vegas (United States)
			Changi Airport (Singapore)
			Shinsaebashi Daimaru, Osaka (Japan)
			Le Bon Marchè footwear, Paris (France)
			Lotte Main, Seoul (South Korea)
			IFC, Shanghai (China)
			Shanghai Center (China)
			Cannes (France)
			Bologna (Italy)
			Forte dei Marmi (Italy)
			Porto Cervo (Italy)
			Marina Bay Sands (Singapore)
			Elements (Hong Kong)
			Sloane Street, London (United Kingdom)
			Frankfurt (Germany)
			Venezia (Italy)
			Bloomingdale's (United States)
			The Mix-C, Hangzhou (China)
			House of Fraser, Glasgow (United Kingdom)
Church's	DOS	Opened	
			ION (Singapore)
			Torino (Italy)
Car Shoe	DOS	Opened	
			Elements (Hong Kong)
			ION, Singapore
Prada	DOS	Closed	
			Capri Vitt. Emanuele (Italy)
			Galleria DFS, Cairns (Australia)
			Izutsuya, Kokura (Japan)
			La Perle, Guangzhou (China)
Miu Miu	DOS	Closed	
			Yurakucho, Tokyo (Japan)

Operating results

EBITDA for the period ended January 31, 2011 amounted to Euro 535.9 million, 84.7% more than in 2009, while rising from 18.6% to 26.2% of net revenues. As already stated, the marked increase in profitability was due to the improvement in gross margin (from 62.4% in 2009 to 67.8% in 2010) which benefited from the higher incidence of retail channel sales, the increase in unit margins and the more favorable ratio of full price sales to sales at promotional prices.

Despite an increase in absolute terms mainly because of the expansion of the retail network, operating expenses actually fell by more than two percentage points on net revenues as the remaining fixed costs and overheads remained broadly unchanged.

As already stated in the net revenue analysis, the trend of foreign currencies against the Euro had a positive income statement impact of around Euro 47 million at EBITDA level, after the negative effect of foreign exchange hedging.

EBIT amounted to Euro 418.4 million in 2010, more than twice that recorded in 2009 (Euro 187 million), rising from 12% of net revenues in 2009 to 20.4%, despite higher depreciation and amortization charges because of the major capex program undertaken in the last two years.

The tax charge for the year increased from 33.8% in 2009 to 34.7% in 2010, essentially because of provision made in relation to ongoing tax disputes and inspections at the reporting date.

The Group's net income recorded a significant increase to stand at Euro 250.8 million or 12.3% of net revenues (in 2009, Euro 100.2 million and 6.4% of net revenue).

Analysis of the statement of financial position

Net invested capital

The following table contains the statement of financial position, reclassified in order to provide a better picture of the composition of net invested capital.

(amounts in thousands of Euro)	January 31 2009	January 31 2010	January 31 2011
Non current assets	1,429,837	1,460,521	1,595,990
Current assets excluding financial assets	637,237	532,446	634,462
Current liabilities excluding financial liabilities	379,541	361,403	459,047
Net working capital	257,696	171,043	175,415
Assets held for sale	1,413	1,413	4,948
Long-term liabilities, including deferred taxation	89,072	92,195	103,236
Post employment benefits	36,103	36,831	34,833
Provisions for risks	14,120	13,139	52,725
Net invested capital	1,549,651	1,490,812	1,585,559
Shareholders' equity – Group	1,003,107	1,047,903	1,204,350
Shareholders' equity – Minority interests	9,192	8,756	5,788
Total consolidated shareholders' equity	1,012,299	1,056,659	1,210,138
Long term financial payables	271,695	119,107	305,917
Short term financial payables (net of cash and cash equivalents)	265,657	315,046	69,504
Net financial payables	537,352	434,153	375,421
Shareholders' equity and net financial payables	1,549,651	1,490,812	1,585,559

The higher level of net invested capital at January 31, 2001 is largely due to capex incurred during the year and, to a lesser extent, to increases in the net assets of subsidiary companies denominated in foreign currency.

After dividends of Euro 111 million distributed to the shareholders of PRADA spa, the Group's Shareholders' Equity has been strengthened mainly as a result of net income for the period.

Analysis of non current assets

(amounts in thousands of Euro)	January 31 2009	January 31 2010	January 31 2011
Property, plant and equipment	379,191	417,965	536,717
Intangible assets	901,116	893,319	869,119
Investments in associated undertakings	9,912	9,509	1,753
Deferred tax assets	106,185	111,373	141,378
Other non current assets	33,433	28,355	44,883
Derivative financial instruments-non-current	-	-	2,140
Total non current assets	1,429,837	1,460,521	1,595,990
Percentage of tangible assets already depreciated	0.53	0.53	0.50

Property, plant and equipment and Intangible assets show a net increase of Euro 94.6 million. The capex of Euro 206.9 million incurred by the Group during the period was distributed as follows: Euro 153.7 million in the retail area, Euro 28.4 million in the industrial and logistics area and Euro 24.8 million in the corporate area. Depreciation charges for the period totaled Euro 111.5 million and writedowns amounted to Euro 6.1 million.

The decrease in Investments in associated undertakings follows the reclassification to current assets of the investment in the Fragrance and Skincare sl which was sold in February 2011.
Deferred tax assets of Euro 141.4 million largely relate to deductible temporary differences regarding the realizable value of inventories and the residual useful life of fixed assets.

Analysis of net operating working capital

(amounts in thousands of Euro)	January 31 2009	January 31 2010	January 31 2011
Trade receivables	250,512	224,198	274,175
Inventories	251,197	231,476	280,409
Trade payables	(230,507)	(196,396)	(233,866)
Net operating working capital	271,202	259,278	320,718

The increase in net operating working capital compared to January 31, 2010 is due to the higher volumes of production and distribution, in line with the strong increase in sales activities and to the one-off effect of the expiry during the year of a securitization program entered into with Credit Agricole in 2005.

Analysis of net financial indebtedness

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

(amounts in thousands of Euro)	January 31 2009	January 31 2010	January 31 2011
Long term debt	264,032	111,439	303,408
Obligations under finance leases	7,663	7,668	2,509
Long term financial payables	271,695	119,107	305,917
Short term financial payables and bank overdrafts	366,538	459,283	194,240
Payables to parent company and related parties	2,751	2,806	281
Receivables from parent company and related parties	(20,696)	(54,537)	(34,044)
Obligations under finance leases	3,414	5,513	5,019
Payables to other shareholders	521	545	581
Cash and cash equivalents	(86,871)	(98,564)	(96,572)
Short term financial payables	265,657	315,046	69,504
Total financial payables	537,352	434,153	375,421
Total financial payables, excluding receivables/payables with parent company and related parties and other shareholders (NFP used to calculate covenants - note 27 Consolidated financial statements)	554,776	485,339	408,604
NFP/EBITDA ratio	1.97	1.68	0.76
EBITDA/ net financial charges ratio	7.60	9.05	17.77

At January 31, 2011, the Group's net financial position showed net financial indebtedness of Euro 408.6 million, with a Euro 76.7 million reduction in net financial indebtedness compared to January 31, 2010.

As shown in the Statement of Cash Flows included in the Consolidated Financial Statements, net operating cash flow amounted to Euro 367.7 million and wholly funded capital expenditure for the period (Euro 191.6 million) as well as remunerating the shareholders of PRADA spa through dividend distribution and enabling the marked reduction in the Group's net financial indebtedness as described above.
The dividends totaling Euro 111 million were settled as follows: Euro 52.1 million offset against receivables from parent company PRADA Holding bv and Euro 58.9 million paid in cash.

Risk factors regarding the Group and the Company

Risk factors related to the sector where the Group operates

Risks connected to the general state of the economy and the Group's international operations

The international environment in which PRADA operates exposes the Group to several macroeconomic factors whose impact on consumer spending and the volume of tourist travel can affect its income statement, equity and cash flows. As already stated, the year 2010 saw a general recovery in the luxury goods sector.

Group strategy, focusing on international growth in the retail channel has already proven its worth as a means of combating the effects of the worldwide downturn in 2008-2009 and has led to highly satisfactory results in 2010 when markets recovered.

Risks connected to the protection of intellectual property rights

Trademarks and other intellectual property rights are extremely important in the fashion and luxury market.

Prada's success also depends on its capacity to protect and promote its own trademarks and intellectual property rights and to prevent counterfeiting. For this purpose, the Group invests in worldwide trademark protection and in monitoring the market in order to take tough measures against counterfeiters of trademarks and designs.

Risks connected to brand image and recognition

The success of the Group in the international luxury market is linked to the image and distinctiveness of its trademarks. These features depend on many factors, like the style and design of products, the quality of materials and production techniques used, the image and location of the Group's directly operated stores, the careful selection of licensees for certain product categories and communications and marketing activities.

The preservation of the image and prestige acquired by the Group's brands and trademarks in the fashion and luxury goods industry is an objective that the PRADA Group pursues by closely monitoring each step of the process, both inside and outside the company, in order to guarantee uncompromised quality. It also engages in the a constant search for innovation in terms of style, product and communications in order to ensure that its message is always consistent with the strong identity of the brands.

Risks factors specific to the Group

Risks connected to exchange rate fluctuations

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuations against the Euro. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa as worldwide distributor, the Group enters into option and forward sale and purchase agreements so as to guarantee the counter value in Euro of identified financial and commercial cash flows.

Exchange rate risk management is described in more detail in the "Notes to the consolidated financial statements" (Note 12).

Risks connected to interest rate fluctuations

The interest rate risk is the risk that cash outflows can might vary as a result of interest rate fluctuation. In order to hedge this risk, which is mainly concentrated in the parent company PRADA spa, the Group uses interest rate swaps and collars. These instruments convert variable rate loans into fixed rate loans or loans at rates

within a negotiated range of rates. Interest rate risk management is described in more detail in "Notes to the consolidated financial statements" (Note 12).

Risks connected to the importance of key personnel

The Group's results depend both on the contribution of certain key figures who have played an essential role in the development of the Group and who have great experience of the fashion and luxury goods industry and on Prada's ability to attract and retain personnel highly capable in terms of the design, marketing and merchandising of products.

The Group believes it has a management structure capable of guaranteeing the ongoing success of the business.

Risks connected to the implementation of strategy

The Group's ability to increase revenues and improve profitability depends on the successful implementation of its strategy for each brand. As already stated, this strategy is based on the international development of the retail channel.

The Group is pursuing its objectives through gradual expansion in new geographical areas where its presence is not yet strong enough. It seizes the opportunities thrown up by the market when selecting new retail locations and pays the utmost attention to design and fitting out of the stores themselves.

Risks connected to the outsourcing of manufacturing activities

The Group outsources some manufacturing activities and production of some finished products to external sub-contractors.

In order to ensure a continued line of supply, the Group uses a large number of external sub-contractors and constantly monitors their work using a network of technicians and inspectors. This ensures that outsourced production meets the same high quality standards as in-house production.

Finally, external sub-contractors are contractually required to comply with labor and social security rules and regulations provided for by law and by national collective agreements, as well as with laws and regulations on the health and safety in the workplace.

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction causes a financial loss for another entity through failure to fulfill its obligations. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements. The Directors essentially believe that the Group's credit risk mainly regards trade receivables generated in the wholesale channel. The Group manages the credit risk and reduces is negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's Commercial Department. At the same time, the fact that the total receivables balance is not highly concentrated on individual customers and the fact that net sales are evenly spread around the world lead to a reduced risk of financial losses.

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Treasury Department, reporting to the C.F.O, is responsible for managing financial resources as well as possible. The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved

without using all available fund and surplus resources can thus be used to pay dividends.

Legal and regulatory risks

The PRADA Group operates in a complex regulatory environment and is exposed to legal risks and risks regarding compliance with applicable laws, including:

- the risks associated with health and safety at work in compliance with Italian Legislative Decree 81/08 and equivalent regulations in other countries;
- the possible legal sanctions for wrongful acts pursuant to Law 231/2001, as subsequently amended;
- the risks associated with antitrust rules in the areas where the Group operates;
- the possibility of events that adversely affect the reliability of annual financial reporting and the safeguarding of Group assets;
- changes in international tax laws that could expose the Group to non-compliance risks;
- possible industrial compliance risks regarding the conformity of the finished goods distributed and the raw materials and consumables used with Italian and international laws and regulations.

The Group involves the various divisions of the business to monitor legislative and regulatory change, deploying the services of external specialist advisors as necessary, in order to ensure that its processes and procedures are updated and risks kept down to an acceptable level. These monitoring activities are guaranteed by Divisional Managers and by normal audit activities as well as by specific bodies and committees such as the Supervisory Board, the Internal Control Committee and the Industrial Compliance Committee.

Risks connected with data processing

Data is processed using information systems subject to a governance model that ensures that:

- data is adequately protected against the risk of unauthorized access, loss (including accidental loss) and utilization inconsistent with assigned duties;
- data is processed in accordance with applicable laws and regulations.

Unusual and atypical operations

During the year the Group did not carry out any unusual and/or atypical transactions with a significant impact on the financial statements.

Information on relationships and transactions with related parties

Information on the Group's relationships and transactions with related parties is provided in the Notes to the Consolidated Financial Statements (Note 39).

Outlook for 2011

In 2011, the Group will accelerate its drive for growth centered on the retail channel with major investment in the opening of new stores and the refurbishment of several existing ones, in both emerging and traditional markets.

This process will be able to draw on the Group's recognized capacity for stylistic innovation and on the international prestige of the brands. Investment in the brands will continue with carefully designed communications activity with a view to strengthening further their image and positioning on all markets.

Therefore, the Group is confident that it can confirm the growth seen in 2010 in terms of revenues, profit and cash flows.

With reference to the recent events in Japan, the Group deems that the short time elapsed and the situation still uncertain do not allow to express a reliable estimate on the extent of the effects on revenues and profitability of the country.

Chief Executive Officier

Patrizio Bertelli

Milan, March 28, 2011

The PRADA spa Consolidated Financial Statements will be made public after their presentation to the General Meeting convened for March 28, 2011.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(amounts in thousands of Euro)	Note	January 31 2011	January 31 2010
Assets			
Current assets			
Cash and cash equivalents	9	96,572	98,564
Trade receivables, net	10	274,175	224,198
Inventories	11	280,409	231,476
Derivative financial instruments - current	12	7,379	180
Receivables from parent company and related parties	13	36,317	56,421
Other current assets	14	70,225	74,708
Assets held for sale	15	4,948	1,413
Total current assets		770,025	686,960
Non current assets			
Property, plant and equipment	16	536,717	417,965
Intangible assets	17	869,119	893,319
Associated undertakings	18	1,753	9,509
Deferred tax assets	37	141,378	111,373
Other non current assets	19	44,883	28,355
Derivative financial instruments - non current		2,140	
Total non current assets		1,595,990	1,460,521
Total Assets		2,366,015	2,147,481
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans	20	194,240	459,283
Payables to parent company and related parties	21	1,107	5,620
Other shareholders' loans	22	581	545
Trade payables	23	233,866	196,396
Current tax liabilities	24	107,592	62,189
Derivative financial instruments - current	12	5,279	9,278
Obligations under finance leases - current	25	5,019	5,513
Other current liabilities	26	111,482	90,726
Total current liabilities		659,166	829,550
Non-current liabilities			
Long-term debt	27	303,408	111,439
Obligations under finance leases - non current	25	2,509	7,668
Long term employee benefits	28	34,833	36,831
Provisions for risks and charges	29	52,725	13,139
Deferred tax liabilities	37	52,711	59,404
Other non-current liabilities	30	50,207	32,633
Derivative financial instruments - non current	12	318	158
Total non current liabilities		496,711	261,272
Total Liabilities		1,155,877	1,090,822
Shareholders' equity			
Share capital		250,000	250,000
Other reserves		743,543	743,411
Translation reserve		(40,012)	(45,671)
Net profit for the period		250,819	100,163
Total Shareholders' Equity – Group	31	1,204,350	1,047,903
Shareholders' Equity – Minority Interests	32	5,788	8,756
Total Liabilities and Shareholders' Equity		2,366,015	2,147,481

Consolidated Income Statement

(amounts in thousands of Euro)	Note	January 31 2011	%	January 31 2010	%
Net revenues	33	2,046,651	100.0%	1,561,238	100.0%
Cost of goods sold	34	(658,763)	-32.2%	(586,582)	-37.6%
Gross margin		1,387,888	67.8%	974,656	62.4%
Operating expenses	35	(969,501)	-47.4%	(787,624)	-50.4%
EBIT		418.387	20,4%	187.032	12,0%
Interest and other financial income/(expenses), net	36	(30,158)	-1.5%	(31,882)	-2.0%
Income before taxes		388,229	19.0%	155,150	9.9%
Taxation	37	(134,678)	-6.6%	(52,503)	-3.4%
Net income for the year from continuing operations		253,551	12.4%	102,647	6.6%
Net income of minority interests from continuing operations	32	2,732	0.1%	177	0.0%
Group net income from continuing operations		250,819	12.3%	102,470	6.6%
Net income for the year from discontinued operations		-	0%	(2,307)	-0.1%
Total net income of the Group		250,819	12.3%	100,163	6.4%

The “Cheaney” business unit (owned by the Church's Group) was sold in 2009. Therefore, pursuant to IFRS 5, it was classified as a “discontinued operation” in the income statement for prior year as shown for comparative purposes.

