PRADA S.p.A.

Via A. Fogazzaro n. 28, Milan, Italy
Registry of Companies of Milan, Italy: No. 10115350158
(Incorporated under the laws of Italy as a joint-stock company)
(Stock Code: 1913)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JULY 31, 2011

FINANCIAL HIGHLIGHTS

- Group net revenues were Euro 1,134.3 million recording an increase of 21.1%
- Retail net sales were Euro 835.4 million, up by 33.4%
- The number of Directly Operated Stores reached 345
- Retail organic growth was 22%
- EBITDA margin totaled Euro 315 million (27.8% on net revenues)
- Group net income amounted Euro 179.5 million, an increase of 74.2% compared to Euro 103 million for the six months ended July 31, 2010
- Net Financial Position at Euro 135.2 million
- Net operating cash flow for the six months period was Euro 209.6 million
- Fund raised through IPO was Euro 206.6 million

Interim Results

The board of directors (the "Board") of PRADA S.p.A. (the "Company") is pleased to announce the audited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 July 2011 together with the comparative figures for the six months ended 31 July 2010. The following interim financial information, including the comparative figures, has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The consolidated interim results of the Group for the six months ended July 31, 2011, has been audited by Deloitte & Touche spa.

Consolidated Income Statement

(amounts in thousands of Euro)	*Notes*	six months ended July 31 2011	%	six months ended July 31 2010	%
Retail		835,372	73.6%	626,178	66.9%
Wholesale		282,031	24.9%	294,223	31.4%
Royalties		16,878	1.5%	16,093	1.7%
Net revenues		1,134,281	100.0%	936,494	100.0%
Cost of goods sold		(329,098)	-29.0%	(322,674)	-34.5%
Gross margin		805,183	71.0%	613,820	65.5%
Operating expenses	4	(551,805)	-48.6%	(441,596)	-47.2%
EBIT		253,378	22.3%	172,224	18.4%
Interest and other financial expenses, net	5	(11,600)	-1.0%	(19,613)	-2.1%
Income before taxation		241,778	21.3%	152,611	16.3%
Taxation	6	(60,577)	-5.3%	(48,688)	-5.2%
Net income from continuing operations		181,201	16.0%	103,923	11.1%
Net income from continuing operations pertaining to minority interests		1,669	0.1%	880	0.1%
Group net income from continuing operations		179,532	15.8%	103,043	11.0%
Total Group net income		179,532	15.8%	103,043	11.0%
Amortization, Depreciation and Impairment		61,627	5.4%	52,996	5.7%
EBITDA		315,005	27.8%	225,220	24.0%
Basic earnings per share (in Euro per share)	7	0.071		0.041	
Diluted earnings per share (in Euro per share)	7	0.071		0.041	

Consolidated Statement of Financial Position

(amounts in thousands of Euro)	*Notes*	July 31 2011	January 31 2011
Assets			
Current assets			
Cash and cash equivalents		253,610	96,572
Trade receivables, net	9	291,657	274,175
Inventories	8	366,813	280,409
Derivative financial instruments - current		7,321	7,379
Receivables from parent company and related parties		13,092	36,317
Other current assets		98,648	70,225
Assets held for sale		—	4,948
Total current assets		1,031,141	770,025
Non current assets			
Property, plant and equipment	11	606,971	536,717
Intangible assets	11	867,196	869,119
Associated undertakings		1,753	1,753
Deferred tax assets		158,079	141,378
Other non current assets		49,241	44,883
Derivative financial instruments - non current		547	2,140
Total non current assets		1,683,787	1,595,990
Total Assets		2,714,928	2,366,015
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans		161,952	194,240
Payables to parent company and related parties		618	1,107
Other shareholders' loans		574	581
Trade payables	10	303,963	233,866
Current tax liabilities		150,555	107,592
Derivative financial instruments - current		3,564	5,279
Obligations under finance leases - current		3,847	5,019
Other current liabilities		117,981	111,482
Total current liabilities		743,054	659,166

(amounts in thousands of Euro)	*Notes*	July 31 2011	January 31 2011
Non-current liabilities			
Long-term debt		221,457	303,408
Obligations under finance leases - non current		1,555	2,509
Long term employee benefits		35,108	34,833
Provisions for risks and charges		54,432	52,725
Deferred tax liabilities		48,451	52,711
Other non-current liabilities		64,110	50,207
Derivative financial instruments - non current		554	318
Total non current liabilities		425,667	496,711
Total Liabilities		1,168,721	1,155,877
Shareholders' equity			
Share capital		255,882	250,000
Other reserves		1,157,447	743,543
Translation reserve		(51,727)	(40,012)
Net profit for the period		179,532	250,819
Total Shareholders' Equity — Group		1,541,134	1,204,350
Shareholders' Equity — Non Controlling Interests		5,073	5,788
Total Liabilities and Shareholders' Equity		2,714,928	2,366,015
Net current assets		288,087	110,859
Total assets less current liabilities		1,971,874	1,706,849

