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PRADA spa
(Stock Code: 1913)

ANNOUNCEMENT OF THE CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED OCTOBER 31, 2014

- Net revenues were Euro 2,552 million, recording a decrease of 0.9% compared with the nine months ended October 31, 2013 (+0.5% at constant exchange rates)
- Retail net sales were Euro 2,171.7 million, down by 0.5% compared with the nine months ended October 31, 2013 (+1.3% at constant exchange rates)
- EBITDA was Euro 681.7 million, representing a margin of 26.7% on net revenues (31.9% in the nine months ended October 31, 2013)
- Group's net income amounted to Euro 319.3 million, compared to Euro 440.9 million for the nine months ended October 31, 2013
- Net financial position standing positive at Euro 90.4 million as at October 31, 2014
- Net operating cash flow for the nine months ended October 31, 2014, was Euro 364.3 million

Consolidated results for the nine months ended October 31, 2014

The Board of Directors (the "Board") of PRADA S.p.A. (the "Company", or "PRADA spa") announces the unaudited Consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended October 31, 2014, together with the unaudited comparative figures for the nine months ended October 31, 2013. The following financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Consolidated results of the Group for the year ended January 31, 2014, were audited by Deloitte & Touche spa.

Key financial information

Key information from the Income statement (amounts in thousands of Euro)	nine months ended Oct 31 2014 (unaudited)	twelve months ended Jan 31 2014 (audited)	nine months ended Oct 31 2013 (unaudited)	% change vs Oct 31 2013
Net revenues	2,552,023	3,587,347	2,576,101	-0.9%
EBITDA	681,678	1,143,186	820,971	-17.0%
EBITDA %	26.7%	31.9%	31.9%	-
EBIT	496,433	939,237	677,813	-26.8%
EBIT %	19.5%	26.2%	26.3%	-
Income before tax	480,909	922,896	663,674	-27.5%
Net income of the Group	319,319	627,785	440,879	-27.6%
Earnings per share (Euro)	0.125	0.245	0.172	-27.6%
Capital expenditure	353,074	611,227	416,400	-
Net operating cash flows	364,322	769,436	612,789	-40.5%
Average number of employees	11,866	10,816	10,566	12.3%

Key information from the Statement of financial position (amounts in thousands of Euro)	as at Oct 31 2014 (unaudited)	as at Jan 31 2014 (audited)	as at Oct 31 2013 (unaudited)	change vs Jan 31 2014
Net operating working capital	528,177	409,774	368,962	118,403
Net invested capital	2,724,483	2,405,650	2,219,010	318,833
Net financial position surplus/(deficit)	90,388	295,890	303,482	(205,502)
Group shareholders' equity	2,797,832	2,687,554	2,506,514	110,278

Highlights for the nine months ended October 31, 2014

As at October 31, 2014, the PRADA Group filed its nine months of operation recording consolidated net revenues of Euro 2,552 million, broadly in line with the same period of nine months a year earlier. As reported, net revenues were slightly down for 0.9%, while at constant exchange rates they were slightly up for 0.5%.

In order to react to the global market challenging scenario, that has been characterized also by unfavorable exchange rates trend for most of the nine months period and spoilt by some still enduring geo-political issues, the Group is holding fast to its long-term growth strategy which is based on the

completion of the retail network and on the brand's equity protection. At the same time actions have been taken:

- to improve the merchandise mix to better cover strategic prices ranges, especially in the leather goods;
- to increase efficiency of all operational level with a comprehensive cost revision;
- to change organizational and operational processes to improve store efficiency along with a more selective retail expansion.

Some of these actions will produce effects in the forthcoming quarters, since they require some time to be implemented. So far, despite some actions on costs have been already put in place, the downward trend on sales resulted in lower profitability in the period: the gross margin for the nine months ended October 31, 2014, was 72% as a percentage of consolidated net revenues while the EBITDA stood at 26.7%.

The EBIT margin, also in consequence of the costs associated to the investment program undertaken in last years, dropped in the nine months ended October 31, 2014, to 19.5% from 26.3%.

The Group's net result totaled Euro 319.3 million in the nine months ended October 31, 2014, which was 12.5% as a percentage of net revenues. Last year, for the same nine months period, the Group recorded a net result of Euro 440.9 million representing a marginality of 17.1%.

The capital expenditure for the period amounted to Euro 353.1 million and was mainly allocated to the expansion of the retail network in the form of new openings as well as renovations/enlargements of the existing stores. The amount also included Euro 61.5 million related to the acquisition of the Milan buildings where the Group operates its corporate headquarter.