Consolidated Statement of Cash Flows

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Income before taxation from continuing operations	388,229	155,150
Income / (Loss) before taxation from discontinued operations	-	(2,307)
Total income before taxation	388,229	152,843
Income Statement adjustments		
Depreciation and amortization from continuing operations	111,455	93,804
Depreciation, amortization & impairment adj. from discontinued operations	-	497
Impairment of property, plant and equipment and intangible assets	6,089	9,383
Financial (income) expenses	23,528	30,020
Other non monetary charges	26,837	4,757
Balance Sheet changes		
Other non current assets and liabilities	(9,950)	3,846
Trade receivables, net	(46,052)	24,445
Inventories, net	(46,377)	15,048
Trade payables	36,909	(33,519)
Other current assets and liabilities	(9,976)	39,417
Cash flows from operating activities	480,690	340,541
Interest paid, net	(22,811)	(21,208)
Taxes paid, net	(90,167)	(39,447)
Net cash flows from operating activities	367,712	279,886
Purchases of assets	(187,606)	(132,791)
Acquisition of consolidated investments from third parties (note 7)	(4,000)	(9,310)
Cash flows generated (utilized) by investing activities	(191,606)	(142,101)
Dividends paid to shareholders of PRADA spa	(58,852)	(47,750)
Dividends paid to minority shareholders	(530)	(343)
Repayment of short term portion of long term borrowings - third parties	(179,702)	(114,624)
Repayment of loans to other shareholders	(74)	-
Proceeds from long term borrowings – third parties	307,293	23,007
Change in short term borrowings – third parties	(201,806)	38,547
Net change in short term borrowings – related parties	(35,591)	(23,960)
Cash flows generated (utilized) by financing activities	(169,265)	(125,123)
Change in cash and cash equivalents net of bank overdrafts	6,840	12,662
Foreign exchange differences	3,463	(3,329)
Opening cash and cash equivalents, net of bank overdraft	69,195	59,862
Closing cash and cash equivalents, net of bank overdraft	79,498	69,195
Cash and cash equivalents	96,572	98,564
Bank overdraft	(17,074)	(29,369)
Closing cash and cash equivalents, net of bank overdraft	79,498	69,195

Statement of changes in Consolidated Shareholders' Equity (amounts in thousands of Euro, except for number of shares)

(Amounts in thousands of Euro)	Number of shares	Share Capital	Share premium reserve	Translation reserve	Other reserves	Net profit	Share-holders' Equity of Group
Balance at February 1, 2009	**250,000,000**	**250,000**	**209,298**	**(27,672)**	**472,675**	**98,806**	**1,003,107**
Allocation of 2008 net profit	-	-		-	98,806	(98,806)	-
Dividends	-	-	-	-	(47,750)	-	(47,750)
Other movements	-	-		-	(135)	-	(135)
Comprehensive income for the year	-	-		(17,999)	10,517	100,163	92,681
Balance at January 31, 2010	**250,000,000**	**250,000**	**209,298**	**(45,671)**	**534,113**	**100,163**	**1,047,903**
Allocation of 2009 net profit	-	-		-	100,163	(100,163)	-
Other movements	-	-		-	(4)	-	(4)
Dividends				-	(111,000)	-	(111,000)
Transactions with minority shareholders	-	-		-	1,134	-	1,134
Comprehensive income for the year	-	-		5,659	9,839	250,819	266,317
Balance at January 31, 2011	**250,000,000**	**250,000**	**209,298**	**(40,012)**	**534,245**	**250,819**	**1,204,350**

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Net income for the period - Group	250,819	100,163
Net income for the period – Minority Interests	2,732	177
Net income for the period – Consolidated	**253,551**	**100,340**
Profits/(losses) recognized in cash flow hedge reserve	6,357	11,332
Profits/(losses) recognized in actuarial gain/(losses) reserve	3,496	(817)
Profits/(losses) recognized in translation reserve	5,608	(18,273)
Profits/(losses) recognized in shareholders' equity (Group + Minority Interests)	**15,461**	**(7,758)**
Consolidated comprehensive income for the period - Group	266,317	92,681
Consolidated comprehensive income for the period – Minority Interests	2,695	(100)
Consolidated comprehensive income for the period - Total	**269,012**	**92,581**

The accounting policies and the following notes constitute an integral part of the Consolidated Financial Statements.

1. General information

PRADA spa (the "Company"), together with its subsidiaries (jointly the "Group"), is a world leader in the design, production and distribution of luxury handbags, leather goods, footwear, apparel, accessories, eyewear and fragrances.

Through its directly-operated–stores network (DOS) and a select number of wholesalers, the Group operates on all major international markets.

The Company is a joint-stock company, incorporated and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At the balance sheet date, 94.89% of the share capital was owned by PRADA Holding bv, a company domiciled in The Netherlands, and 5.11% by Intesa SanPaolo, a major banking group domiciled in Italy.

The ultimate shareholders' of PRADA Holding bv are Mr. Patrizio Bertelli and the Prada family.

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

2 Basis of preparation

The Consolidated Financial Statements of the PRADA Group as of January 31 2011, including the "Consolidated Statement of Financial Position", the "Consolidated Income Statement", the "Consolidated Comprehensive Income Statement", the "Consolidated Statement of cash flows", the "Statement of changes in consolidated shareholders' equity" and the "Notes to the Consolidated Financial Statements" have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Group has opted to prepare its Consolidated Financial Statements on the basis of IFRS, pursuant to Art. 3(2) of Legislative Decree n. 38 of February 28, 2005.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union and with the orders issued in implementation of Art. 9 of Legislative Decree n. 38/2005. In this document, "IFRS" also refers to all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC").

The Group has prepared the Consolidated Statement of Financial Position classifying separately current and non current assets and liabilities. All the details needed for more complete information are provided in the Notes.

The Consolidated Income Statement is classified by destination.

Cash flow information is reported in the Consolidated Statement of Cash Flows which forms an integral part of the Consolidated Financial Statements and has been performed under the indirect method.

A reconciliation between shareholders' equity and net profit per the consolidated financial statements and the figures reported in the PRADA spa separate financial statements has also been prepared.

Every item in the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Cash Flows and Statement of Changes in Consolidated Shareholder's Equity is detailed in the Notes to the Consolidated Financial Statements.

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

3. Amendments to Accounting Standards

Amendments to IFRS/IAS applicable to the Prada Group from February 1, 2010

The following amendments to IFRS/IAS and their interpretation documents (SIC, IFRIC) have been adopted by the European Union and are applicable to the PRADA Group effective from February 1, 2010. The matters in question are not applicable to the Group as of the date of these financial statements but they could have future accounting effects.

- Improvement to IFRS 5 "Non current assets held for sale and discontinued operations"
- Improvements to IAS/IFRS (2009)
- Amendment to IFRS 2 "Share based payment: Group cash-settled shared based payment transactions"
- IFRIC 17 "Distribution of non-cash assets to owners"
- IFRIC 18 "Transfers of assets from customers"
- Amendment to IAS 39 "Financial instruments: recognition and measurement – instruments qualifying for hedging"
- Amendment to IAS 32 "Financial instruments: presentation".

Note that the Group adopted the new versions of IAS 27 "Consolidated and separate financial statements" and IFRS 3 "Business combinations" early, effective from the financial statements as of January 31, 2009.

The main changes to IFRS 3 regard the removal of the obligation to measure every asset and liability at fair value at each stage of a step acquisition of subsidiaries. In such cases, goodwill is only to be measured on acquiring control, as the difference at acquisition date between the value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Moreover, for a business combination in which the acquirer achieves control without purchasing all of the acquiree, the remaining (non-controlling) equity interests are measured either at fair value or by using the method already provided previously in IFRS 3.

The revised IFRS 3 also requires acquisition-related costs to be recognized as expenses and the acquirer to recognize the obligation to make an additional payment as part of the business combination (contingent consideration). In the amended version of IAS 27, the IASB has added a requirement specifying that changes in a parent's interest in a subsidiary that do not result in the loss of control, as well as of additional shares in companies already controlled, must be accounted for as equity transactions and recognized within equity. Moreover, the amendment to IAS 27 requires losses pertaining to non-controlling interests to be allocated to non-controlling interest equity, even if this results in the non-controlling interest having a deficit balance. Finally, when a parent loses control of a subsidiary but retains an ownership interest it must initially measure any retained investment at fair value and recognize any gain or losses following to the loss of control to the income statement.

Amendments to IFRS/IAS and Interpretations not yet applicable and not adopted early by the Group

- Amendment to IAS 32 "Financial instruments - presentation" to regulate the accounting treatment of the issue rights/instruments in a currency other than the issuer's functional currency.
- New version of IAS 24 "Related party disclosures" intended to clarify the definition of related parties and simplify disclosure requirements in the case of transactions with related parties controlled by a State.

- IFRS 9 “Financial instruments” has been published. It constitutes the first part of the gradual process leading to the full replacement of IAS 39. The first publication introduces new criteria for the classification and measurement of financial assets and liabilities and the derecognition of financial assets.
- Amendment to IFRIC 14 Advance payments in relation to a minimum funding clause that enables the company making the minimum contribution in advance to recognize it as an asset.
- Interpretation of IFRIC 19 Extinguishing financial liabilities by issuing equity instruments in order to clarify the accounting treatment of the extinction of a financial liability through the issue of equity instruments.
- Improvements to IAS.

4. Consolidation area

The consolidated financial information comprises the accounts of PRADA spa and the Italian and foreign companies over which the Company directly or indirectly exercises control, determining their financial and operating decisions and obtaining benefits from their activities.

The companies in which the Group has more than 50% of the voting rights or that are controlled by the Group in some other way are consolidated on a line by line basis as from the date the Group acquired control and are no longer consolidated from the date control ceases.

Joint ventures and associated companies are consolidated using the equity method. Associated companies are those in which the Group has a significant influence but does not exercise effective control.

Influence is considered significant when the Group owns between 20% to 50% of the company’s share capital or when significant influence can be exercised through existing agreements.

Investments in other companies are those in which the Group holds less than 20% of the share capital. They are valued at cost.

A list of the companies included in the consolidated financial statements is provided in Note 41 Consolidated companies.

5. Basis of consolidation

The main consolidation criteria applied when preparing the consolidated financial statements for the years ended January 31, 2011 and January 31, 2010 in accordance with IFRS, are as follows:

- the financial statements of PRADA spa are prepared under IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS accounting standards and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information are those closed at the reporting date;
- assets and liabilities, costs and revenues of companies consolidated on a line-by-line basis are fully included in the consolidated financial statements irrespective of the percentage held. The book value of equity investments, directly or indirectly owned by the holding company, is eliminated against the corresponding portion of shareholders’ equity of the companies in which the interest is held;
- for companies consolidated on a line by line basis that are not 100% owned by the Group, the share of net equity and results for the year of minority interests are disclosed as “Minority interests” in the consolidated statement of financial position and consolidated income statement. When the net equity pertaining to minority interests is negative, it is shown under other receivables where the minority shareholder has made a binding agreement to cover the losses;

- the difference between the acquisition cost of investments in subsidiaries acquired after the date of first-time application of IFRS (January 1, 2004) and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to assets, liabilities and contingent liabilities based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the income statement immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity;
- at the date of the first time application, goodwill was stated at deemed cost less any impairment losses. Deemed cost is calculated based on the difference between the amount paid for the investment and the relevant net equity. Goodwill arising from various acquisitions is not amortized but tested annually for impairment. Any impairment in the value of goodwill is charged to the income statement;
- profits and losses, assets and liabilities of joint ventures and associated undertakings are accounted for using the equity method. According to this method, investments in joint ventures and associated undertakings are recorded in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post acquisition, less any impairment of the investment value. Losses exceeding the Group's interest are recorded only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the Group's interest in the net fair value of identifiable assets and liabilities acquired and contingent liabilities is recorded as goodwill. Goodwill is included in the book value of the investment and tested for impairment. If the cost is lower than the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recorded in the income statement for the year of acquisition;
- during the consolidation process, receivables and payables, costs and revenues arising from inter-company transactions are fully eliminated. Any unrealized gains or losses generated by transactions between the Group's consolidated companies and included in inventories and fixed assets at the balance sheet date are also eliminated. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is impaired;
- dividends paid by consolidated companies are also eliminated from the income statement and added to prior year retained earnings if, and to the extent that, they have been drawn from the latter;
- the financial statements of subsidiary companies are prepared in their respective local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the income statement is translated using the average exchange rate for the year. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period and translation differences arising on conversion of the income statement using the average rate for the period and the rate at the end of the period are recorded as a translation reserve in the consolidated shareholder's equity. The translation reserve in consolidated shareholder's equity represents translation differences recorded as from first time application on January 1, 2004. When preparing the consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period;
- the reporting currency used to prepare the consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal value. Cash equivalents include all highly liquid investments with an original maturity of three months or less.

For the purposes of the cash flow statement only, cash and cash equivalents comprise cash on hand, bank accounts, deposit accounts and bank overdrafts. In the statement of financial position, bank overdrafts and current portions of payables to banks for medium and long-term loans are included in "Bank overdrafts and short-term loans".

Trade receivables and payables

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

Trade account payables are recorded at nominal value.

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

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

Inventories

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

Assets held for sale

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

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses. Interest costs on borrowings to finance directly purchase, construction or production are capitalized to increase the value of the asset. All other borrowing costs are charged to the Income Statement.

Ordinary maintenance expenses are charged in full to the Income Statement for the year they are incurred.

Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included in "Leasehold improvements" relate to refurbishment work carried out on assets not owned by the Group.

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

Depreciation methods, useful lives and net book values are reviewed annually.

The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Equipment	Depreciation rate
Buildings	3% - 10%
Production plant and equipment	7.5% - 25%
Leasehold improvements	Shorter of lease term and 10%
Furniture and fittings	10% - 20%
Other equipment	6% - 33%

When assets are disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the income statement.

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

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

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

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

Impairment losses are recorded immediately in the Income Statement.

At every reporting date, the Group will assess whether there is any indication that an impairment loss recognized in prior periods may no longer apply and should be decreased. If any such indication exists, the Group will estimate the recoverable amount of that asset. The recoverable value of the asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Reversal of an impairment loss for an asset will be recorded in the income statement.

Intangible assets

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets.

Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.

Trademarks are recorded at cost or at the value attributed upon acquisition and include the cost of trademark registration in the various countries in which the Group operates.

The Directors estimate a useful life from 20 to 40 years for trademarks. This assumes there are no risks or limitations on control over their use. Every trademark is tested for impairment whenever indicators of impairment emerge.

The useful life of trademark registration costs is estimated to be 10 years.

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

Store lease acquisition costs represent expenditures incurred to enter into or take over retail store lease agreements. These costs are capitalized and amortized over the shorter period of the lease term or 10 years.