Net Invested Capital

The following table contains the Statement of Financial Position, adjusted in order to provide a better picture of the composition of the Net Invested Capital.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Non current assets	1,683,787	1,595,990
Current assets excluding financial assets	776,122	634,462
Current liabilities excluding financial liabilities	576,682	459,047
Net working capital	199,440	175,415
Assets held for sale	—	4,948
Long-term liabilities, including deferred taxation	113,115	103,236
Post employment benefits	35,108	34,833
Provisions for risks	54,432	52,725
Net invested capital	1,680,572	1,585,559
Shareholders' equity — Group	1,541,134	1,204,350
Shareholders' equity — Non Controlling Interests	5,073	5,788
Total consolidated shareholders' equity	1,546,207	1,210,138
Long term financial payables	223,012	305,917
Short term financial payables, net of cash and cash equivalents	(88,647)	69,504
Net financial payables	134,365	375,421
Shareholders' equity and net financial payables	1,680,572	1,585,559

Net Financial Position

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Long term debt	221,457	303,408
Obligations under finance leases	1,555	2,509
Long term financial payables	223,012	305,917
Short term financial payables and bank overdrafts	161,952	194,240
Payables to parent company and related parties	—	281
Receivables from parent company and related parties	(1,410)	(34,044)
Obligations under finance leases	3,847	5,019
Payables to other shareholders	574	581
Cash and cash equivalents	(253,610)	(96,572)
Short term financial payables, net of cash and cash equivalents	(88,647)	69,504
Net Financial Position	134,365	375,421
Net Financial Position, excluding receivables/payables with parent company, related parties and other shareholders (NFP used to calculate covenants)	135,202	408,604
NFP/EBITDA ratio	0.22	0.76
EBITDA/ net financial charges ratio	27.16	17.77

Summarized Statement of Consolidated Cash Flows

(amounts in thousands of Euro)	six months ended July 31 2011	six months ended July 31 2010
Net cash flows from operating activities	209,598	142,908
Cash flows generated/(utilized) by investing activities	(134,880)	(86,934)
Cash flows generated/(utilized) by financing activities	99,518	(43,042)
Change in cash and cash equivalents, net of bank overdrafts	174,236	12,932

Notes to the Consolidated Financial Statements

1. **Presentation of PRADA Group**

PRADA 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.

2. **Basis of preparation**

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 it is based on the Consolidated Financial Statements of the Group at July 31, 2011, together with comparative figures for the six-months ended July 31, 2010. The following financial information, including comparative figures, was prepared in accordance with IFRS as adopted by the European Union.

The IFRS adopted by the European Union are similar, as applicable to the PRADA Group, to those issued by the IASB.

IFRS also refer to all the International Accounting Standard ("IAS") and all the interpretations of the International Financial Reporting Interpretation Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

The Group has prepared the Consolidated Statement of Financial Position classifying separately current and non current assets and liabilities.

The Consolidated Income Statement is presented by destination.

The Consolidated Financial Statements have been prepared on a going concern basis and are presented in Euro, which is the same as the functional currency of the Company.

3. **Operating segment**

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 in light of the fact that only income statement 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.

Net sales analysis

(amounts in thousands of Euro)	six months ended July 31 2011		six months ended July 31 2010		% change
Net sales by geographical area					
Italy	213,444	19.1%	184,301	20.0%	15.8%
Europe	250,664	22.4%	211,794	23.0%	18.4%
North America	171,853	15.4%	147,617	16.1%	16.4%
Asia Pacific	367,995	32.9%	271,703	29.5%	35.4%
Japan	107,193	9.6%	99,107	10.8%	8.2%
Other countries	6,254	0.6%	5,879	0.6%	6.4%
Total	1,117,403	100%	920,401	100%	21.4%
Net sales by brand					
Prada	878,383	78.6%	724,334	78.7%	21.3%
Miu Miu	198,872	17.8%	159,219	17.3%	24.9%
Church's	27,003	2.4%	23,440	2.5%	15.2%
Car shoe	9,711	0.9%	9,811	1.1%	-1.0%
Other	3,434	0.3%	3,597	0.4%	-4.5%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by product line					
Clothing	212,371	19.0%	214,006	23.2%	-0.8%
Leather goods	616,589	55.2%	455,641	49.5%	35.3%
Footwear	275,048	24.6%	242,655	26.4%	13.3%
Other	13,395	1.2%	8,099	0.9%	65.4%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales by distribution channel					
DOS (including outlet stores)	835,372	74.8%	626,178	68.0%	33.4%
Independent customers, franchises and related parties	282,031	25.2%	294,223	32.0%	-4.1%
Total	1,117,403	100.0%	920,401	100.0%	21.4%
Net sales	1,117,403	98.5%	920,401	98.3%	21.4%
Royalties	16,878	1.5%	16,093	1.7%	4.9%
Total net revenues	1,134,281	100.0%	936,494	100.0%	21.1%