At October 31, 2014, the Group's net financial position was positive and amounted to Euro 90.4 million (Euro 295.9 million at January 31, 2014) after the said capital expenditures and the payment of the dividends to the PRADA spa shareholders for Euro 281.5 million.

Consolidated income statement for the nine months ended October 31, 2014

(amounts in thousands of Euro)	Note	nine months ended October 31 2014 (unaudited)	% on Net revenues	nine months ended October 31 2013 (unaudited)	% on Net revenues
Net revenues	3	2,552,023	100.0%	2,576,101	100.0%
Cost of goods sold		(715,608)	-28.0%	(666,862)	-25.9%
Gross margin		1,836,415	72.0%	1,909,239	74.1%
Operating expenses	4	(1,339,982)	-52.5%	(1,231,426)	-47.8%
EBIT		496,433	19.5%	677,813	26.3%
Interest and other financial income/(expenses), net	5	(15,979)	-0.6%	(14,423)	-0.5%
Dividends received from third parties		455	-	284	-
Income before taxes		480,909	18.9%	663,674	25.8%
Taxation	6	(154,712)	-6.1%	(215,135)	-8.4%
Net income from continuing operations		326,197	12.8%	448,539	17.4%
Net income for the period		326,197	12.8%	448,539	17.4%
Net income – Non-controlling interests		6,878	0.3%	7,660	0.3%
Net income – Group		319,319	12.5%	440,879	17.1%
Depreciation, amortization and impairment		185,245	7.2%	143,158	5.6%
EBITDA		681,678	26.7%	820,971	31.9%
Basic and diluted earnings per share (in Euro per share)	7	0.125		0.172	

Consolidated income statement for the three months ended October 31, 2014

(amounts in thousands of Euro)	Note	three months ended October 31 2014 (unaudited)	% on Net revenues	three months ended October 31 2013 (unaudited)	% on Net revenues
Net revenues	3	800,708	100.0%	848,035	100.0%
Cost of goods sold		(221,893)	-27.7%	(206,454)	-24.3%
Gross margin		578,815	72.3%	641,581	75.7%
Operating expenses		(455,540)	-56.9%	(422,106)	-49.8%
EBIT		123,275	15.4%	219,475	25.9%
Interest and other financial income/(expenses), net		(6,486)	-0.8%	770	0.1%
Income before taxes		116,789	14.6%	220,245	26.0%
Taxation		(41,637)	-5.2%	(84,525)	-10.0%
Net income from continuing operations		75,152	9.4%	135,720	16.0%
Net income for the period		75,152	9.4%	135,720	16.0%
Net income – Non-controlling interests		679	0.1%	3,080	0.4%
Net income – Group		74,473	9.3%	132,640	15.6%
Depreciation, amortization and impairment		65,568	8.2%	50,443	5.9%
EBITDA		188,843	23.6%	269,918	31.8%

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Assets			
Current assets			
Cash and cash equivalents		523,474	568,414
Trade receivables, net	9	302,434	308,405
Inventories, net	8	614,912	449,903
Derivative financial instruments - current		9,178	13,984
Receivables from, and advance payments to, parent company and other related parties - current	10	4,743	5,993
Other current assets	12	143,242	114,897
Total current assets		1,597,983	1,461,596
Non-current assets			
Property, plant and equipment	11	1,394,142	1,230,192
Intangible assets	11	940,876	901,289
Associated undertakings		34,078	21,186
Deferred tax assets		238,525	201,245
Other non-current assets	13	80,377	69,867
Derivative financial instruments non-current		468	1,430
Receivables from, and advance payments to, parent company and other related parties – non-current	10	14,914	1,487
Total non-current assets		2,703,380	2,426,696
Total Assets		4,301,363	3,888,292
Liabilities and Shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans		168,287	61,909
Payables to parent company and other related parties - current	14	4,514	4,894
Trade payables	15	389,169	348,534
Current tax liabilities		137,866	132,145
Derivative financial instruments - current		18,046	3,803
Obligations under finance leases - current		391	524
Other current liabilities	16	196,530	154,666
Total current liabilities		914,803	706,475
Non-current liabilities			
Long-term financial payables		260,682	207,950
Obligations under finance leases non-current		-	19
Post-employment benefits		78,068	63,279
Provision for risks and charges	17	58,527	52,660
Deferred tax liabilities		40,054	42,671
Other non-current liabilities		117,058	98,982
Derivative financial instruments non-current		3,951	1,469
Payables to parent company and other related parties – non-current	14	13,349	13,247
Total non-current liabilities		571,689	480,277
Total Liabilities		1,486,492	1,186,752
Share capital		255,882	255,882
Translation reserve		28,928	(49,438)
Total other reserves		2,193,703	1,853,325
Net profit for the period		319,319	627,785
Total Shareholders' equity – Group		2,797,832	2,687,554
Shareholders' equity – Non-controlling interests		17,039	13,986
Total Liabilities and Shareholders' equity		4,301,363	3,888,292
Net current assets		683,180	755,121
Total assets less current liabilities		3,386,560	3,181,817