Development costs include expenses incurred to strengthen the brand image through the implementation of retail projects with a high technological or stylistic content, e.g. "In-Store Technology" project, or through projects aimed at developing the store "concept" . The relevant useful life is estimated based on the Directors' understanding and amounts to between three and ten years.

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

Category of intangible assets	Amortization rate
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term and 10%
Software	10% - 33%
Other intangible assets	10% - 33%

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

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

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

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

For impairment test purposes, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units that are expected to benefit from the synergies of the combination. Cash Generating Units are determined based on the organizational structure of the Group and represent groups of assets that generate independent cash inflows from continuing use of the relevant assets. The PRADA Group's Cash Generating Units include trademarks, sales channels and geographical areas.

The cash generating units to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication of impairment, the carrying value of the cash generating units is compared with their recoverable amount.

Recoverable value is the higher of fair value less costs to sell and value in use, as calculated based on an estimate of the future cash flows expected to derive from the cash generating unit tested for impairment. Cash flow projections are based on budget and forecast and on long-term business plans (generally five years) approved by the management of the relevant business units.

An impairment loss is recorded in the Income Statement for the period whenever the recoverable value of the cash generating unit is lower than its book value.

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

Investments

Investments in associated undertakings and joint ventures – companies in which the Group generally holds between 20% and 50% of the voting rights or on which the Group has significant influence – are accounted for under the equity method of accounting.

Under the equity method of accounting, investments are initially recognized at cost.

The carrying amount is later increased or decreased to reflect the parent company's share of the profits or losses of the investee after the date of acquisition. Any goodwill included in the historical cost of the investment is tested annually for impairment.

The parent company's share of the profit or loss of the investee is recorded in its income statement.

Dividends received from the investee company reduce the carrying amount of the investment.

The parent company's share in an associated undertaking's profits and losses resulting from inter-company transactions is eliminated.

The reporting date of associated undertakings is the same as the parent company's.

If a subsidiary or associated undertaking uses accounting policies other than IFRS, adjustments are made to bring its accounting policies into line with those of the parent company.

If the parent company's share of the losses made by an associated undertaking or joint venture exceeds the carrying amount of the investment in the associate or joint venture, the parent company will recognize a liability for additional losses only to the extent that it has incurred legal or constructive obligations on behalf of the associate undertaking or joint venture.

Other investments and marketable securities

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. They are included in current assets and stated at fair value through profit and loss.

Investments intended to be held for an indefinite period of time that may be sold depending on liquidity requirements, are classified as available-for-sale and stated at fair value through shareholders' equity. These assets are included in non-current assets unless the Directors intend to hold them for less than twelve months from the reporting date, in which case they are included in current assets.

All purchases and sales of investments are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset. Purchase cost includes all transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of trading investments are included in the income statement, while those regarding investments available-for-sale are included in shareholders' equity in the period in which they arise.

Deferred tax assets

Deferred tax assets are amounts of income taxes recoverable in future periods in relation to deductible temporary differences and carryforward of unused tax losses.

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

Deferred tax assets are recognized for all deductible timing differences, tax losses carried-forward and unused tax credits only to the extent that is probable that taxable profit will be available in future years against which the deductible timing

differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) in force at the reporting date.

Deferred tax assets are not discounted.

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

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

Derivative financial instruments

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

Hedging contracts are designated as cash flow hedges. Hedge accounting treatment is used if derivative financial instruments is designated as a hedge of the exposure to changes in future cash flows of a recognized asset or liability or a highly probable transaction and which could affect profit or loss. In this case, the effective portion of the gain or loss on the hedging instrument is recognized in shareholders' equity.

Accumulated gains or losses are reversed from shareholders' equity and recorded in the income statement for the period in which the income statement effect of the hedged operation is recorded.

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recorded in the income statement. If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses, recognized in shareholders' equity until then, is recorded in the income statement when the transaction takes place.

If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the income statement.

Obligations under finance leases

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

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

Non-current financial liabilities

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

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

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

Post-employment benefits

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

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

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

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

The cost of defined-benefit plans, accruing during the year and recorded in the income statement under labor costs, is equal to the average present value of rights accruing in favor of employees service during the current period, plus the annual interest accruing on the present value of the Group's obligation at the beginning of the year. The interest cost is calculated adopting the previous year discount rate of future outflows used to estimate the liability at the reporting date.

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

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

Provisions for risks and charges

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

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

Deferred tax liabilities

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

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

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

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

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

Deferred tax liabilities are not discounted.

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

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

Revenue recognition

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

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

Royalties are accounted for based on sales made by the licensees and the terms of the contracts. Cash discounts are recognized as financial charges.

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

- an expense does not generate any future economic benefit;
- the future economic benefits do not qualify or cease to qualify as assets for recognition in the statement of financial position;
- a liability is incurred and no asset has been recorded.

Operating leases

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

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

Store opening costs

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the consolidated income statement when incurred, except for those capitalized as leasehold improvements. Upon closure of a store, the net book value of the leasehold improvements, less the expected recoverable amount, is charged to the income statement.

Financial charges

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

Income taxes

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

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

Earnings per share

Basic earnings per share are calculated by dividing Group net profit by the weighted average number of ordinary shares.

Changes of accounting policy, errors and changes in accounting estimates

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

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

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

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

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

Financial risk management

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

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

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

Exchange rate risk

The Group's has a multinational structure and sells its products in 70 different countries. It is exposed to an exchange rate risk due to fluctuations in the exchange rate of the Euro against the US Dollar, Hong Kong Dollar, Japanese Yen and, to a lesser extent, other currencies. The Corporate Finance Department is responsible for foreign currency hedges by entering into derivative contracts (forward sale and purchase, options) with third parties.

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

Interest rate risk

The debt taken on by the Group exposes it to the interest rate risk. The Group Treasury department hedges this risk by arranging Interest Rate Swap and Collar agreements.

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

Use of estimates

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

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

Estimates have been used when performing impairment tests, in determining provisions for risks and charges, the allowance for doubtful accounts, the allowance for obsolete and slow moving inventories, derivative instruments, post-employment benefits and when calculating taxes.

7. Significant acquisitions and disinvestments

In June 2010, the Group acquired the remaining 45% of the stock capital of Car Shoe sa, the Luxembourg company that heads the Car Shoe Group, for Euro 4 million. In accordance with the above mentioned new versions of IFRS 3 and IAS 27 (note 1 "Basis of presentation"), as this involved the acquisition of a further interest in a company already controlled, the difference between the acquisition price and the portion of shareholders' equity acquired was recognized directly in the Group's shareholders' equity (Euro 1.1 million).

8. Operating segment

IFRS 8 requires that detailed information be provided for each "operating segment" that makes up the business. An operating segment is intended as a business division whose operating results are regularly reviewed by top management so that they can make decisions about the resources to be allocated to the segment and assess its performance.

The Group's matrix-based organizational structure - whereby responsibility is assigned cross-functionally in relation to brands, products, distribution channels and geographical areas, together with the complementary nature of the production processes of the various brands and the many relationships between the different business segments – means that operating segments compliant with IFRS8 cannot be identified also considering that solely economic results at Group level are provided to the highest decision maker. For this reason, the business has been

considered as a single operating segment as this better represents the specific characteristics of the PRADA Group business model.

Detailed information on net revenues by brand, geographical area, product and distribution channel is provided below. It is also reported in the Directors' Report where it is accompanied by further information on the Group's operating results.

Net sales analysis

(amounts in thousands of Euro)	31 January 2011		31 January 2010		% change
Net sales by geographical area					
Italy	393,285	19.5%	330,005	21.6%	19.2%
Europe	450,463	22.3%	372,992	24.4%	20.8%
North America	294,903	14.6%	227,783	14.9%	29.5%
Asia Pacific	645,680	32.0%	396,123	25.9%	63.0%
Japan	220,924	11.0%	189,447	12.4%	16.6%
Other countries	11,809	0.6%	14,227	0.8%	-17.0%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by brand					
Prada	1,586,840	78.7%	1,209,465	79.0%	31.2%
Miu Miu	353,038	17.5%	252,304	16.5%	39.9%
Church's	53,028	2.6%	43,604	2.8%	21.6%
Car shoe	17,935	0.9%	18,461	1.2%	-2.8%
Others	6,223	0.3%	6,743	0.5%	-7.7%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by product line					
Clothing	483,564	24.0%	396,399	25.9%	22.0%
Leather goods	1,013,626	50.3%	711,642	46.5%	42.4%
Footwear	503,120	24.9%	410,493	26.8%	22.6%
Other	16,754	0.8%	12,043	0.8%	39.1%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales by distribution channel					
DOS (including outlet stores)	1,427,356	70.8%	991,493	64.8%	44.0%
Independent customers, franchises and related parties	589,708	29.2%	539,084	35.2%	9.4%
Total	2,017,064	100.0%	1,530,577	100.0%	31.8%
Net sales	2,017,064	98.6%	1,530,577	98.0%	31.8%
Royalties	29,587	1.4%	30,661	2.0%	-3.5%
Total net revenues	2,046,651	100.0%	1,561,238	100.0%	31.1%

Prada brand sales

(amounts in thousands of Euro)	January 31, 2011		January 31, 2010		% change
Net sales by geographical area					
Italy	302,025	19.0%	248,993	20.6%	21.3%
Europe	341,544	21.5%	284,285	23.5%	20.1%
North America	260,310	16.4%	203,267	16.8%	28.1%
Asia Pacific	517,024	32.6%	326,939	27.0%	58.1%
Japan	157,061	9.9%	135,176	11.2%	16.2%
Other countries	8,876	0.6%	10,805	0.9%	-17.9%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales by product line					
Clothing	419,464	26.4%	347,658	28.7%	20.7%
Leather goods	785,993	49.6%	553,665	45.8%	42.0%
Footwear	366,392	23.1%	297,139	24.6%	23.3%
Other	14,991	0.9%	11,003	0.9%	36.2%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales by distribution channel					
DOS (including outlet stores)	1,119,962	70.6%	779,181	64.4%	43.7%
Independent customers, franchises and related parties	466,878	29.4%	430,284	35.6%	8.5%
Total	1,586,840	100.0%	1,209,465	100.0%	31.2%
Net sales	1,586,840	98.3%	1,209,465	97.7%	31.2%
Royalties	27,914	1.7%	28,621	2.3%	-2.5%
Total net revenues	1,614,754	100.0%	1,238,086	100.0%	30.4%

Miu Miu brand sales

(amounts in thousands of Euro)	January 31, 2011		January 31, 2010		% change
Net sales by geographical area					
Italy	61,337	17.4%	51,782	20.5%	18.5%
Europe	70,137	19.9%	55,772	22.1%	25.8%
North America	32,181	9.1%	22,092	8.8%	45.7%
Asia Pacific	123,731	35.0%	66,474	26.3%	86.1%
Japan	63,341	17.9%	53,692	21.3%	18.0%
Other countries	2,311	0.7%	2,492	1.0%	-7.3%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales by product line					
Clothing	63,258	17.9%	46,497	18.4%	36.1%
Leather goods	224,337	63.6%	154,570	61.3%	45.1%
Footwear	63,681	18.0%	50,198	19.9%	26.9%
Other	1,762	0.5%	1,039	0.4%	69.6%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales by distribution channel					
DOS (including outlet stores)	264,375	74.9%	177,278	70.3%	49.1%
Independent customers, franchises and related parties	88,663	25.1%	75,026	29.7%	18.2%
Total	353,038	100.0%	252,304	100.0%	39.9%
Net sales	353,038	99.6%	252,304	99.3%	39.9%
Royalties	1,458	0.4%	1,688	0.7%	-13.6%
Total net revenues	354,496	100.0%	253,992	100.0%	39.6%

Church's brand sales

(amounts in thousands of Euro)	January 31, 2011		January 31, 2010		% change
Net sales by geographical area					
Italy	15,307	28.9%	13,176	30.2%	16.2%
Europe	31,435	59.3%	25,910	59.4%	21.3%
North America	1,966	3.7%	1,849	4.2%	6.3%
Asia Pacific	3,622	6.8%	2,137	4.9%	69.5%
Japan	511	0.9%	245	0.6%	108.6%
Other countries	187	0.4%	287	0.7%	-34.8%
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales by product line					
Clothing	551	1.0%	422	1.0%	30.6%
Leather goods	1,432	2.7%	1,206	2.8%	18.7%
Footwear	51,045	96.3%	41,976	96.2%	21.6%
Other	-	-	-	-	-
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales by distribution channel					
DOS (including outlet stores)	34,683	65.4%	28,153	64.6%	23.2%
Independent customers, franchises and related parties	18,345	34.6%	15,451	35.4%	18.7%
Total	53,028	100.0%	43,604	100.0%	21.6%
Net sales	53,028	99.8%	43,604	99.5%	21.6%
Royalties	101	0.2%	209	0.5%	-51.7%
Total net revenues	53,129	100.0%	43,813	100.0%	21.3%

Car Shoe brand sales

(amounts in thousands of Euro)	January 31, 2011		January 31, 2010		% change
Net sales by geographical area					
Italy	12,509	69.7%	13,709	74.3%	-8.7%
Europe	3,353	18.7%	3,536	19.2%	-5.2%
North America	353	2.0%	385	2.1%	-8.3%
Asia Pacific	1,275	7.1%	175	0.9%	628.6%
Japan	11	0.1%	23	0.1%	-52.2%
Other countries	434	2.4%	633	3.4%	-31.4%
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales by product line					
Clothing	-	-	-	-	-
Leather goods	1,760	9.8%	2,010	10.9%	-12.4%
Footwear	16,175	90.2%	16,451	89.1%	-1.7%
Other	-	-	-	-	-
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales by distribution channel					
DOS (including outlet stores)	6,027	33.6%	4,550	24.6%	-32.5%
Independent customers, franchises and related parties	11,908	66.4%	13,911	75.4%	-14.4%
Total	17,935	100.0%	18,461	100.0%	-2.8%
Net sales	17,935	100.0%	18,461	100.0%	-2.8%
Royalties	-	-	-	-	-
Total net revenues	17,935	100.0%	18,461	100.0%	-2.8%

Analysis of EBITDA by brand

January 31 2011	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	2,017,064	1,586,840	353,038	53,028	17,935	6,223
Royalties	29,587	27,914	1,458	101	-	114
Net revenues	2,046,651	1,614,754	354,496	53,129	17,935	6,337
EBITDA	535,930	453,565	77,443	6,764	(1,996)	154
EBITDA %	26.2%	28.1%	21.8%	12.7%	-	2.4%

January 31 2010	Group	Prada	Miu Miu	Church's	Car Shoe	Other
Net sales	1,530,577	1,209,465	252,304	43,604	18,461	6,743
Royalties	30,661	28,621	1,688	209	-	143
Net revenues	1,561,238	1,238,086	253,992	43,813	18,461	6,886
EBITDA	290,219	249,814	41,971	1,045	(1,921)	(690)
EBITDA %	18.6%	20.2%	16.5%	2.4%	-	-

Consolidated statement of financial position

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows.

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Cash on hand	17,794	17,273
Bank deposit accounts	6,222	277
Bank current accounts	72,556	81,014
Total	96,572	98,564

10. Trade receivables, net

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Trade receivables – third parties	255,839	204,997
Trade receivables – associated companies	1,924	1,430
Trade receivables – other related parties	16,412	17,771
Total	274,175	224,198

Net trade receivables increased at January 31, 2011 because of the higher volume of sales and the one-off impact of the expiry during the period of the trade receivables securitization program agreed with Credit Agricole in 2005.

Trade receivables from other related parties refer to the sale of finished products (Euro 15.4 million), royalties under franchise agreements (Euro 0.7 million) with retail companies owned by the main shareholders of PRADA Holding bv and other receivables (Euro 0.3 million). A detailed breakdown of these receivables by debtor is provided in Note 39.

Trade receivables from associated companies mainly regard royalties accruing from Fragrance & Skincare sl in relation to the sale of fragrances bearing the Prada brand.