Prada brand sales

(amounts in thousands of Euro)	six months ended July 31 2011		six months ended July 31 2010		% change
Net sales by geographical area					
Italy	164,797	18.8%	140,691	19.4%	17.1%
Europe	188,969	21.5%	160,218	22.1%	17.9%
North America	146,278	16.6%	127,709	17.7%	14.5%
Asia Pacific	298,307	34.0%	220,828	30.5%	35.1%
Japan	75,275	8.6%	70,502	9.7%	6.8%
Other countries	4,757	0.5%	4,386	0.6%	8.5%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by product line					
Clothing	180,417	20.5%	186,050	25.7%	-3.0%
Leather goods	487,546	55.5%	351,469	48.5%	38.7%
Footwear	198,363	22.6%	179,557	24.8%	10.5%
Other	12,057	1.4%	7,258	1.0%	66.1%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales by distribution channel					
DOS (including outlet stores)	659,901	75.1%	490,302	67.7%	34.6%
Independent customers, franchises and related parties	218,482	24.9%	234,032	32.3%	-6.6%
Total	878,383	100.0%	724,334	100.0%	21.3%
Net sales	878,383	98.1%	724,334	98.0%	21.3%
Royalties	16,582	1.9%	15,120	2.0%	9.7%
Total net revenues	894,965	100.0%	739,454	100.0%	21.0%

Miu Miu brand sales

(amounts in thousands of Euro)	six months ended July 31 2011		six months ended July 31 2010		% change
Net sales by geographical area					
Italy	33,993	17.1%	29,268	18.4%	16.1%
Europe	41,491	20.9%	33,010	20.7%	25.7%
North America	24,294	12.2%	18,720	11.8%	29.8%
Asia Pacific	66,370	33.4%	48,791	30.6%	36.0%
Japan	31,502	15.8%	28,343	17.8%	11.1%
Other countries	1,222	0.6%	1,087	0.7%	12.4%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by product line					
Clothing	31,601	15.9%	27,573	17.3%	14.6%
Leather goods	127,103	63.9%	102,303	64.3%	24.2%
Footwear	38,830	19.5%	28,504	17.9%	36.2%
Other	1,338	0.7%	839	0.5%	59.5%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales by distribution channel					
DOS (including outlet stores)	153,181	77.0%	116,193	73.0%	31.8%
Independent customers, franchises and related parties	45,691	23.0%	43,026	27.0%	6.2%
Total	198,872	100.0%	159,219	100.0%	24.9%
Net sales	198,872	99.9%	159,219	99.5%	24.9%
Royalties	241	0.1%	845	0.5%	-71.5%
Total net revenues	199,113	100.0%	160,064	100.0%	24.4%

Church's brand sales

(amounts in thousands of Euro)	six months ended July 31 2011		six months ended July 31 2010		% change
Net sales by geographical area					
Italy	7,369	27.3%	6,247	26.7%	18.0%
Europe	15,665	58.0%	14,286	60.9%	9.7%
North America	1,116	4.2%	886	3.8%	26.0%
Asia Pacific	2,322	8.6%	1,591	6.8%	45.9%
Japan	413	1.5%	250	1.1%	65.2%
Other countries	118	0.4%	180	0.7%	-34.4%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by product line					
Clothing	256	0.9%	202	0.9%	26.7%
Leather goods	662	2.5%	650	2.8%	1.8%
Footwear	26,085	96.6%	22,588	96.3%	15.5%
Other	—	—	—	—	—
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales by distribution channel					
DOS (including outlet stores)	17,318	64.1%	15,294	65.2%	13.2%
Independent customers, franchises and related parties	9,685	35.9%	8,146	34.8%	18.9%
Total	27,003	100.0%	23,440	100.0%	15.2%
Net sales	27,003	99.8%	23,440	99.7%	15.2%
Royalties	55	0.2%	72	0.3%	-23.6%
Total net revenues	27,058	100.0%	23,512	100.0%	15.1%