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	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial gain (losses) reserve	Available for sale reserve	Other reserves	Total other reserves	Net profit	Equity		
											Owners of the Group	Non-controlling interests	Total Equity
Balance at January 31, 2013 (audited)	2,558,824,000	255,882	(42,288)	410,047	20,148	(6,470)	5,486	1,051,536	1,480,747	625,681	2,320,022	10,470	2,330,492
Allocation of 2012 net profit	-	-	-	-	-	-	-	625,681	625,681	(625,681)	-	-	-
Dividends	-	-	-	-	-	-	-	(230,294)	(230,294)	-	(230,294)	(1,881)	(232,175)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	40	40
Comprehensive income for the nine months (recyclable to P&L)	-	-	(7,458)	-	(15,212)	-	(1,104)	-	(16,316)	440,879	417,105	7,349	424,454
Comprehensive income for the nine months (not recyclable to P&L)	-	-	-	-	-	(319)	-	-	(319)	-	(319)	-	(319)
Balance at October 31, 2013 (unaudited)	2,558,824,000	255,882	(49,746)	410,047	4,936	(6,789)	4,382	1,446,923	1,859,499	440,879	2,506,514	15,978	2,522,492
Dividends	-	-	-	-	-	-	-	-	-	-	-	(4,753)	(4,753)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income for the three months (recyclable to P&L)	-	-	308	-	(1,237)	-	(274)	-	(1,511)	186,906	185,703	2,761	188,464
Comprehensive income for the three months (not recyclable to P&L)	-	-	-	-	-	(4,663)	-	-	(4,663)	-	(4,663)	-	(4,663)
Balance at January 31, 2014 (audited)	2,558,824,000	255,882	(49,438)	410,047	3,699	(11,452)	4,108	1,446,923	1,853,325	627,785	2,687,554	13,986	2,701,540
Allocation of 2013 net profit	-	-	-	-	-	-	-	627,785	627,785	(627,785)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(6,763)	(288,234)
Acquisition of Marchesi Angelo srl	-	-	-	-	-	-	-	(2,462)	(2,462)	-	(2,462)	106	(2,356)
Capital injection in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,773	1,773
Comprehensive income for the nine months (recyclable to P&L)	-	-	78,366	-	(11,204)	-	9,668	-	(1,536)	319,319	396,149	7,937	404,086
Comprehensive income for the nine months (not recyclable to P&L)	-	-	-	-	-	(1,938)	-	-	(1,938)	-	(1,938)	-	(1,938)
Balance at October 31, 2014 (unaudited)	2,558,824,000	255,882	28,928	410,047	(7,505)	(13,390)	13,776	1,790,775	2,193,703	319,319	2,797,832	17,039	2,814,871

Condensed statement of consolidated cash flows

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)	nine months ended October 31 2013 (unaudited)
Net cash flows from operating activities	364,322	612,789
Cash flows generated/(utilized) by investing activities	(311,966)	(388,156)
Cash flows generated/(utilized) by financing activities	(128,915)	(208,471)
Change in cash and cash equivalents, net of bank overdrafts	(76,559)	16,162