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Third party trade receivables, gross	266,376	216,305
Allowance for bad and doubtful debts	(10,537)	(11,308)
Total third party trade receivables, net	255,839	204,997

The allowance for doubtful debts was determined on a specific basis considering all information available at the date the financial statements were prepared. It is revised periodically to bring receivables as close as possible to their fair value.

Movements during the period may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Opening balance	11,308	9,424
Exchange differences	204	(1,013)
Increase	1,345	3,670
Utilized	(2,069)	(766)
Reversals	(251)	(7)
Closing balance	10,537	11,308

11. Inventories

Inventories may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Raw materials	63,672	70,069
Work in progress	17,186	12,565
Finished products	263,341	214,620
Allowance for obsolete and slow moving inventories	(63,790)	(65,778)
Total	280,409	231,476

Materials being worked upon by third parties are included in raw materials.

Work in progress includes materials at the production stage with PRADA spa, Church & Co ltd and third party sub-contractors.

The increase in inventories of finished products is consistent with the higher volume of production necessary to supply the expanded DOS network and with the growth of the business in general.

Movements on the allowance for obsolete and slow moving inventories are analyzed as follows:

(amounts in thousands of Euro)	Raw materials	Finished Products	Total
Opening balance	38,528	27,250	65,778
Exchange differences	-	139	139
Increase	94	5.059	5.153
Decrease	(7.000)	(280)	(7.280)
Closing balance	31,622	32,168	63,790

The net change has been recorded in the Income Statement in order to bring inventories into line with their estimated realizable value.

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current portion

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Financial assets regarding derivative instruments	7,379	180
Financial liabilities regarding derivative instruments	(5,279)	(9,278)
Net carrying amount - current	2,100	(9,098)

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

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Financial assets regarding derivative instruments	2,140	-
Financial liabilities regarding derivative instruments	(318)	(158)
Net carrying amount – non current	1,822	(158)

The difference between assets and liabilities under derivative financial instruments (current and non-current) is detailed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010	IFRS7 category
Forward contracts	607	5	Level II
Options	6,561	175	Level II
Interest rate swaps	2,351	-	Level II
Positive fair value	9,519	180	
Forward contracts	(469)	(1,271)	Level II
Options	(4,217)	(4,211)	Level II
Interest rate swaps	(911)	(3,954)	Level II
Negative fair value	(5,597)	(9,436)	
Net carrying amount	3,922	(9,256)	

All of the derivative instruments reported in the financial statements at January 31, 2011 can be qualified as Level II of the fair value hierarchy proposed by IFRS 7. So, the Group did not enter into any derivative financial contract qualified as I or III level according to said hierarchyl.

The Group entered into the financial derivative contracts in the course of its risk management activities in order to hedge financial risks connected with exchange rate and interest rate fluctuations.

Foreign exchange rate transactions

The international nature of the Group's activities expose its cash flows to exchange rate volatility. In order to hedge this risk, the Group enters into options and forward sale and purchase agreements so as to guarantee the value in Euro (or in other currencies of the various Group companies) of identified cash flows.

Expected future cash flows mainly regard the collection of trade receivables and settlement of trade payables.

The most important currencies in terms of hedged amounts are: U.S. Dollar, Hong Kong Dollar and Japanese Yen.

The notional amounts of the derivative contracts, designated as foreign exchange risk hedges (as translated at the European Central Bank exchange rate at January 31, 2011), are stated below.

Contracts in place at January 31, 2011 to hedge projected future trade cash flows

(Amounts in thousands of Euro)	Options	Forward sale contracts	Forward purchase contracts	January 31 2011
Currency				
US Dollar	93,872	18,989	(29,214)	83,647
GB Pound	38,241	,	-	38,241
Japanese Yen	76,518	6,978	(19,557)	63,939
Hong Kong Dollar	116,226	14,612	-	130,838
Swiss Franc	19,490	,	-	19,490
Singapore Dollar	15,761	285	(6,159)	9,887
Other	18,380	29,640	-	48,020
Total	378,488	70,504	(54,930)	394,062

All contracts in place as at the reporting date will expire by January 31, 2012.

Contracts in place at January 31, 2010 to hedge projected future trade cash flows

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2010
Currency			
US Dollar	49,595	1,432	51,027
GB Pound	19,364	288	19,652
Japanese Yen	15,949	1,189	17,138
Hong Kong Dollar	37,660	922	38,582
Swiss Franc	6,875	1,136	8,011
Other	8,110	5,937	14,047
Total	137,553	10,904	148,457

Contracts in place as at January 31, 2011 to hedge projected future financial cash flows

(Amounts in thousands of Euro)	Options	Forward contracts	January 31 2011
Currency			
Japanese Yen	-	28,891	28,891
Hong Kong Dollar	-	31,659	31,659
GB Pound	-	4,646	4,646
Total	-	65,196	65,196

A liquidity analysis on the maturity dates of these derivative contracts is included in these Notes in the Information on Financial Risks section.

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

Interest rate transactions

The Group enters into Interest Rate Swaps agreements (IRS) in order to hedge the risk of interest rate fluctuations regarding several loans payable.

The key features of the IRS agreements in place as at January 31, 2011 and January 31, 2010 are summarized as follows:

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2011	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	260,000	1.511%	26/07/2013	2.027	Pool loan	260,000	07/2013
IRS	Euro/000	26,250	1.5450%	02/06/2014	249	Intesa-Sanpaolo	26,250	06/2014
IRS	Euro/000	24,000	1.7450%	29/05/2012	(33)	Unicredit	24.000	05/2012
IRS	Euro/000	5,400	2.21%	01/07/2015	6	MPS	5,400	07/2015
IRS	Euro/000	8,750	3.5%	01/08/2012	(136)	Carilucca, Pisa e Livorno	8,750	08/2012
IRS	USD/000	20,988	5.7%	01/05/2014	(673)	Sovereign Bank	20,988	05/2014

Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2010	Hedged loan – lending institution	Amount	Expiry
					Fair value			
IRS	Euro/000	64,500	2.62% - 4.00%	27/07/2010	(534)	Syndicated loan	129.000	07/2010
IRS	Euro/000	64,500	2.62%	27/07/2010	(534)			
IRS	Euro/000	30,000	4.7475%	01/12/2010	(1,060)	Intesa-Sanpaolo	30.000	06/2014
IRS	Euro/000	30,000	4.7490%	29/11/2010	(1,058)	Unicredit	30.000	05/2012
IRS	Euro/000	10,000	3.5%	01/08/2012	(419)	Carilucca, Pisa e Livorno	10.000	08/2012
IRS	USD/000	22,000	5.7%	01/05/2014	(349)	Sovereign Bank	22.000	05/2014

The IRS convert the variable interest rates applying to a series of loans into fixed interest rates. These agreements have been arranged with leading financial institutions and the Group does not expect them to default.

Under applicable regulations, all of the derivatives in place at the reporting date meet the requirements for designation as cash flow hedges.

Movements on the cash flow hedge reserve included in Group shareholders' equity, before tax effects, since February 1, 2009, may be analyzed as follows.

(Amounts in thousands of Euro)	
Opening balance as at February 1, 2009	**(19,805)**
Change in the translation reserve	(4)
Change in fair value, recognized in Equity	10,679
Change in fair value, charged to Income Statement	5,084
Closing balance at January 31, 2010	**(4,046)**
Change in the translation reserve	12
Change in fair value, recognized in Equity	(17,836)
Change in fair value, charged to Income Statement	26,650
Closing balance at January 31, 2011	**4,780**

Changes in the reserve that are charged to the Income Statement are recorded as financial items or operating items depending on the nature of the underlying transaction.

Information on financial risks

Capital Management

The Group's capital management strategy is intended to ensure it is able to guarantee a return to shareholders, while protecting the interests of other stakeholders, to ensure that loan covenants are respected and to maintain an adequate and well-balanced capital structure.

Categories of financial assets and liabilities according to IAS 39

Financial assets

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	96,572	-	96,572	9
Trade receivables	274,175	-	274,175	10
Derivative financial instruments	-	9,519	9,519	12
Financial receivables	34,044	-	34,044	13
Total at January 31, 2011	404,791	9,519	414,310	

(amounts in thousands of Euro)	Loans and receivables	Derivative financial instruments	Total	Note
Cash and cash equivalents	98,564	-	98,564	9
Trade receivables	224,198	-	224,198	10
Derivative financial instruments	-	180	180	12
Financial receivables	54,537	-	54,536	13
Total at January 31, 2010	377,299	180	377,478	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	498,510	-	498,510	20, 21, 22, 27
Trade payables	233,866	-	234,261	23
Obligations under finance leases	7,528		7,528	
Derivative financial instruments	-	5,597	5,597	12
Total at January 31, 2011	739,904	5,597	745,896	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	574,073	-	574,073	20, 21, 22, 27
Trade payables	196,396	-	196,396	23
Financial obligations under leases	13,181		13,181	
Derivative financial instruments	-	9,436	9,436	12
Total at January 31, 2010	783,650	9,436	793,086	

Credit risk

Credit risk is defined as the risk that a counterparty in a transaction, by not fulfilling its obligations, causes a financial loss for another entity. The maximum risk to which an entity is potentially exposed is represented by all financial assets recorded in the financial statements.

The Directors essentially believe that the Group's credit risk mainly regards trade receivables generated in the wholesale channel.

The Group manages the credit risk and reduces its negative effects through its commercial and financial strategy. Credit risk management is performed by controlling and monitoring the reliability and solvency of customers and is carried out by the Group's Commercial Department.

At the same time, the fact that the total receivables balance is not highly concentrated on individual customers and the fact that net sales are evenly spread around the world lead to a reduced risk of financial losses.

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

(amounts in thousands of Euro)	January 31 2011	Days overdue				
		0 < 30	31 < 60	61 < 90	01 < 120	> 120
Trade receivables	284,713	18,543	7,438	4,176	342	15,966
Total	284,713	18,543	7,438	4,176	342	15,966

(amounts in thousands of Euro)	January 31 2011	Days overdue				
		0 < 30	31 < 60	61 < 90	01 < 120	> 120
Trade receivables	235,506	18,491	3,949	3,351	2,021	21,711
Total	235,506	18,491	3,949	3,351	2,021	21,711

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

Movements on the allowance for doubtful receivables are shown in Note 10 "Trade receivables, net".

Liquidity risk

The liquidity risk relates to the difficulty the Group may have in fulfilling its obligations with regard to financial liabilities. The Directors are responsible for managing the liquidity risk while the Group Treasury Department, reporting to the C.F.O, is responsible for managing financial resources as well as possible.

The Directors believe that the funds and lines of credit currently available, in addition to those that will be generated by operating and financing activities, will allow the Group to meet its needs resulting from investing activities, working capital management and repayment of loans as they fall due. This can be achieved without using all available fund and surplus resources can thus be used to pay dividends.

As at January 31, 2011, the Group had unsued and available bank borrowing facilities totaling Euro 440.6. million (Euro 254.3 million as at January 31, 2010).

Financial liabilities associated with trade payables (Euro 233.9 million as at January 31, 2011 and Euro 196.4 million as at January 31, 2010) are due within 12 months.

The following table details the maturity of derivative and non-derivative financial liabilities showing earliest date on which the Group could be called upon to make payment (worst-case scenario).

Financial liabilities under derivative financial instruments

(amounts in thousands of Euro)	Future contractual cash flows at January 31, 2011	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Forward contracts designated as cash flow hedges							
Cash outflows	(11,986)	(11,477)	(509)	-	-	-	-
Cash inflows	11,432	11,092	340	-	-	-	-
Other contracts designated as cash flow hedges							
Cash outflows	(21,771)	(20,196)	(1,575)	-	-	-	-
Cash inflows	18,767	17,345	1,423	-	-	-	-
Interest rate swaps - cash flow hedges	(1,106)	(305)	(249)	(404)	(145)	(3)	-
Net value	(4,664)	(3,541)	(570)	(404)	(145)	(3)	-

(amounts in thousands of Euro)	Future contractual cash flows at January 31, 2010	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Forward contracts designated as cash flow hedges							
Cash outflows	(3,641)	(1,055)	(2,586)	-	-	-	-
Cash inflows	2,375	329	2,046	-	-	-	-
Other contracts designated as cash flow hedges							
Cash outflows	(1,570)	(1,184)	(386)	-	-	-	-
Cash inflows	865	865	-	-	-	-	-
Interest rate swaps - cash flow hedges	(4,097)	(2,590)	(1,324)	(425)	(25)	185	82
Net value	(6,068)	(3,635)	(2,250)	(425)	(25)	185	82

Non derivative financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan 31, 2011	Future contractual cash flows at Jan 31, 2011	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Obligations under finance leases	7,528	7,878	-	2,317	2,925	1,487	616	529	4
Financial liabilities – third parties	501,952	530,676	17,186	115,211	76,537	137,738	156,789	24,196	3,019
Financial liabilities – to other shareholders, to parent company and other companies controlled by PRADA Holding bv	862	862	862	-	-	-	-	-	-
Total	510,342	539,416	18,048	117,528	79,462	139,225	157,405	24,725	3,023

(amounts in thousands of Euro)	Carrying amount at Jan 31, 2011	Future contractual cash flows at Jan 31, 2010	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	after 5 years
Obligations under finance leases	13,181	13,979	-	2,961	3,004	5,443	1,437	610	524	-
Financial liabilities – third parties	572,403	593,720	29,357	406,931	36,111	36,719	40,918	18,200	22,881	2,603
Financial liabilities – to other shareholders, to parent company and other companies controlled by PRADA Holding bv	3,351	3,351	3,351	-	-	-	-	-	-	-
Total	588,935	611,050	32,708	409,892	39,115	42,162	42,355	18,810	23,405	2,603

Some financial liabilities are subject to financial parameters that have to be met by certain Group companies. These covenants are described in Note 27 "Long-term financial payables" and Note 20 "Short-term financial payables and bank overdrafts".

Exchange rate risk

The exchange rate risk to which the Group is exposed depends on foreign currency fluctuation, mainly against the Euro. It is largely concentrated in PRADA spa.

The exchange rate risk mainly involves the risk that the cash flows of the Group's distribution company will fluctuate as a result of changes in exchange rates. The most important currencies for the Group are: the U.S. Dollar, Hong Kong Dollar, Japanese Yen and British Pound.

In addition to the worldwide distribution company, other Group companies also have cash flows in currencies other than their own and are exposed to the exchange rate risk as well.

The following table shows the sensitivity of the Group's net income and shareholders' equity to a range of fluctuation in the main foreign currencies against Euro, based on Group statement of financial position at January 31, 2011.

(amounts in thousands of Euro)	Euro --> + 5%		Euro --> - 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GreatBritain Pound	(479)	(323)	472	453
Hong Kong Dollar	4,595	8,664	(7,651)	(8,992)
Japanese Yen	1,087	2,881	(1,699)	(3,298)
US Dollar	1,000	3,565	(2,199)	(3,539)
Other currencies	(2,196)	99	2,181	(257)
Total	4,007	14,886	(8,896)	(15,633)

The total impact on shareholders' equity (Euro 14.9 million positive and Euro 15.6 million negative) is the sum of the effect on the income statement and on the cash flow hedge reserve of an hypothetical strengthening/weakening of the Euro against other currencies.

The effects on the above-mentioned items are recorded before the tax effect. Management believes that this sensitivity analysis is purely indicative, as it is based on the period end exposure which might not reflect the effects actually generated during the year.

Interest rate risk

The PRADA Group is exposed to interest rate fluctuations mainly with regard to the interest charges on the debt carried by parent company PRADA spa and some of its subsidiaries.

Management of this risk falls within the scope of the risk management activities the Group carries out through its centralized Treasury Department.

The following table shows the sensitivity of the Group's net result and shareholders' equity to a shift in the interest rate curve in relation to the Group companies' financial position as at January 31, 2011.