Car Shoe brand sales

(amounts in thousands of Euro)	six months ended July 31 2011		six months ended July 31 2010		% change
Net sales by geographical area					
Italy	6,545	67.4%	7,029	71.6%	-6.9%
Europe	1,890	19.5%	1,844	18.8%	2.5%
North America	145	1.5%	226	2.3%	-35.8%
Asia Pacific	973	10.0%	476	4.9%	104.4%
Japan	—	—	11	0.1%	-100.0%
Other countries	158	1.6%	225	2.3%	-29.8%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by product line					
Clothing	—	—	—	—	—
Leather goods	1,250	12.9%	1,176	12.0%	6.3%
Footwear	8,461	87.1%	8,635	88.0%	-2.0%
Other	—	—	—	—	—
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales by distribution channel					
DOS (including outlet stores)	4,161	42.8%	3,182	32.4%	30.8%
Independent customers, franchises and related parties	5,550	57.2%	6,629	67.6%	-16.3%
Total	9,711	100.0%	9,811	100.0%	-1.0%
Net sales	9,711	100.0%	9,811	100.0%	-1.0%
Royalties	—	—	—	—	—
Total net revenues	9,711	100.0%	9,811	100.0%	-1.0%

Number of stores

	July 31 2011		January 31 2011		July 31 2010	
	DOS	franchises	DOS	franchises	DOS	franchises
Prada	218	24	207	27	188	29
Miu Miu	82	6	71	6	64	6
Church's	40	—	36	—	36	—
Car Shoe	5	—	5	—	4	—
Total	345	30	319	33	292	35

	July 31 2011		January 31 2011		July 31 2010	
	DOS	franchises	DOS	franchises	DOS	franchises
Italy	42	5	37	5	36	5
Europe	97	12	88	13	79	13
North America	40	—	34	—	23	—
Far East	108	13	104	13	99	15
Japan	58	—	56	—	55	—
Middle East	—	—	—	2	—	2
Total	345	30	319	33	292	35

4. **Operating Expenses**

(amounts in thousands of Euro)	six months ended July 31 2011	% of net revenues	six months ended July 31 2010	% of net revenues
Product design and development costs	51,453	4.5%	49,279	5.3%
Advertising and communications costs	53,915	4.8%	36,685	3.9%
Selling costs	357,156	31.5%	289,150	30.9%
General and administrative costs	89,281	7.9%	66,482	7.1%
Total	551,805	48.6%	441,596	47.2%

5. **Interest and other financial expenses, net**

(amounts in thousands of Euro)	**six months ended July 31 2011**	**six months ended July 31 2010**
Interests expenses on borrowings	(8,966)	(7,569)
Interest income	583	993
Exchange gains / (losses) - realized	35	551
Exchange gains/ (losses) - unrealized	(924)	(12,190)
Other financial income / (expenses)	(2,328)	(1,949)
Revaluations and write-down of investments	—	551
Total	(11,600)	(19,613)

6. **Taxation**

(amounts in thousands of Euro)	**six months ended July 31 2011**	**six months ended July 31 2010**
Current taxation	82,007	62,501
Deferred taxation	(21,430)	(13,813)
Total	60,577	48,688

7. **Earnings and dividends per share**

Basic earnings per share are calculated by dividing the net profit attributable to equity owners of PRADA spa by the weighted average number of ordinary shares in issue during the period.

	six months ended July 31 2011	**six months ended July 31 2010**
Group net result in Euro	179,531,725	103,042,594
Weighted average number of ordinary outstanding shares	2,512,349,790	2,500,000,000
Basic earnings per share (in Euro per share)	0.071	0.041
Diluted earnings per share (in Euro per share)	0.071	0.041

On May 26, 2011, the Shareholders of PRADA spa resolved to change the par value of the Company shares from Euro 1 to Euro 0.1 each. In accordance with IAS 33, the new number of shares - some 2,500,000,000 - has been adjusted retrospectively for the purposes of the calculation of earnings per share.

During the first half of the 2011, the Company distributed dividends of Euro 35 million, or Euro 0.14 per share, as approved by the Shareholders' meeting held on March 28, 2011, in respect of the financial statements ended January 31, 2011. These dividends were offset against receivables due from controlling Shareholder PRADA Holding bv for an amount of Euro 32.5 million with the remaining amount being paid.

During the year ended January 31, 2011, the Shareholders' meeting held on April 28, 2010 approved a distribution of Euro 0.32 per share, representing a total dividend of Euro 80 million. This dividend was paid on July 27, 2010, for an amount of Euro 27.9 million and, on the same date, an amount of Euro 52.1 million was offset against the receivable due from our controlling shareholder. Furthermore, the Shareholders' meeting on January 27, 2011 approved a distribution of Euro 0.124 per share, representing a total dividend of Euro 31 million which was paid in full on the same date.

8. Inventories

(amounts in thousands of Euro)	**July 31 2011**	**January 31 2011**
Raw materials	74,986	63,672
Work in progress	19,813	17,186
Finished products	337,427	263,341
Allowance for obsolete and slow moving inventories	(65,413)	(63,790)
Total	366,813	280,409

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 as well as 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	31,622	32,168	63,790
Exchange differences	(1)	3	2
Increase	—	1,621	1,621
Decrease	—	—	—
Closing balance	31,621	33,792	65,413

9. **Trade receivables, net**

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.

Trade receivables are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Trade receivables — third parties	274,841	255,839
Trade receivables — associated companies	—	1,924
Trade receivables — related parties	16,816	16,412
Total	291,657	274,175

Net trade receivables increased at July 31, 2011 mainly because of higher sales.

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Third party trade receivables, gross	285,223	266,376
Allowance for bad and doubtful debts	(10,382)	(10,537)
Total third party trade receivables, net	274,841	255,839

Changes in the Allowance for bad and doubtful debts were as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Opening balance	10,537	11,308
Exchange differences	(80)	204
Increase	382	1,345
Utilized	(457)	(2,069)
Reversals	—	(251)
Closing balance	10,382	10,537

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

(amounts in thousands of Euro)			Days overdue				
	Total	Current	0<30	31<60	61<90	01<120	>120
Trade receivables	302,039	250,293	18,749	9,018	8,042	42	15,895
Total as at July 31 2011	302,039	250,293	18,749	9,018	8,042	42	15,895

(amounts in thousands of Euro)			Days overdue				
	Total	Current	0<30	31<60	61<90	01<120	>120
Trade receivables	284,713	238,248	18,543	7,438	4,176	342	15,966
Total as at January 31 2011	284,713	238,248	18,543	7,438	4,176	342	15,966

Trade receivables disclosed below include amounts overdue at the end of each reporting period, net of their relevant provision for doubtful debt:

(amounts in thousands of Euro)			Days overdue			
	Total	0<30	31<60	61<90	01<120	>120
Trade receivables past due, net of provision for doubtful debts	41,892	18,742	8,983	8,006	26	6,135
Total as at July 31 2011	41,892	18,742	8,983	8,006	26	6,135

(amounts in thousands of Euro)	Total	Days overdue 0<30	31<60	61<90	01<120	>120
Trade receivables past due, net of provision for doubtful debts	36,356	18,463	7,390	4,083	239	6,181
Total as at January 31 2011	36,356	18,463	7,390	4,083	239	6,181

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

10. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	July 31 2011	January 31 2011
Trade payables — third party	301,782	232,143
Trade payables — related parties	2,181	1,701
Trade payables — associated companies	—	22
Total	303,963	233,866

The increase in trade payables is consistent with the higher volume of production necessary to supply the expanded DOS as well as to the growth of the business in general.

The following table is an aged analysis of trade payables presented based on the due date at the end of the reporting period and as at January 31, 2011:

(amounts in thousands of Euro)	Total	Current	Days overdue 0<30	31<60	61<90	01<120	>120
Trade payables	303,963	278,073	12,374	4,951	1,889	1,476	5,199
Total as at July 31 2011	303,963	278,073	12,374	4,951	1,889	1,476	5,199

(amounts in thousands of Euro)	Total	Current	Days overdue 0<30	31<60	61<90	01<120	>120
Trade payables	233,866	210,741	9,450	4,086	2,557	1,731	5,301
Total as at January 31 2011	233,866	210,741	9,450	4,086	2,557	1,731	5,301

11. **Capital expenditure**

Changes in the net book value of "Property, plant and equipment" in the period ended July 31, 2011 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, 2011	145,602	15,042	220,112	72,109	24,695	59,157	536,717
Additions	35,481	3,562	32,185	4,397	13,326	32,294	121,245
Depreciation	(2,190)	(3,252)	(29,393)	(8,889)	(2,748)	—	(46,472)
Disposals	—	4	15	164	51	47	281
Exchange differences	(1,157)	(14)	(2,180)	(304)	(25)	738	(2,942)
Other movements	324	(8)	12,879	3,344	1,986	(18,041)	484
Impairment and write off	—	—	(454)	(166)	(1)	(1,159)	(1,780)
Balance at July 31, 2011	178,060	15,326	233,134	70,327	37,182	72,942	606,971