(amounts in thousands of Euro)	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity	Shift in interest rate curve	Effect on net income for the period	Effect on shareholders' equity
Euro	+ 0.50%	(1,597)	52	- 0.50%	1,708	(87)
Japanese yen	+ 0.50%	(335)	(335)	- 0.50%	335	335
US Dollar	+ 0.50%	(3)	228	- 0.50%	3	(209)
Other currencies	+ 0.50%	125	125	- 0.50%	(125)	(125)
Total		(1,810)	70		1,921	(86)

The total impact on shareholders' equity (positive impact of Euro 70 thousand and negative impact of Euro 86 thousand, respectively) should be considered as the sum of the effect of an hypothetical shift in the interest rate curve on the income statement and on the cash flow hedge reserve.

The effects on the above-mentioned items are stated before the tax effect.

The sensitivity analysis was based on the period end net financial position so it might not reflect the actual exposure to the interest rate risk during the year. Therefore, this analysis should be considered as indicative only.

13. Receivables from parent companies and related parties

Receivables from parent companies and related companies are detailed below:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Financial receivables – PRADA Holding bv	32,558	54,462
Financial receivables – other companies controlled by PRADA Holding bv	77	75
Financial receivables – other related parties	1,409	-
Other receivables – PRADA Holding bv	767	623
Other receivables – other related parties	1,329	1,095
Other receivables – other companies controlled by PRADA Holding bv	172	166
Other receivables – associated companies	5	-
Total	36,317	56,421

Financial receivables from PRADA Holding bv stood at Euro 32.6 million at January 31, 2011. The decrease was due to offsetting against the liability that arose upon approval of distribution of dividends totaling Euro 52.1 million, new loans made available totaling Euro 35.6 million, the collection of interest income of Euro 3.5 million, new interest income of Euro 0.4 million accruing and offsetting against Euro 2.3 million of payables towards the said parent company. The receivable will be entirely settled in 2011 using financial resources from the dividend distribution currently under approval by PRADA spa.

Financial receivables are repayable on demand within 15 days of notice and generate interest income at the Euribor rate plus a 1% spread.

Details of financial and non-financial other receivables are provided in Note 39 "Transactions with related parties".

14. Other current assets

Other current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
VAT, income tax and other tax receivables	29,043	18,612
Other current assets	7,783	20,142
Prepayments and accrued income	31,842	30,514
Deposits	1,557	5,440
Total	70,225	74,708

VAT, income tax and other tax receivables

The increase in "VAT, income tax and other tax receivables" is mainly due to higher indirect tax receivables.

Other current assets

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Advertising contributions under license agreements	1,952	10,505
Advances to suppliers	566	1,151
Incentives for retail investments	2,222	4,487
Advances to employees	647	527
Other receivables	2,396	3,472
Total	7,783	20,142

"Advertising contributions under license agreements" is related to Prada sa receivables from licensees that manufacture and distribute PRADA and MIU MIU eyewear. They relate to contributions towards costs incurred for advertising campaigns during the period ended January 31, 2011.

Prepayments and accrued income

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Rental charges	11,357	9,962
Insurance	873	822
Design costs	10,620	11,903
Fashion shows and advertising campaigns	2,133	1,732
Sponsorship	236	595
Consulting	2,762	3,032
Amortized costs on loans	985	-
Other	2,876	2,468
Total	31,842	30,514

"Design costs" mainly include costs incurred for the conception and realization of collections that will revenues the following year.

"Sponsorship" mainly refers to sponsorship paid to related parties as detailed in Note 39.

Deposits

"Deposits" mainly includes guarantee deposits paid under commercial lease agreements.

15. Assets held for sale

The increase in assets held for sale relates to Fragrance & Skincare sl, a joint-venture set up in 2003 with Spanish fragrance manufacturer Puig and sold on February 23, 2011 as described in Note 42 "Events after the reporting period". The remainder of this balance relates to the Genny brand which was also sold on March 16, 2011.

16. Property, plant and equipment

Changes in the historical cost of "Property, plant and equipment" during the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under construction	Total historical cost
Balance at January 31, 2009	129,818	85,104	337,957	125,904	74,221	50,385	803,389
Additions	2,201	5,874	65,686	19,254	3,549	23,585	120,149
Disposals	448	1,042	1,024	589	4,625	12	7,740
Exchange differences	(2,259)	259	(16,548)	(2,230)	(424)	(466)	(21,668)
Other movements	(518)	268	7,780	3,098	638	(11,876)	(610)
Impairment	-	344	11,327	1,374	511	-	13,556
Balance at January 31, 2010	128,794	90,119	382,524	144,063	72,848	61,616	879,964
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Disposals	0	1,057	110	416	434	309	2,326
Exchange differences	1,257	46	12,788	4,086	579	2,195	20,951
Other movements	31,995	346	23,766	3,857	(54)	(60,710)	(800)
Impairment	-	15	14,925	1,515	376	2,081	18,912
Balance at January 31, 2011	172,525	97,048	487,208	176,512	84,493	59,157	1,076,943

Changes in accumulated depreciation of property, plant and equipment during the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Total accum. depreciation
Balance at January 31, 2009	19,411	71,328	203,561	78,175	51,723	424,198
Depreciation	3,290	6,099	37,186	12,787	6,891	66,253
Disposals	109	987	310	512	4,517	6,435
Exchange differences	(174)	223	(9,954)	(1,286)	(294)	(11,485)
Other movements	(81)	(21)	(727)	(163)	109	(883)
Impairment	-	43	7,980	1,142	484	9,649
Balance at January 31, 2010	22,337	76,599	221,776	87,859	53,428	461,999
Depreciation	4,295	6,319	49,923	15,861	6,646	83,044
Disposals	0	929	25	247	378	1,579
Exchange differences	134	39	6,975	2,206	435	9,789
Other movements	157	(7)	(349)	(32)	38	(193)
Impairment	-	15	11,204	1,244	371	12,834
Balance at January 31, 2011	26,923	82,006	267,096	104,403	59,798	540,226

Changes in the net book value of property, plant and equipment in the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other equipment	Assets under constructio n	Total historical cost
Balance at January 31, 2009	110,407	13,776	134,396	47,729	22,498	50,385	379,191
Additions	2,201	5,874	65,686	19,254	3,549	23,585	120,149
Depreciation	3,290	6,099	37,186	12,787	6,891	-	66,253
Disposals	339	55	714	77	108	12	1,305
Exchange differences	(2,085)	36	(6,594)	(944)	(130)	(466)	(10,183)
Other movements	(437)	289	8,507	3,261	529	(11,876)	273
Impairment	-	301	3,347	232	27	-	3,907
Balance at January 31, 2010	106,459	13,520	160,747	56,204	19,420	61,616	417,965
Additions	10,479	7,609	83,165	26,437	11,930	58,446	198,066
Depreciation	4,295	6,319	49,923	15,861	6,646	-	83,044
Disposals	0	128	85	169	56	309	747
Exchange differences	1,123	7	5,813	1,880	144	2,195	11,162
Other movements	31,838	353	24,115	3,889	(92)	(60,710)	(607)
Impairment	-	-	3,721	271	5	2,081	6,078
Balance at January 31, 2011	145,602	15,042	220,112	72,109	24,695	59,157	536,717

Additions to “Land and buildings”, amounting to Euro 10.5 million, mainly regard the purchase and refurbishment cost of a property in Tuscany for footwear production and already used by the Group under a rental agreement.

Some Euro 32 million has also been transferred from “Assets under construction” to “Land and buildings” in relation to a property in Tuscany that came partially into use during the year. The logistics activities of the footwear and leather goods divisions are located in this building.

The increases in “Production plant and machinery” mainly relate to purchases of equipment for use in the production of footwear.

In line with the Group’s strategy for growth, most of the investment made during the year was concentrated, as in prior years, in building up the retail network. In 2010, the increase in “Property, plant and equipment” and intabgible assets relating to this sales channel amounted to Euro 153.7 million and was mainly split between “Leasehold improvements”, “Furniture and fittings” and “Assets under construction”. Some Euro 117.2 million was invested in opening new stores (Euro 81.8 million for stores that opened in 2010 and Euro 35.4 million for stores opening

shortly) with Euro 36.5 million invested in the expansion and refurbishment of existing stores.

The additions leading to the increase in "Other equipment" mainly regarded purchases of hardware.

"Assets under construction" amounting to Euro 59.2 million at January 31, 2011, include Euro 4.5 million regarding a property under finance lease in Milan and Euro 45.4 million relating to stores opening shortly (mainly in the Far East, Europe and Japan).

"Land and buildings" included capitalized interest charges as follows:

(Amounts in thousands of Euro)	Opening net book value	Increases	Exchange differences	Amortization	Closing net book value
Land and buildings	7,460	147	540	(326)	7,821

17. Intangible assets

Changes in the historical cost of "Intangible assets" during the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Trade marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total historical cost
Balance January 31, 2009	383,698	529,996	97,581	56,417	41,126	672	1,109,490
Change in consolidation area	9,311	-	-	-	-	-	9,311
Additions	168	2,060	7,517	1,226	2,871	525	14,367
Disposals	-	-	-	153	-	-	153
Exchange differences	1,937	936	(16)	(175)	(16)	(4)	2,662
Other movements	-	-	428	(236)	52	(325)	(81)
Impairment	-	-	-	65	-	52	117
Balance at January 31, 2010	395,114	532,992	105,510	57,014	44,033	816	1,135,479
Change in consolidation area	-	-	-	-	-	-	-
Additions	184	-	1,529	3,339	1,599	2,143	8,794
Disposals	0	-	-	2	-	3	5
Exchange differences	(5,208)	176	340	185	1	19	(4,487)
Other movements	1	-	381	216	21	(603)	16
Impairment	-	-	-	24	189	-	213
Balance at January 31, 2011	390,091	533,168	107,760	60,728	45,465	2,372	1,139,584

Changes in the accumulated amortization of "Intangible assets" during the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Trade marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Accumulated amortization
Balance at January 31, 2009	55,998	22,701	55,749	47,282	26,644	208,374
Change in consolidation area	-	-	-	-	-	-
Amortization	10,487	-	7,446	4,539	5,156	27,628
Disposals	-	-	-	143	-	143
Exchange differences	475	567	(247)	(159)	(2)	634
Other movements	-	-	110	(213)	(9)	(112)
Impairment	-	(5,835)	-	56	-	5,779
Balance at January 31, 2010	66,960	29,103	63,058	51,250	31,789	242,160
Change in consolidation area	-	-	-	-	-	-
Amortization	11,110	-	8,358	2,955	5,987	28,410
Disposals	-	-	-	-	-	-
Exchange differences	(439)	119	157	162	1	-
Other movements	-	-	100	-	(2)	98
Impairment	-	-	-	24	179	203
Balance at January 31, 2011	77,631	29,222	71,673	54,343	37,596	270,465

Changes in the net book value of "Intangible assets" during the year ended January 31, 2011 and in prior year are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs	Assets in progress	Total net book value
Balance at January 31, 2009	327,700	507,295	41,832	9,135	14,482	672	901,116
Change in consolidation area	9,311	-	-	-	-	-	9,311
Additions	168	2,060	7,517	1,226	2,871	525	14,367
Amortization	(10,487)	-	(7,446)	(4,539)	(5,156)	-	(27,628)
Disposals	-	-	-	10	-	-	10
Exchange differences	1,462	369	231	(16)	(14)	(4)	2,028
Other movements	-	-	318	(23)	61	(325)	31
Impairment	-	5,835	-	9	-	52	5,896
Balance at January 31, 2010	328,154	503,889	42,452	5,764	12,244	816	893,319
Change in consolidation area	-	-	-	-	-	-	-
Additions	184	-	1,529	3,339	1,599	2,143	8,794
Amortization	11,110	-	8,358	2,955	5,987	-	28,410
Disposals	-	-	-	2	-	3	5
Exchange differences	(4,769)	57	183	23	-	19	(4,487)
Other movements	1	-	281	216	23	(603)	(82)
Impairment	-	-	-	-	10	-	10
Balance at January 31, 2011	312,460	503,946	36,087	6,385	7,869	2,372	869,119

The net book value of Trademarks at January 31, 2011 and January 31, 2010 is broken down in the following table:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Miu Miu	182,112	187,687
Church's	110,546	119,188
Luna Rossa	8,093	9,074
Car Shoe	6,177	6,363
Prada	4,637	4,800
Other	895	1,042
Total	312,460	328,154

No impairment losses were recorded in relation to the Group's trademarks in the year ended January 31, 2011. The caption "Other" includes trademark registration expenses.

"Store lease acquisition costs" (Key Money) include intangible assets recognized in respect of costs incurred by the Group to enter into, take over or extend lease agreements for retail premises in the most prestigious retail locations worldwide.

The increase recorded during the period regards lease agreements in Italy and Spain.

The following table contains a summary of total additions to "Property, plant and equipment" and "Intangible assets" for each business area.

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Retail	153,684	109,601
Industrial and logistics	28,385	15,759
Corporate	24,792	9,156
Total	206,861	134,516

Goodwill

As at January 31, 2011, "Goodwill" amounted to Euro 503.9 million. A breakdown of goodwill by Cash Generating Unit is provided below:

(Amounts in thousands of Euro)	January 31 2011	January 31 2010
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 Monte Carlo Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Industrial division	3,492	3,492
Church's	8,849	8,792
Total	503,946	503,889

As required by IAS 36 the goodwill with an indefinite useful life is not amortized. Instead, it is tested for impairment at least once a year.

The method used to identify the recoverable value (value in use) is based on the discounted expected free cash-flow (hereinafter DCF) generated by the assets directly attributable to the business to which the goodwill has been allocated (Cash Generating Units, hereinafter CGUs).

The value in use is calculated as the sum of the present value of future free cash-flows expected from the business plan projections prepared for each CGU and the present value of the operating activities of the sector at the end of the business plan period (terminal value).

Business plans cover a period of five years and the discount rate used to discount cash flows is calculated using the weighted average cost of capital approach (W.A.C.C.). For the year ended January 31, 2011 the W.A.C.C. used for discounting purposes was in a range between 5.55% and 9.6% (5.66% and 8.84% for the year ended January 31, 2010).

The impairment test performed as at January 31, 2011 did not identify any impairment losses. However as the recoverable amount is determined on the basis of estimates, the Group cannot guarantee that the value of goodwill will not be impaired in future years.

18. Associated undertakings

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Investments in associated undertakings and joint-ventures	1,739	9,495
Other investments	14	14
Total	1,753	9,509

Investments in associated undertakings and joint ventures are recorded under the equity method.

Details of investments in associated undertakings and joint ventures are provided below:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Pac Srl	1,739	1,738
Fragrance & Skincare sl	-	7,757
Total	1,739	9,495

The Fragrance & Skincare joint venture has been reclassified to "Assets held for sale" as reported in Note 15.

19. Other non current assets

Other non-current assets may be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Guarantee deposits	37,945	24,347
Deferred rental income	1,981	1,650
Other receivables	4,957	2,358
Total	44,883	28,355

The increase in "Guarantee deposits" is due to expansion of the retail network.

"Other receivables" include Euro 3.6 million representing the actuarial valuation of the Group's pension plans in the United Kingdom, as described in Note 28 "Post employment benefits".

Guarantee deposits are analyzed below by nature and maturity:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Nature:		
Stores	34,639	22,194
Offices	1,268	1,055
Warehouses	152	125
Other	1,886	973
Total	37,945	24,347

(amounts in thousands of Euro)	January 31 2011
Maturity:	
By 31.01.2013	6,156
By 31.01.2014	2,891
By 31.01.2015	6,583
By 31.01.2016	3,679
After 31.01.2016	18,636
Total	37,945

20. Bank overdrafts and short term loans

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Bank overdrafts	17,074	29.369
Short term financial payables	179,389	430.912
Deferred costs on loans	(2,223)	(998)
Total	194,240	459.283

Short term loans can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Short term bank loans	62,304	260,039
Current portion of long term loans	117,085	170,873
Total	179,389	430,912

The reduction in short term financial payables from Euro 430.9 million to Euro 179.4 million should be looked at together with the increase in medium/long term debt. It is essentially due to repayment of a syndicated loan arranged in 2005 in part using also the proceeds of a new pool loan negotiated in 2010. During the period ended January 31, 2011, repayments of Euro 209 million and 3,832 million Japanese Yen were made on the former syndicated loan (disclosed at January 31, 2010 partly under current portion of long term loans and partly under short term loans) while the new pool loan of Euro 260 million that was arranged was stated under long term financial payables, except for the first two repayments due in 2011 (Euro 80 million).