Changes in the net book value of "Intangible assets" in the period ended July 31, 2011 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, 2011	312,460	503,946	36,087	6,385	7,869	2,372	869,119
Change in consolidation area	—	—	—	—	—	—	—
Additions	64	—	1,252	831	823	10,511	13,481
Amortization	(5,485)	—	(3,784)	(1,448)	(2,646)	—	(13,363)
Disposals	—	—	—	1	1	—	2
Exchange differences	(917)	(141)	(49)	(2)	(1)	2	(1,108)
Other movements	—	—	(55)	808	—	(1,670)	(917)
Impairment and write off	—	—	—	—	—	(14)	(14)
Balance at July 31, 2011	306,121	503,805	33,451	6,573	6,044	11,201	867,196

Management discussion and analysis

Net revenues

Consolidated net revenues for the period ended July 31, 2011 amounted to Euro 1,134.3 million, posting a remarkable increase of 21.1% compared to the first half of 2010. At constant exchange rates, the increase would have been equal to 24.1%.

Distribution channels

Retail net sales totaled Euro 835.4 million, up by 33.4% (36.9% at constant exchange rates), compared to Euro 626.2 million posted in the first half of 2010. The growth was attributable to the full contribution of the 27 net new store openings in the second half of 2010, to the contribution of the 26 net new store openings in the first half of 2011 and to the excellent 22% of organic growth. The Group's commitment to improving its DOS network was also confirmed by the significant refurbishment and expansion works that were carried out on 9 more stores.

At the reporting date the Group owned 345 stores and they contributed 74.8% of Group net sales (68% in the first half of 2010).

The wholesale business, in keeping with the Group's distribution strategy, is in line with the first half of last year and reached Euro 282 million, accounting for 25.2% of the Group's net sales.

Markets

In the first half of 2011, net sales in Asia Pacific increased by 35.4% (41.1% at constant exchange rates) to Euro 368 million from Euro 271.7 million in the same period of 2010. This outstanding performance was achieved primarily thanks to 31% organic growth and the 9 net new store openings since July 31, 2010. Greater China made the greatest contribution to this performance.

In Europe, the Group's second largest market, net sales increased by 18.4% (18.7% at constant exchange rates) to Euro 250.7 million in the first six-months of the 2011 from Euro 211.8 million in the same period of 2010. This growth, driven by 18 net new store openings since July 31, 2010, and by the 18% organic growth of the retail channel, was partially offset by a drop in sales for the wholesale business (down by 9.4% compared to the first half of 2010). It is worth mentioning that, on July 12, 2011, as part of a major DOS expansion in Russia, the Group opened its first independent store in Moscow.

Net sales on the Italian market increased by 15.8% to Euro 213.4 million in the first half of 2011 from Euro 184.3 million in the same period of 2010. Sales trends in Italy were fairly similar to those in Europe as a whole and led to an outstanding performance for retail (increase of 48.2% compared to the first half of 2010) and a decline in the wholesale business (decrease of 8.2% compared to the first half of 2010).

The North American market recorded a 16.4% increase compared to the first half of 2010. The growth was achieved thanks to the performances of both the retail and the wholesale channels. DOS sales, driven by an organic growth of 12% and 17 net store openings since July 31, 2010, increased by 21% compared to the first half of 2010. Thanks to deliveries to the US department stores and to the general recovery of the consumer market, the wholesale channel performed well with a 9.7% increase compared to the first half of 2010.

After being hit by the dramatic events in March 2011, the Japanese market remained solid for the Group's brands as net sales increased by 8.2% (6% at constant exchange rates). There have been 3 net new store openings since July 31, 2010, and organic growth was almost flat.

After distribution network rationalization in the Middle East in 2010, the "Other countries" area started to grow again: net sales increased by 6.4% to stand at Euro 6.3 million in the first six months of 2011 compared to Euro 5.9 million in the same period of 2010.

Products

The 21.4% increase in the Group net sales was mainly achieved as a result of the out-performance of leather goods which grew by 35.3% in the first six months of 2011 compared to the first half of 2010, increasing their contribution to the Group's net sales to 55.2%. The leather goods performance was mainly driven by the strong expansion of the retail channel in Asia Pacific, where such products form the core of the product sales mix.

Brands

The Prada brand accounts for 78.6% of Group net sales (78.7% in the same period of 2010) and its sales performance was broadly in line with the comments made above which apply to the entire Group. It is worth highlighting the worldwide success of the colourful fruity stripes PRADA Woman 2011 S/S collection, the most used by global magazines to grace their spring covers.