Short-term bank loans and the current position of long-term debt may be analyzed by currency as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Euro	136,451	352,415
Japanese Yen	36,163	61,426
Other currencies	6,775	17,071
Total	179,389	430,912

The Group generally borrows at variable rates of interest and manages the risk of interest rate fluctuation by entering into hedging agreements that convert the variable rates applied on medium/long term debt into fixed rates or rates within a specific range.

Considering hedges in place at the reporting date, some 96% of the current portion of medium/long term loans consisted of fixed rate loans (84% at January 31, 2010) with variable rate loans making up the remaining 4% (16% at January 31, 2010).

Financial payables are stated net of amortized costs totaling Euro 4 million incurred to arrange the loans (Euro 2.2 million deducted from Short-term loans and Euro 2.1 million deducted from Long-term loans).

21. Payables to parent companies and related parties

Payables to parent companies and related parties may be detailed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Financial payables – PRADA Holding bv	40	2,573
Financial payables – other companies controlled by Prada Holding bv	241	233
Other payables – PRADA Holding bv	30	1,796
Other payables – other related parties	786	1,013
Other payables – other companies controlled by Prada Holding bv	10	5
Total	1,107	5,620

The financial payables to PRADA Holding as at January 31, 2010 were offset against some of the receivables due from the said parent company.

A detailed breakdown of the balance is provided in Note 39 "Transactions with related parties".

22. Other shareholders' loans

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Payables to other shareholders	581	545
Total	581	545

At the reporting date, payables to other shareholders included loans received from the minority shareholders of companies called "TRS" (*Travel Retail Shop*).

23. Trade payables

Trade payables can be summarized as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Trade payables – third party	232,143	195,577
Trade payables – related parties	1,701	819
Trade payables – associated companies	22	-
Total	233,866	196,396

The increase in Trade payables is due to higher production volumes as a result of the Group's revenue growth.

A detailed breakdown of trade payables to related parties is provided in Note 39 "Transactions with related parties". They mainly regard purchases of finished products by retail companies owned by the main shareholders of PRADA Holding bv.

24. Current Tax liabilities

Current tax payables can be summarized as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Current income tax	89,197	45,199
VAT and other taxes	18,455	16,990
Total	107,592	62,189

The increase is due to the higher level of income generated during the period.

25. Obligations under finance leases

The change compared to January 31, 2010 should be considered together with the decrease in non-current obligations under finance leases. It regards capital repaid in accordance with the said lease agreements.

26. Other current liabilities

"Other current liabilities" can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Payables for capital expenditure	41,134	28,247
Accrued expenses and deferred income	23,423	23,659
Other payables	46,926	38,820
Total	111,483	90,726

"Accrued expenses and deferred income" can be analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Deferred income	1,208	1,837
Advertising contributions	76	1,319
Commercial lease charges	9,845	10,388
Consulting	1,774	855
Maintenance, security, utilities and insurance	1,258	3,261
Commission	888	687
Personnel costs	1,499	1,227
Logistics costs and customs charges	2,364	1,837
Other	4,511	2,248
Total	23,423	23,659

"Other payables" are analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Short term benefits for employees and other personnel	32,768	26,524
Securitized receivables collected by the Group	-	834
Customer advances	2,473	2,723
Customs duties	2,099	1,516
Returns from customers	4,491	4,651
Other	5,095	2,572
Total	46,926	38,820

27. Long term debt

Long term debts are detailed below.

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Bank borrowing	305,489	112.121
Deferred costs on loans	(2,081)	(682)
Total	303,408	111.439

The increase in long term bank borrowing is mainly due to the arrangement of a new pool loan for Euro 260 million (including Euro 180 million classified as long term bank borrowing and Euro 80 million classified as short term). The said loan was obtained in July 2010 and is repayable by July 2013.
Some 80% of long term borrowing consists of fixed rate loans (81% at January 31, 2010) with variable rate loans accounting for the remaining 20% (19% at January 31, 2010).

The financial instruments used to hedge the interest rate risk – interest rate swaps and collars – convert the variable rates of interest due on loans into fixed rates or rates within a certain range.

Details of long term borrowing at January 31, 2011 are provided below.

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
Post Development Corp	14,844	US Dollar	Sovereign Bank	05/2014	5.70%
PRADA Fashion Commerce (Shanghai) co limited	3,322	Chinese Renminbi	Bank of China	09/2012	5.40%
PRADA spa	180,000	Euro	Pool loan	07/2013	3.01%
PRADA spa	4,200	Euro	Monte dei Paschi di Siena	07/2015	3.31%
PRADA spa	18,750	Euro	IntesaSanPaolo	06/2014	2.145%
PRADA spa	12,000	Euro	Unicredit	05/2012	2.345%
PRADA spa	3,750	Euro	C.R. Lucca. Pisa. Livorno	08/2012	4.40%
PRADA spa	16,243	Euro	Cariparma	06/2015	2.19%
PRADA Japan Co. ltd	8,872	Japanese Yen	Mizhuo Bank	07/2013	2.09%
Church & Co plc	1,660	GB Pound	HSBC	07/2013	1.20%
PRADA Japan Co. ltd	32,003	Japanese Yen	Mizhuo Bank	07/2013	1.55%
PRADA Fashion Commerce (Shanghai) co limited	9,845	Chinese Renminbi	Mizuho Bank	09/2013	5.57%
Total	305,489				

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

On July 12, 2010, as already stated in the note on "Short term financial payables and bank borrowing", PRADA spa signed a loan agreement with a pool of seven banks for a total amount of Euro 360 million. The agreement includes a term loan of Euro 260 million repayable from July 2011 and a revolving line of credit of Euro 100 million. The lending banks are: Banca Monte dei Paschi di Siena, Credit Agricole, HSBC, IntesaSanPaolo, Mizhuo, Natixis and Unicredit. The loan expires on July 27, 2013.

The term loan is subject to interest at the Euribor 6 month rate plus a spread of 150 basis points while the revolving line of credit is subject to the Euribor rate for the period plus a spread of 115 basis points. Both spreads are variable in relation to the ratio between consolidated net bank borrowing and EBITDA.

This loan is subject to compliance with certain covenants based on the Consolidated Financial Statements of the Group. Specifically, the ratio of total net bank borrowing and EBITDA cannot exceed 2.5 at year end (3 at the six-monthly reporting date), the ratio of EBITDA to total net interest charges must be greater than 4 and, finally, shareholders' equity must not be lower than Euro 650 million. At January 31, 2011 the Group fully respected all these covenants.

On September 28, 2010, Prada Fashion Commerce (Shanghai) obtained a three-year loan totaling Renminbi 170 million from Mizuho Bank. The loan includes Tranche A of Renminbi 120 million which is repayable in six-monthly installments between March 2012 and September 2013 and Tranche B of Renminbi 50 million, repayable

in quarterly installments between December 2012 and September 2013. The applicable rate of interest is 100% of the rate published by the People's Bank of China.

On September 28, 2010, Prada Japan signed a loan agreement for a total amount of Japanese Yen 6 billion with a pool of banks including Mizuho Bank and Bank of Tokyo. This includes a term loan of Yen 4 billion, repayable in six-monthly installments from January 2012, and a revolving line of credit of Yen 2 billion that expires in July 2011. The term loan is subject to interest at the Tibor six month rate plus a spread of 110 basis points while the revolving line of credit is subject to interest at the Tibor period rate plus a spread of 82.5 basis points. This loan is also subject to certain covenants based on the statutory financial statements of Prada Japan from January 31, 2011. At the reporting date, all of the covenants were respected.

Long-term borrowing is analyzed by currency and maturity date as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Currency:		
Euro	234,943	78,243
Japanese Yen	40,875	13,231
GB Pound	1,660	2,472
US Dollar	14,844	15,028
Chinese Renminbi	13,167	3,147
Total	305,489	112,121

(amounts in thousands of Euro)	January 31 2011
Maturity:	
2012	127,176
2013	151,970
2014	23,422
After 2014	2,920
Total	305,489

(amounts in thousands of Euro)	January 31 2010
Maturity:	
2011	32,324
2012	38,183
2013	16,638
After 2013	24,976
Total	112,121

The long term loan made by Banca Monte dei Paschi di Siena to PRADA spa in 2008, - outstanding amount of Euro 4.2 million reported at January 31, 2011 - is secured by a mortgage on a building in Tuscany that houses offices and research and development workshops.

The long term loan made by Cassa di Risparmio Parma e Piacenza to PRADA spa in 2008 – outstanding amount of Euro 16.2 million reported at January 31, 2011 – is secured by a mortgage on a buildingin Tuscany where the Group has concentrated the logistics activities of the footwear and leather goods divisions.

The US Dollar long term loan made by Sovereign Bank to Post Development Corp in 2009 – reported at Euro 15.3 million at January 31, 2011 – is secured by a mortgage on a building in New York used by the Group for office and logistics purposes.

28. Long term employee benefits

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Post employment benefits	33,451	35,786
Other long term employee benefits	1,382	1,045
Total liabilities for long term benefits	34,833	36,831
Pension plan surplus	(3,595)	-
Net amount of long term benefits	31,238	36,831

Post employment benefits

Liabilities for post employment benefits reported at January 31, 2011 amount a net of Euro 29.9 million (Euro 35.8 million as at January 31, 2010) and are considered defined benefit plans. The pension plan surplus is included in "Other non current assets" (Note 19).

The balance includes Euro 22.4 million of liabilities recorded in the financial statements of Italian companies and Euro 7.5 million reported by foreign companies. The Italian liabilities for post employment benefits regard the "*Trattamento di Fine Rapporto*" (hereinafter "TFR" i.e. staff leaving indemnity) and the balance - which reflects fair value - was determined projecting the benefit, accruing under Italian law at the reporting date, to the future date when the employment relationship will be terminated and discounting it at the reporting date using the actuarial "Projected Unit Credit Method".

The following table shows movements on Liabilities for post-employment benefits in the period ended January 31, 2011:

	Post employment benefits – Italian companies (TFR)	Post employment benefits – non-Italian companies	Group Total
Opening balance	25,822	9,964	35,786
Current service cost	103	2,629	2,732
Interest cost	311	268	579
Actuarial (gains)/losses	(595)	(3,860)	(4,455)
Benefits paid	(3,319)	(2,498)	(5,817)
Exchange differences	-	1,031	1,031
Closing balance	22,322	7,534	29,856

The TFR liability was determined based on an independent appraisal which considered demographic, economic and financial evidence and assumptions.
The technical part of the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as mortality, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered. Economic and financial assumptions were made based on variables such as inflation and discount rates.
Post-employment benefits of non-Italian companies are stated net of the surplus on pension plans relating to Group companies operating in the United Kingdom which provide pension services for their employees.

As at January 31, 2011, these pension plans had a positive fair value of Euro 3.6 million, as determined by an independent actuary using the "Projected Unit Cost Method". They are analyzed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Fair value of plan assets	44,493	39,709
Fair value of plan liabilities	(39,185)	(40,284)
Pension plan surplus	5,308	(575)
Restrictions on recognition of surplus applied during actuarial valuation of the plan	(1,713)	(472)
Net surplus	3,595	(1,047)

At the reporting date pension plan assets, along with the expected rates of return, were as follows:

(amounts in thousands of Euro)	January 31 2011 assets	January 31 2011 rate of return	January 31 2010 assets	January 31 2010 rate of return
Equities	20,293	7.5%	11,954	7.4%
Alternatives	4,944	7.5%	4,846	7.4%
Bonds	17,986	4.9% -5.5%	17,930	5.1%
Other	1,270	1%	4,979	1%
Total at January 31 2011	44,493		39,709	

Other long-term employee benefits

These long-term employee benefits fall into the IAS 19 category "Other long-term employee benefits". As at January 31, 2011, their actuarial valuation, obtained using the Projected Unit Cost Method, was Euro 1.4 million.

29. Provisions for risks and charges

Movements on provisions for risks and charges are summarized as follows:

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Opening balance	1,469	7,253	4,417	13,139
Exchange differences	-	73	(39)	34
Reversals	(74)	0	(310)	(384)
Utilized	(760)	(569)	(154)	(1,483)
Increases	211	33,334	7,874	41,419
Closing balance	846	40,091	11,788	52,725

Provisions for risks and charges represent the Directors' best estimate of maximum contingent liabilities. In the Directors' opinion and based on the information available to them, as supported by the opinions of independent experts, at the reporting date, the total amount provided for risks and charges was reasonable considering the contingent liabilities that might arise.

Provision for litigation

The provision for litigation amounts to Euro 0.8 million and mainly regards disputes with employees of the Group. The amounts utilized during the year mainly regarded the settlement of a dispute with a former consultant.

Provision for tax disputes

On December 30, 2005, Genny spa (a company incorporated into PRADA spa) received two notices of tax assessment for VAT purposes for the 2002 fiscal year. The assessments regarded the failure to apply VAT to the value of the "Genny" and "Byblos" brands which were sold along with their respective business units. The amount assessed was about Euro 20 million. The Company appealed to the Provincial Tax Commission of Ancona and a hearing took place on January 16,

2007. On May 15, 2007, the Provincial Tax Commission issued its decision which was favorable to the Company.

On June 7, 2008 the Revenue Agency of Ancona filed an appeal against these decisions and on September 18, 2008 PRADA spa filed its own counter arguments. The above appeal hearings were held on December 21, 2010 but the outcome is not yet known.

On August 4, 2006, IPI Italia spa (a company incorporated into PRADA spa), as purchaser of the Genny business, received a demand for VAT penalties totaling Euro 5.7 million for the year 2002 in relation to its alleged failure to issue a "self-invoice" for the value of the "Genny" brand acquired as part of the business. On November 14, 2006, the Company submitted defensive arguments against this claim. On October 9, 2007 the Company received a request for penalties against which it filed an appeal with the Milan Provincial Tax Commission on December 14, 2007. On January 19, 2009 the appeal was rejected and the Company filed another appeal on May 8, 2009. This appeal was heard before Milan Regional Tax Commission on December 1, 2009 and it rejected the appeal on January 20, 2010. The Company then prepared a further appeal to the Supreme Court of Cassation, against this decision, and filed it on March 3, 2011. Full provision was made for the amount involved in the dispute during prior year. However, it does not appear under provisions for taxation as it has already been paid in advance to the tax authorities, in accordance with the applicable tax regulations

The penalty, which was totally accured in 2009, is not included within the provisions for risks as, according to Italian law, was already paid to the relevant tax authorities.

On November 30, 2005 PRADA Retail France sas received a notice of assessment following an inspection by the French Tax Authorities. The assessment regarded inter-company transfer pricing in 2003 and 2004. The dispute essentially concerned the adjustment of the tax losses incurred by the French company.

As no agreement was reached with the French Tax Authorities, on May 31, 2007, PRADA Retail France filed an application to open a mutual agreement procedure in terms of the Franco-Swiss Treaty and the outcome is still pending. If the matter is decided against PRADA Retail France, it will not generate any taxable income and will only affect tax loss carryforwards on which no deferred tax assets have been recognized in any case.

On December 9, 2009 PRADA Retail France SAS has received a notice of assessment, following an inspection by the French Tax Authorities with regard to transfer pricing in 2005, 2006 and 2007. In the first few months of 2010, PRADA Retail France commenced mutual agreement procedures in relation to this second assessment with regard to both the Franco-Swiss and Franco-Italian bilateral tax conventions. In the meantime, on August 30, 2010, PRADA Retail France has received a notice from the French Tax Authorities stating that they have partially cancelled part of the initial adjustment to the extent of Euro 1.5 million. The outcome of the mutual agreement procedure is awaited in relation to the remaining part. Based on their understanding of the risks associated with this dispute and with the support of a leading French tax firm, the Directors have decided not to make any provision in the financial statements

On the basis of the risk assessed on this litigation the directors, also supported by a recognized fiscal advisor, deemed reasonable not to accrue any provision.