The Miu Miu brand, with a higher incidence in the retail and leather goods sales, recorded the highest rate of growth in terms of net sales among the Group's brands with an increase of 24.9% (27.7% at constant exchange rates). Apart from Asia Pacific, where Miu Miu achieved an outstanding 36% growth (42.2% at constant exchange rates), the North American market also confirmed its appreciation of this brand with a 29.8% increase in net sales compared to the first half of 2010 (40.8% at constant exchange rates).

The Church's brand confirmed its double-figure rate of growth with a 15.2% increase compared to the first half of 2010 (16.4% at constant exchange rates). In Europe, where 58% of the brands sales are concentrated, growth was solid with a 9.7% increase (10.2% at constant exchange rates).

Despite the positive performance of the retail channel (30.8%), Car Shoe net sales remained almost unchanged on a total basis with an overall 1% decrease.

Royalties

The licensed products business contributed net revenues of Euro 16.9 million (Euro 16.1 million in the first half of 2010), including royalties of Euro 13.7 million on sales of eyewear (Euro 13.4 million in the first half of 2010), Euro 1.8 million on sales of perfume (Euro 1.8 million in the first half of 2010) and Euro 0.6 million from a new license with Hyundai, the Korean automaker, for the launch of a special limited edition luxury version of their Genesis car. Overall, royalties income increase by 4.9% compared to the first half of 2010.

Operating results

EBITDA for the period ended July 31, 2011 amounted to Euro 315 million, 39.9% more than in the first half of 2010, while rising from 24% to 27.8% of net revenues. The significant improvement in operating profitability has been achieved mainly as a result of the actions taken to improve gross margin as a percentage of net revenues and it rose from 65.5% in the first half of 2010 to 71% in the first half of 2011. 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 were the key factors behind this improvement.

Operating expenses increased from Euro 441.6 million in the period ended July 31, 2010 to Euro 551.8 million in the period ended July 31, 2011 and their incidence on net revenues grew from 47.2% to 48.6%. At constant exchange rates, operating expenses would have increased by 27.1% rather than by 25%. In details:

- Product design and development costs included 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. Their incidence on net revenues decreased compared to the same period in last year from 5.3% to 4.5% as they have been absorbed to a greater extent by net sales generated in the first half of 2011;

- Advertising and communications costs increased from Euro 36.7 million to Euro 53.9 million. They included 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 incremental spending for media and press advertising consistently with the Group's strategy of increasing communications expenses for the promotion of all the brands. At constant exchange rates, advertising and communications costs would have increased by 49.2% rather than by 47%;

- Selling costs increased from Euro 289.2 million to Euro 357.2 million and rose from 30.9% of net revenues to 31.5%. The increase is essentially due to the expansion of the retail network which recorded a net increase of 53 stores since July 31, 2010. At constant exchange rates general and administrative costs would have increased by 26.2% rather than by 23.5%;

- General and administrative costs increased slightly from 7.1% of net revenues in the first half of 2010 to 7.9% in the same period of 2011. In absolute terms, these costs increased from Euro 66.5 million to Euro 89.3 million as a result of higher overhead expenses due to the expansion of the Group business. At constant exchange rates the general and administrative costs would have increased by 35.5% rather than by 34.3%.

Despite the major capital expenditure program undertaken since the year 2009, EBIT still increased in absolute terms to reach Euro 253.4 million for the first half of 2011; it also increased from 18.4% of net revenues in the first half of 2010 to 22.3% in the first half of 2011. No significant impairment of assets incurred in either the first half of 2010 or the first half of 2011.

Interests expenses on borrowings increased slightly compared to the first half of 2010. The benefit of lower average bank borrowing was more than offset by an increase in the cost of funding as the debt profile became more long term. Furthermore, the first half 2011 was also affected by the cost of settlement of an IRS contract relating to the US mortgage reimbursed in advance with funds raised by the IPO.

Despite the higher level of income generated, the tax charge decreased from 31.9% in the first half of 2010 to 25.1%, essentially because of the change in the geographical mix of taxable income, as a result of the change in the geographical mix of sales with slightly more favorable tax rates, and provisions made in the first half of 2010 for ongoing tax disputes.

The Group's net income was Euro 179.5 million, or 15.8% of net revenues, a 74.2% increase compared to net income of Euro 103 million reported in the first half of 2010.

Net Invested Capital

The increase in the Net invested capital at July 31, 2011 was substantially due to the major capital expenditure incurred during the first half of 2011.