In 2008, PRADA Germany received a notice of assessment in relation to inter-company transfer pricing in 2001, 2002, 2003 and 2004. In July 2008, the company started the mutual agreement procedure provided for by the Double Taxation Agreement between Germany and Switzerland and, on September 10, 2008, the German Tax Authorities announced the suspension of the ordinary contestation procedure and of the payment due. In the meantime, the German Tax Authorities have commenced an inspection in relation to transfer pricing in the 2005, 2006, 2007 and 2008 tax years; this inspection is still in progress.

In the last few months of 2009, the Japanese tax authorities began an inspection of PRADA Japan in relation to transfer pricing in the tax years 2004, 2005, 2006, 2007 and 2008; this inspection is still in progress.

In 2007, the Korean tax authorities commenced a tax inspection of PRADA Korea Ltd, mainly in relation to transfer pricing, in relation to the 2002, 2003, 2004, 2005 and 2006 tax periods. In 2008, the inspection resulted in notices of tax assessment that were challenged by PRADA Korea although, in the meantime, as required by local regulations, it paid the full amount of the assessment in order to avoid the possibility of heftier penalties. After its initial challenge was thrown out, in September 2008, PRADA Korea filed an appeal that was heard in August 2010. During this appeal, the tax tribunal stated that it would make its final decision on the issue of transfer pricing only after it had been informed of the outcome of a new inspection being carried out by the tax authorities in order to gain a better understanding of the methods used to value the company's intercompany transactions; this inspection will be completed by March 2011.

During the tax inspection at PRADA Korea, the Korean authorities determined the existence of a permanent establishment of PRADA Asia Pacific ltd. in Korea. As a result, in 2008, PRADA Asia Pacific received a notice of tax assessment which it immediately challenged while paying the full amount demanded in the meantime, in accordance with local regulations. After the initial challenge, a further appeal was filed (as already mentioned above) but was rejected in relation to this specific issue. PRADA Asia Pacific Ltd has made no further appeals.

In some countries, the Tax Authorities have requested information to assess the reasonableness of the transfer prices of products for the determination of income taxes and the imposition of customs duties on imports.

Except where there is an express statement that no provision has been made, the Directors, supported by the opinion of their tax advisors, believe that the provisions totaling Euro 40.1 million carried at January 31, 2011 in respect of the tax disputes described above represents the best estimate of the obligations that the Group could be called upon to fulfill.

Other provisions for risks

"Other provisions" amounted to Euro 11.8 million as at January 31, 2011. They mainly included the provisions made in relation to lease agreements which may be defined as onerous contracts under IAS 37 "Provisions, contingent liabilities and contingent assets". The increase for the period mainly regards a new provision made in relation to a leased commercial property in the United States.

30. Other non-current liabilities

"Other non-current liabilities" amount to Euro 50.2 million (Euro 32.6 million as at January 31, 2010). They mainly regard liabilities to be recognized on a straight-line basis in relation to commercial lease costs. The increase is due to the retail network.

31. Shareholders' equity - Group

The Group's shareholders' equity is as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Share Capital	250,000	250,000
Other reserves	743,543	743,411
Translation reserve	(40,012)	(45,671)
Net profit for the period	250,819	100,163
Total	1,204,350	1,047,903

Share capital

As at January 31, 2011, PRADA spa had 250,000,000 ordinary shares (nominal value of Euro 1 each) for total subscribed and paid share capital of Euro 250 million.

At the reporting date, 94.89% of the share capital was owned by PRADA Holding bv while 5.11% was held by Intesa Sanpaolo spa.

Other reserves

"Other reserves" amount to Euro 743.5 million and mainly consist of prior year retained earnings. The balance as at January 31, 2011 also includes, before the related tax impact, negative actuarial differences of Euro 0.8 million resulting from the measurement of Post-employment benefits and the fair value of Euro 3.5 million of derivative instruments designated as cash flow hedges.

During the period, on April 28, 2010 and January 27, 2011, the General Meeting approved the distribution of dividends totaling Euro 80 million and Euro 31 million, respectively. This represent a total dividend for the year of Euro 0.44 for each of the 250,000,000 shares in issue.

Net income for the period

The Group's net income for the period amounted to Euro 250.8 million (Euro 100.2 million as at January 31, 2010).

32. Shareholders' equity – minority interests

The following table shows movements on Shareholders' equity of minority interests during the years ended January 31, 2011 and January 31, 2010.

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Opening balance	8,756	9,192
Translation differences	(51)	(275)
Dividends	(530)	(343)
Acquisition of 45% of Car Shoe sa	(5,134)	-
Other movements	1	7
Net income for the period	2,732	177
Gains/Losses recorded in reserves for actuarial gain&loss	14	(2)
Closing balance	5,788	8,756

On June 30, 2010, the Group acquired 45% of the shares in Car Shoe sa, the holding company of the Car Shoe Group, at a cost of Euro 4 million. This took its interest in the company to 100%.

Consolidated income statement

33. Net revenues

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

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Net sales	2,017,064	1,530,577
Royalties	29,587	30,661
Total	2,046,651	1,561,238

Royalties are paid by licensees on sales of eyewear, fragrances, mobile phones and under franchise agreements. Total royalties income may be detailed as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Eyewear	24,046	23,240
Fragrances	3,603	3,778
Mobile phones	-	1,674
Franchise agreements	1,723	1,617
Other	215	352
Total	29,587	30,661

The comparison with prior year is affected by the fact that the licensing agreement for the sale of mobile phones expired at the end of 2009.

This item includes Euro 4.5 million (Euro 4.6 million in 2009) of royalties from related parties Note 39 “Transactions with related parties”.

A breakdown of net revenues by brand, geographical area and product is provided in the Directors’ Report and in Note 8 “Operating segments”.

34. Cost of goods sold

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Purchases of raw materials and production costs	589,232	483,627
Logistics costs, duties and insurance	115,331	90,272
Change in inventories	(45,800)	12,683
Total	658,763	586,582

Cost of goods sold has decreased by 5.4 percentage points on net revenues compared to prior year (down from 37.6% to 32.2%). This is due to the greater contribution made by the retail channel, to an increase in unit margins and to a more favorable ratio of full price sales to sales at promotional prices.

35. Operating expenses

Operating costs can be analyzed as follows:

(Amounts in thousands of Euro)	January 31 2011	% of net revenues	January 31 2010	% of net revenues
Product design and development costs	97,164	4.7%	96,794	6.2%
Advertising and communications costs	85,119	4.2%	75,823	4.9%
Selling costs	642,507	31.4%	484,624	31.0%
General and administrative costs	144,711	7.1%	130,383	8.4%
Total	969,501	47.4%	787,624	50.4%

Operating expenses increased from Euro 787.6 million in the year ended January 31, 2010 to Euro 969.5 million in the year ended January 31, 2011 despite a 3% decrease as a percentage of net revenues compared to prior year. At constant exchange rates, the operating expenses would have increased by 17% compared to 2009 rather than by 23.1%.

Product design and development costs, broadly in line with prior year, include both the design phase – i.e. research and testing of shapes, fabrics, leather and production techniques plus definition of the design concept - and the product development phase, involving planning of products, production of prototypes and manufacture of the products themselves.

Advertising and communications costs have increased from Euro 75.8 million to Euro 85.1 million. They include expenses incurred to develop advertising campaigns and organize fashion shows and other events plus sponsorship costs and overheads attributable to this area of the business. The increase in absolute terms on prior year is mainly due to higher media advertising costs and to new events like the first Prada fashion show in Beijing in January 2011. At constant exchange rates, the advertising and communications costs would have increased by 9% compared to 2009 rather than by 12.3%.

Selling costs increased from Euro 484.6 million in 2009 to Euro 642.5 million in 2010 (+32.6% at actual exchange rates and +24% at constant exchange rates) while remaining almost unchanged as a percentage of net revenues (up slightly from 31% to 31.4%). The increase in absolute terms is essentially due to the expansion of the retail network which recorded a net increase of 54 stores over the year.

General and administrative costs decreased from 8.4% of net revenues in 2009 to 7.1% in 2010 as overheads relating to this area of the business remained largely stable while net revenues increased. At constant exchange rates the general and administrative costs would have increased by 8.1% compared to 2009 rather than by 11%.

In order to provide further information on the income statement structure, we note that operating costs include depreciation, amortization and impairment adjustments for both property, plant and equipment and intangible assets for a total amount of Euro 109.5 million (Euro 95.8 million at January 31, 2010), personnel costs of Euro 303.5 million (Euro 258.7 million at January 31, 2010), fixed rent of Euro 148.8 million (Euro 118 million at January 31, 2010) and variable rent of Euro 140.5 million (Euro 94 million at January 31, 2010).

36. Interest and other financial income (expenses), net

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Net interest income / (expenses) with related parties	510	334
Net interest income / (expenses) with third parties	(17,797)	(16,976)
Exchange gains / (losses) - realized	(5,380)	(3,277)
Exchange gains/ (losses) – unrealized	720	(4,671)
Other financial income / (expenses)	(8,211)	(7,292)
Total	(30,158)	(31,882)

Net financial expenses have decreased by Euro 1.7 million compared to prior year.

Net interest expenses with third parties have increased slightly. The benefit of lower average bank borrowing than in 2009 was more than offset by an increase in the cost of raising finance as the debt profile became more long term.

37. Taxation

Income taxes for the periods ended January 31, 2011 and January 31, 2010 are analyzed below:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Current taxation	166,810	70,558
Deferred taxation	(32,132)	(18,055)
Total	134,678	52,503

The significant increase in income taxes is mainly due to the higher income generated and to provisions made for ongoing tax disputes.

The following table shows the reconciliation between the effective tax rate of the Group and the theoretical tax rate of the parent company PRADA spa.

	January 31 2011
Italian theoretical tax rate	31.4%
Tax effect of expenses/income that are not deductible/taxable in determining taxable profit	9.5%
Tax effect of utilization of tax losses carried forward	-0.8%
Effect of different tax rates of subsidiaries operating in other jurisdictions	-5.4%
Group effective tax rate	34.7%

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

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Opening balance	51,969	41,660
Exchange differences	8,345	(3,716)
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	(2,456)	(4,336)
Deferred taxes on post employment benefits recorded in equity (reserve for actuarial differences)	(1,068)	239
Other movements	(255)	67
Deferred taxes for the period in income statement	32,132	18,055
Closing balance	88,667	51,969

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

(amounts in thousands of Euro)	January 31 2011		January 31 2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	62,284	-	44,536	-
Receivables and other assets	415	1,515	473	1,490
Depreciation/Useful life of non current assets	53,869	6,273	46,698	11,957
Deferred taxes due to acquisitions	-	39,548	-	40,920
Provision for risks / accrued expenses	10,790	267	6,255	267
Non deductible / taxable charges / income	5,893	1,134	1,977	847
Tax loss carryforwards	3,129	-	3,796	-
Derivative financial instruments	303	1,455	1,429	-
Long term employee benefits	4,533	1,943	3,533	883
Other	162	575	2,676	3,040
Total	141,378	52,711	111,373	59,404

Tax loss carryforwards at January 31, 2011 are analyzed below:

(amounts in thousands of Euro)	January 31, 2011
Expiring within 5 years	11,490
Expiring after 5 years	17,587
Available for carry forward with no time limit	77,469
Total tax loss carryforwards	106,546

The Directors have updated their assessment of tax loss carryforwards and, considering the current uncertain macroeconomic environment, they have concluded that it was reasonable to recognize deferred tax assets in some cases only.

38. Additional information

Earning and dividends per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares

	January 31, 2011	January 31, 2010
Group net result in Euro	250,818,884	100,163,294
Weighted average number of ordinary outstanding shares	250,000,000	250,000,000
Basic earning per share in Euro	1.003	0.401
Basic earning per share, on the number of ordinary shares at the reporting date	1.003	0.401

Headcount

The average headcount by function in the 2010 and 2009 fiscal years was as follows:

(no of employees)	January 31 2011	January 31 2010
Production	1,765	1,862
Product design and development	751	743
Communications	96	98
Sales	3,919	3,367
General and administrative services	668	694
Total	7,199	6,764

Employee remuneration

Employee remuneration for the periods ended January 31, 2011 and January 31, 2010, by business area is analyzed below:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Production	74,311	74,122
Product design and development	48,230	48,572
Communications	8,973	8,134
Sales	188,488	149,820
General and administrative services	57,838	52,137
Total	377,840	332,785

Remuneration of the PRADA spa Board of Directors

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Directors' fees	2,271	2,505
Compensation and remuneration	15,786	15,079
Bonuses and other incentives	4,070	6,482
Non monetary benefits	91	153
Total	22,218	24,219

Reconciliation between Prada spa financial statements and consolidated financial statements

Net income

(amounts in thousands of Euro)	January 31 2011	January 31 2010
A) Net income for the period of PRADA spa	122,776	59,594
Consolidation adjustments:		
Net results of consolidated companies and IAS/IFRS adjustments	227,667	103,990
Adjustment to value of investments measured under the equity method	(707)	(403)
Elimination of intragroup operations and other adjustments	(96,185)	62,841
Consolidated net income	253,551	100,340
Minority interests	2,732	177
Consolidated net income of the PRADA Group	250,819	100,163

Shareholders' equity

(amounts in thousands of Euro)	January 31 2011	January 31 2010
B) Shareholders' equity of PRADA spa	809,052	790,176
Consolidation adjustments:		
Shareholders' equity of consolidated companies and IAS/IFRS adjustments	1,057,562	892,209
Adjustment to value of investments measured under the equity method	-	707
Book value of consolidated investments	(1,082,959)	(1,083,901)
Additional value attributed to assets of consolidated companies	504,445	507,936
Elimination of intragroup operations and other adjustments	(77,962)	(50,468)
Consolidated shareholders' equity	1,210,138	1,056,659
Minority interests	5,788	8,756
Consolidated shareholders' equity of the PRADA Group	1,204,350	1,047,903

Distributable reserves of parent company PRADA spa

(amounts in Euro thousands)	January 31, 2011	Possible utilization	Distributable amount	Summary of last three years' utilizations	
				For losses coverage	For dividends distribution
Share Capital	250,000				
Share premium reserve	209,298	A,B,C	169,182		
Legal reserve	9,884	B			
Other reserves	182,899	A,B,C	182,899		
Non distributable reserves Art. 7 of Legislative Decree 38/2005	20,516				
Retained earnings	11,272	A,B,C	9,841	15,774	47,750
Actuarial gain and loss reserve	(1,431)				
Fair Value Reserve	3,837				
Distributable Amount			361,922		

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

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve is fully distributable only when the legal reserve reaches an amount equal to the 20% of share capital The adjustment required to reach this level as at January 31, 2011 would amount to Euro 40,116 thousand.

Exchange rates

The exchange rates against the Euro used to consolidate statements of financial position and income statements prepared in other currencies as at January 31, 2011 and January 31, 2010 are shown below.

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.319	1.402	1.369	1.397
Canadian Dollar	1.354	1.575	1.368	1.492
GB Pound	0.855	0.888	0.861	0.867
Swiss Franc	1.367	1.509	1.289	1.466
Australian Dollar	1.426	1.743	1.376	1.564
Korean Won	1,522.048	1,759.456	1,534.050	1,622.000
Japanese Yen	114.872	131.140	112.490	126.15
Hong Kong Dollar	10.252	10.870	10.676	10.847
Singapore Dollar	1.786	2.025	1.753	1.961
Thai Baht	41.571	47.870	42.295	46.332
Taiwan Dollar	41.243	46.109	39.752	44.698
Russian Ruble	40.093	44.162	40.795	42.34
Czech Koruna	25.157	26.372	24.223	26.223
Macau Pataca	10.559	11.196	10.996	11.169
Chinese Renminbi	8.906	9.577	9.030	9.534
New Zealand Dollar	1.822	2.180	1.776	1.977
Malaysian Ringgit	4.215	4.913	4.189	4.764
Turkish Lira	1.996	2.163	2.197	2.079

Fees to Deloitte & Touche spa

The fees for the independent audit firm Deloitte & Touche spa for the statutory audit of PRADA spa (audit of the separated and of the consolidated financial statements and verifications that the accounting records are properly maintained and operations are correctly reflected in the accounting records) amounted to Euro 0.6 million, while the fees for the statutory and voluntary audit of the subsidiaries of PRADA amounted to Euro 0.2 million. Deloitte & Touche spa did not provide any other services to the Prada Group during the period.

39. Transactions with related parties

The Group enters into commercial and financial transactions with companies owned by entities that directly or indirectly control PRADA spa ("related parties").

These transactions mainly refer to the sale of goods, the supply of services, the granting and receipt of loans and sponsorship and franchise agreements. These transactions take place on an arm's length basis at the same economic terms as those applied to third parties.

The following tables show details of related party transactions for each item in the Statement of Financial Position and Income Statement. They show amounts relating to each related party and the amount relating to each line item, in both absolute and percentage terms.

Statement of financial position items at January 31, 2011

(amounts in thousands of Euro)	Trade receivables	Receivables from parent companies and related parties	Trade payables	Payables to parent companies and related parties
PRADA Holding bv	-	33,325	-	70
Other related parties	16,412	2,738	1,701	786
Venezia 3 srl	2,182	-	272	299
F.lli Prada srl	5,474	-	452	6
Montenapoleone 6 srl	2,263	-	257	2
IPR srl	3,763	-	505	-
Spiga 1 srl	2,148	-	127	-
PRADA Italia spa	264	-	2	-
Stellarea	-	28	-	-
Luna Rossa Challenge 2007	318	-	86	5
Stiching Fondazione Prada/ Progetto Prada Arte srl	-	1,128	-	472
Gipafin sarl	-	20	-	1
CID USA Corp.	-	75	-	-
HMP srl	-	79	-	-
Prada America's Cup srl	-	1,397	-	-
Others	-	11	-	1
Other companies controlled by PRADA Holding bv	-	249	-	251
EXHL Design llc	-	127	-	2
Prapar Corporation	-	1	-	249
EXHL Retail USA llc	-	102	-	-
EXHL Italia	-	6	-	-
Others		13	-	-
Other associated undertakings	1,924	5	22	-
Fragrance and Skincare sl	1,924	5	22	-
Members of the Board of Directors	-	-	-	171
Other related parties	-	-	-	134
Total at January 31, 2011	18,336	36,317	1,723	1,412

Statement of financial position items at January 31, 2010

(amounts in thousands of Euro)	Trade receivables	Receivables from parent companies and related parties	Prepayments	Trade payables	Payables to parent companies and related parties
PRADA Holding bv	-	55,085	-	-	4,369
Other related parties	17,771	1,095	455	819	1,013
Venezia 3 srl	3,407	-	-	64	296
F.lli Prada srl	5,128	-	-	211	-
Montenapoleone 6 srl	3,252	-	-	102	2
IPR srl	3,677	-	-	231	-
Spiga 1 srl	2,014	-	-	53	-
PRADA Italia spa	115	-	-	76	5
Stellarea	-	28		-	-
Luna Rossa Challenge 2007	178	-	300	82	8
Stiching Fondazione Prada/Progetto Prada Arte srl	-	887	155	-	689
Gipafin sarl	-	20	-	-	1
CID USA Corp.	-	74	-	-	-
HMP srl	-	75	-	-	12
Others	-	11	-	-	1
Other companies controlled by PRADA Holding bv	-	241	-	-	238
EXHL Design llc	-	125	-		-
Prapar Corporation	-	-	-	-	238
EXHL Retail USA llc	-	99	-	-	-
EXHL Italia	-	7	-	-	-
Others	-	10	-	-	-
Other associated undertakings	1,430	-	-	-	-
Fragrance and Skincare sl	1,430	-		-	-
Members of the Board of Directors	-	-	-	-	2,040
Other related parties	-	-	-	-	122
Total at January 31, 2010	19,201	56,421	455	819	7,782

Income statement items at January 31, 2011

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Royalties expense	Interest income	Interest expense
PRADA Holding bv	-	-	(129)	-	-	469	38
Other related parties	34,533	2.365	5,815	940	-	82	-
Venezia 3 srl	4,454	419	(1,925)	118	-	-	-
F.lli Prada srl	11,851	697	(218)	326	-	-	-
Montenapoleone 6 srl	5,164	313	(4)	142	-	-	-
IPR srl	8,283	692	(274)	222	-	-	-
Spiga 1 srl	4,781	244	(111)	132	-	-	-
PRADA Italia spa	-	-	(315)	-	-	-	-
Luna Rossa Challenge 2007	-	-	5,350	-	-	60	-
HMP srl	-	-	465	-	-	1	-
Stitching Fondazione Prada/ Progetto Prada Arte srl	-	-	1,966	-	-	-	-
Maestrale Holding	-	-	-	-	-	-	-
Prada America's Cup srl	-	-	-	-	-	21	-
Others	-	-	881	-	-	-	-
Other companies controlled by PRADA Holding bv	-	-	(14)	-	-	1	3
Prapar Corporation	-	-	-	-	-	-	3
EXHL Retail USA llc	-	-	-	-	-	1	-
EXHL Italia srl	-	-	(6)	-	-	-	-
EXHL Japan Co. ltd	-	-	(3)	-	-	-	-
Prada Arte bv	-	-	(5)	-	-	-	-
Others	-	-	-	-	-	-	-
Oth associated undertakings	-	22	(245)	3,603	-	-	-
Fragrance and Skincare sl	-	22	(245)	3,603	-	-	-
Total at January 31, 2011	34,533	2,387	5,427	4,543	-	552	41

Income Statement items at January 31, 2010

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Royalties expense	Interest income	Interest expense
PRADA Holding bv	-	-	(253)	-	-	383	44
Other related parties	31,471	3,300	7,122	822	1	-	4
Venezia 3 srl	5,116	553	(2,023)	132	-	-	-
F.lli Prada srl	10,257	970	(112)	279	-	-	-
Montenapoleone 6 srl	4,705	405	44	123	-	-	-
IPR srl	7,535	1,104	(42)	184	-	-	-
Spiga 1 srl	3,856	274	(112)	104	-	-	-
PRADA Italia spa	-	-	(283)	-	-	-	-
Luna Rossa Challenge 2007	-	(10)	(35)	-	1	-	-
HMP srl	-	-	477	-	-	-	4
Stitching Fondazione Prada/	2	3	4,838	-	-	-	-
Maestrale Holding		-	3,500		-	-	-
Others	-	1	870	-	-	-	-
Other companies controlled by	-	-	(14)		-	1	3
Prapar Corporation	-	-	-	-	-	-	3
EXHL Retail USA llc	-	-	-	-	-	1	-
EXHL Italia srl	-	-	(6)	-	-	-	-
EXHL Japan Co. ltd	-	-	(3)	-	-	-	-
Prada Arte bv	-	-	(5)	-	-	-	-
Others	-	-	-	-	-	-	-
Oth associated undertakings	-	-	(545)	3,778	-	-	-
Fragrance and Skincare sl	-	-	(545)	3,778	-	-	-
Total at January 31, 2010	31,471	3,300	6,310	4,600	1	384	51

40. Commitments

Operating leases

At January 31, 2011 and January 31, 2010, operating lease commitments, by maturity date, were as follows:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Within a year	198,481	175,938
After between one year and five years	660,454	572,981
After more than five years	535,779	494,964
Total	1,394,714	1,243,883

The following table shows the amounts paid in 2010 and 2009:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Fixed minimum lease payments	154,582	124,979
Variable lease payments	140,472	93,992
Total	295,054	218,971

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

Finance leases

"Property, plant and equipment" includes the following assets held under finance leases:

(amounts in thousands of Euro)	January 31 2011	January 31 2010
Land and buildings	31,362	34,811
Furnishings and fittings	13,644	12,167
Other equipment	3,567	3,215
Accumulated depreciation	(17,092)	(14,445)
Total	31,481	35,748

The present value of lease payments due after January 31, 2011 is detailed by maturity date below:

(amounts in thousands of Euro)	
Payable by the end of the period ending:	
January 31, 2012	5,019
January 31, 2013	1,414
January 31, 2014	581
January 31, 2015	507
January 31, 2016	10
Periods after January 31, 2016	-
Total	7,531

Other commitments

On November 16, 2010, PRADA spa signed a preliminary contract with third parties whereby it undertook to purchase a number of real estate properties in Italy, already used by PRADA spa in its business activities under rental agreements, at a total cost of Euro 49.5 million. As at the reporting date, one of the properties had already been acquired for Euro 7 million while the remainder will be purchased by June 2011 (Euro 30.2 million) and by February 2012 (Euro 12.3 million).

Guarantee

The letters of guarantee issued in favor of Fragrance & Skincare sl, in support of lines of credit and totaling Euro 6.25 million, were withdrawn on february 23, 2011 after PRADA spa sold its interest in the joint venture to the Puig Group of Spain.

41. Consolidated companies

The companies included in the consolidation area are as follows.

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Main business
Italy					
PRADA spa	EURO	250,000		Milan, Italy	Production/Distribution/ Group Holding company
Artisans Shoes srl(*)	EURO	1,000	66.73	Montegranaro, Italy	Footwear production
Space Caffè srl (*) (ex PRADA Advertising srl)	EURO	20	100.00	Milan, Italy	Service company
IPI Logistica srl(*)	EURO	600	100.00	Milan, Italy	Service company
PRADA Stores srl(*)	EURO	520	100.00	Milan, Italy	Retail/*sub holding company*
Car Shoe Italia srl	EURO	10	100.00	Milan, Italy	Distribution/Retail
Church Italia srl	EURO	51	100.00	Milan, Italy	Distribution/Retail
Europe					
PRADA Retail UK ltd (**)	GBP	5,000	100.00	London, UK	Retail
PRADA Germany gmbh	EURO	215	100.00	Munich, Germany	Retail
PRADA Austria gmbh	EURO	40	100.00	Vienna, Austria	Retail
PRADA Spain sa	EURO	240	100.00	Madrid, Spain	Retail
PRADA Retail France sas	EURO	4,000	100.00	Paris, France	Retail
PRADA Hellas Single Partner Limited Liability Company (*)	EURO	6,000	100.00	Athens, Greece	Retail
PRADA Monte-Carlo sam	EURO	150	100.00	Monte-Carlo, Monaco	Retail
PRADA sa(*)	EURO	31	100.00	Luxembourg	Service company/Trademark owner
PRADA Company sa	EURO	3,204	100.00	Luxembourg	Service company
Car Shoe sa	EURO	2,100	100.00	Luxembourg	Service company/Trademark owner
PRADA Far East bv(*)	EURO	20	100.00	Amsterdam, Netherlands	*Sub-holding company/* Service company
Space sa	CHF	200	100.00	Paradiso, Switzerland	Retail
Church Holding UK plc (*)	GBP	78,126	100.00	Northampton, UK	*Sub-holding*
Church France sa	EURO	241	100.00	Paris, France	Retail
Church UK Retail ltd	GBP	1,021	100.00	Northampton, UK	Retail
Church's English Shoes Swiss sa	CHF	100	100.00	St. Moritz / Switzerland	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	Sub-holding company/ Production/Distribution
Church & Co. (Footwear) ltd	GBP	44	100.00	Northampton, UK	Trademark owner
Church English Shoes sa	EURO	75	100.00	Brussels, Belgium	Retail
PRADA Czech Republic sro(*)	CZK	2,500	100.00	Prague, Czech Republic	Retail
PRADA Portugal. Unipessoal lda(*)	EUR	5	100.00	Lisbon, Portugal	Retail
PRADA Rus llc(*)	RUR	278	99.90	Moscow, Russia	Retail
Church Spain, S.L.	EUR	3	100.00	Madrid	Retail
PRADA Bosphorus Deri Mamuller Ticaret Limited Sirketi	TRY	7,630	100.00	Istanbul, Turkey	Retail
JCS (2009) ltd	GBP	90	100.00	Northampton, UK	Dormant
North America					
PRADA USA Corp.(*)	USD	152,211	100.00	New York, U.S.A	Services / Distribution/ Retail
PRADA Hawaii Corp.	USD	14,400	100,00	Delaware, U.S.A.	Retail
Space USA Corp.	USD	301	100.00	New York, U.S.A.	Retail
UPB Corp.	USD	70	100.00	New York, U.S.A.	Service company
TRS Hawaii llc	USD	400	55.00	Honolulu, U.S.A.	Duty free stores
PRADA Canada corp.(*)	CAD	300	100.00	Toronto, Canada	Distribution/Retail
Church & Co. (USA) ltd	USD	85	100.00	New York, U.S.A.	Retail
Post Development corp	USD	42,221	100.00	New York, U.S.A.	Real estate

Entity	Local currency	Share capital (000s of local currency)	% interest	Registered office	Main business
Asia-Pacific and Japan					
PRADA Asia Pacific ltd	HKD	3,000	100.00	Hong Kong	Retail / Wholesale company
PRADA Taiwan ltd	TWD	3,800	100.00	Hong Kong	Retail
Space HK Retail ltd	HKD	1,000	100.00	Hong Kong	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Malaysia	Retail
PRADA China ltd	HKD	7,000	100.00	Hong Kong	Retail
TRS Hong Kong	HKD	500	55.00	Hong Kong	Duty free stores
PRADA Singapore Pte. ltd	SGD	1,000	100.00	Singapore	Retail
TRS Singapore	SGD	500	55.00	Singapore	Duty free stores
PRADA Korea ltd	KOW	8,125,000	100.00	Seoul, Korea	Retail
PRADA (Thailand) Co.. ltd	BTH	172,000	100.00	Bangkok, Thailand	Retail
PRADA Japan Co.. ltd	JPY	200,000	100.00	Tokyo, Japan	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam	Duty free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan	Duty free stores
TRS New Zealand ltd	NZD	100	55.00	Auckland, New Zealand	Duty free stores
PRADA Australia Pty. ltd	AUD	3,500	100.00	Sydney, Australia	Retail
TRS Australia ltd	AUD	600	55.00	Sydney, Australia	Duty free stores
PRADA Trading (Shanghai)	RMB	1,653	100.00	Shanghai, China	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, Japan	Duty free stores
PRADA Fashion Commerce (Shanghai) Co. ltd	RMB	48,966	100.00	Shanghai, China	Retail
Church Japan Co.. ltd	JPY	3,050	100.00	Tokyo, Japan	Retail
Church Hong Kong Retail ltd	HKD	1,000	100.00	Hong Kong	Retail
Church Singapore Pte., ltd.	SGD	500	100.00	Singapore	Retail
Car Shoe Singapore ltd.	SGD	500	100.00	Singapore	Retail
Car Shoe Hong Kong ltd.	HKD	3,000	100.00	Hong Kong	Retail

(*) Companies owned directly by PRADA spa

(**) Share capital less than a thousand of local currency

The following table shows the companies not included in the consolidation area and the related consolidation method:

Company	Percentage direct interest as at January 31 2011	Percentage direct interest as at January 31 2010	Note	Consolidation method
PAC srl	49.00	49.00	Associate	Equity method
Fragrance & Skincare sl	50.00	50.00	*Joint-venture*	Fair Value

42. Events after the reporting period

On February 23, 2011, 2011 PRADA spa sold to Puig sl its investment in Fragrance & Skincare sl, a joint-venture created with Puig sl in 2003. The relationship with the Spanish fragrance producer will continue under the licensing agreement with Fragrance & Skincare sl that has been extended until 2020.

On March 16, 2011, PRADA spa sold the Genny brand to third parties.

With reference to the recent events in Japan, the Group has not pointed out any significant damage to its retail network. The shops that on March 11, 2011, have been closed mainly as a consequence of the electric power rationing have been fully operating again since 23 March.

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

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

1. We have audited the consolidated financial statements of PRADA S.p.A. and subsidiaries (the "PRADA Group"), which comprise the statement of financial position as of January 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related notes to the financial statements. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 13, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the PRADA Group as of January 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia
Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. The directors of PRADA S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion the Report on Operations is consistent with the consolidated financial statements of the PRADA Group as of January, 31 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy,
March, 28 2011

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