Group Shareholders equity increased mainly because of the capital injection resulting from the IPO (Euro 206.4 million) and the Net income for the six months period (Euro 179.5 million), as partially offset by dividends distributed (Euro 35 million) and the negative impact of exchange rate fluctuation on net assets not denominated in Euro (Euro 11.7 million).

Analysis of net operating working capital

The increase in Net operating working capital compared to January 31, 2011 was due to the higher volumes of production and distribution, in line with the expansion in sales activities.

Net Financial Position

At July 31, 2011, the Group's Net Financial Position amounted to Euro 135.2 million, with a Euro 273.4 million reduction compared to January 31, 2011.

As shown in the Summarized Statement of Cash Flows, the capital injection resulting from the IPO (Euro 206.6 million, included in the line "Cash flows generated by financing activities") and cash flows generated by operating activities (Euro 209.6 million) enabled the Group to fund its capital expenditure for the period (Euro 134.9 million), to pay dividends (Euro 6.4 million), to reduce its bank borrowing by Euro 100.7 million and to increase its cash and cash equivalent by Euro 174.2 million at July 31, 2011.

Dividends distributed to Shareholders totaling Euro 35 million were settled as follows: Euro 32.5 million offset against receivables from parent company PRADA Holding bv and Euro 2.5 million paid in cash.

Analysis of capital expenditure

Taken together, "Property, plant and equipment" and "Intangible assets" showed a net increase of Euro 68.3 million. Investments incurred during the period amounted to Euro 134.7 million and were distributed as follows: Euro 72.9 million in the retail area, Euro 45.4 million in the industrial and logistics area and Euro 16.4 million in the corporate area. Depreciation charges for the period totaled Euro 59.8 million and write-downs amounted to Euro 1.8 million.

Outlook for the second half of 2011

In the second half of 2011, the Group will continue to pursue growth, leveraging on its creative and innovation capabilities and investing in the expansion of the DOS network and on the promotion of its brands.

In the current climate of increasing global economic uncertainty, these actions will be carried out maintaining rigorous control on costs and preserving flexibility.

Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance practices. The corporate governance model adopted by the Company consists of a set of rules and standards with the aim of establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Board has established the following committees:

1. Audit Committee

2. Remuneration Committee

3. Supervisory Body

Audit Committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The members of the audit committee consist of three independent non-executive directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Company. On 19 September 2011, the audit committee discussed the auditing and internal controls activities of the Company and reviewed the audited consolidated interim financial statements of the Company for the six months ended 31 July 2011.

Remuneration Committee

The Company has established a remuneration committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "Code"). According to its terms of reference, the primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management, the establishment of a formal and transparent procedure for developing policy on such remuneration and the appointment of Directors and management of Board succession. The remuneration committee consists of two independent non-executive directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one non-executive director, Mr. Marco Salomoni. On 19 September 2011, the remuneration committee has reviewed the budget for the attribution of specific benefits to the management of the Company and its staff.

Supervisory Body

In compliance with Italian Legislative Decree 231 of 8 June 2001 (the "Decree"), the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including non-executive directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Franco Bertoli and Mr. Marco Salomoni.

Board of Statutory Auditors

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders, with the authority to supervise the Company on its compliance with the law and the by-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and on its functioning. The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Riccardo Perotta and Mr. Gianandrea Toffoloni.

Dividends

The Company may distribute dividends subject to the approval of the shareholders in an ordinary shareholders' meeting.

No dividends have been declared or paid by the Company in respect of the six months ended 31 July 2011.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code from the time of its listing on 24 June 2011 to 31 July 2011.

Directors' Securities Transactions

The Company has adopted written procedures governing Directors' securities transactions in compliance with on terms no less than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the written procedures. Specific written confirmation has been obtained from each Director to confirm compliance with the Model Code from the time of listing on 24 June 2011 to 31 July 2011. There was no incident of non-compliance during the period from the Company's listing on 24 June 2011 to 31 July 2011.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 24 June 2011 to 31 July 2011.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the Company's websites of at www.pradagroup.com and the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk. The 2011 interim report will be dispatched to the shareholders of the Company and published on the same websites in due course.

By Order of the Board
PRADA S.p.A.
Mr. Carlo Mazzi
Deputy Chairman

Milan (Italy), 19 September 2011

As at the date of this announcement, the Company's executive directors are Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Mr. Carlo MAZZI and Mr. Donatello GALLI; the Company's non-executive directors are Mr. Marco SALOMONI and Mr. Gaetano MICCICHÈ and the Company's independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI and Mr. Sing Cheong LIU.