Statement of consolidated comprehensive income

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)	twelve months ended January 31 2014 (audited)	nine months ended October 31 2013 (unaudited)
Net income for the period – Consolidated	326,197	637,805	448,539
A) Items recyclable to P&L:			
Change in Translation reserve	79,425	(7,057)	(7,769)
Tax impact	-	-	-
Change in Translation reserve less tax impact	79,425	(7,057)	(7,769)
Change in Cash Flow Hedge reserve	(15,092)	(22,755)	(20,972)
Tax impact	3,888	6,306	5,760
Change in Cash Flow Hedge reserve less tax impact	(11,204)	(16,449)	(15,212)
Change in Fair Value reserve	12,891	(1,837)	(1,472)
Tax impact	(3,223)	459	368
Change in Fair Value reserve less tax impact	9,668	(1,378)	(1,104)
B) Item not recyclable to P&L:			
Change in Actuarial reserve	(2,033)	(6,403)	(386)
Tax impact	95	1,418	67
Change in Actuarial reserve less tax impact	(1,938)	(4,985)	(319)
Consolidated comprehensive income for the period	402,148	607,936	424,135
Comprehensive income for the period – Non-controlling Interests	7,937	10,110	7,349
Comprehensive income for the period – Group	394,211	597,826	416,786

Notes to the consolidated results for the nine months ended October 31, 2014

1. Presentation of PRADA Group

PRADA spa (the "Company"), together with its subsidiaries (jointly the "Group"), is listed on the Hong Kong Stock Exchange (stock code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates, under licensing agreements, in the eyewear and fragrances sectors. Its products are sold in 70 countries worldwide through a network that included 580 Directly Operated Stores (DOS) at October 31, 2014, and a selected network of luxury department stores, independent retailers and franchise stores.

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

2. Basis of preparation

The consolidated financial information for the nine months ended October 31, 2014, included in this Announcement refers to the Group of companies controlled by PRADA spa (the "Company"), holding company of the PRADA Group (the "Group"), and is based on its Consolidated financial statements. Such consolidated results for the nine months ended October 31, 2014, were prepared on a consistent basis compared to the Consolidated financial statements of the Group for the twelve months ended January 31, 2014, with the exception of the new and revised IFRS issued by the IASB and endorsed by the European Union that are effective for the PRADA Group starting from February 1, 2014. Such new and revised IFRS did not have a significant impact on the Consolidated financial statements for the nine months ended October 31, 2014.

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

[New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the PRADA Group from February 1, 2014](#)

The following amendments to IFRS have been endorsed by the European Union and are applicable to the PRADA Group effective from February 1, 2014. These changes do not have any significant impact to the Group as of the date of these consolidated financial statements:

- "IFRIC Interpretation 21 Levies";
- Amendments to "IAS 36 Impairment of Assets";
- Amendments to "IAS 39 Financial Instruments: Recognition and Measurement";

- "Investment Entities", meant as a group of amendments to IFRS 10, IFRS 12 and IAS 27;
- Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12);
- "IFRS 10 Consolidated Financial Statements";
- "IFRS 11 Joint Arrangements";
- "IFRS 12 Disclosure of Interests in Other Entities";
- Amendments to "IAS 28 Investment in Associates and Joint Ventures";
- Amendments to "IAS 27 Separate Financial Statements";
- Amendments to "IAS 32 Financial Instruments: Presentation".

3. Net revenues analysis

Net revenues for the nine months ended October 31, 2014

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)		nine months ended October 31 2013 (unaudited)		% change
Net sales by geographical area					
Italy	402,817	16.0%	398,563	15.6%	1.1%
Europe	544,141	21.6%	572,012	22.5%	-4.9%
Americas	336,459	13.3%	335,679	13.2%	0.2%
Asia Pacific	902,855	35.8%	931,978	36.6%	-3.1%
Japan	259,306	10.3%	239,755	9.4%	8.2%
Middle East	74,017	2.9%	65,036	2.5%	13.8%
Other countries	3,565	0.1%	4,183	0.2%	-14.8%
Total	2,523,160	100.0%	2,547,206	100.0%	-0.9%
Net sales by brand					
Prada	2,082,904	82.5%	2,114,410	83.0%	-1.5%
Miu Miu	373,498	14.8%	367,998	14.5%	1.5%
Church's	54,921	2.2%	51,261	2.0%	7.1%
Car Shoe	9,138	0.4%	10,953	0.4%	-16.6%
Other	2,699	0.1%	2,584	0.1%	4.5%
Total	2,523,160	100.0%	2,547,206	100.0%	-0.9%
Net sales by product line					
Clothing	412,500	16.4%	390,342	15.3%	5.7%
Leather goods	1,614,761	64.0%	1,710,783	67.2%	-5.6%
Footwear	451,979	17.9%	415,358	16.3%	8.8%
Other	43,920	1.7%	30,723	1.2%	43.0%
Total	2,523,160	100.0%	2,547,206	100.0%	-0.9%
Net sales by distribution channel					
DOS	2,171,675	86.1%	2,182,040	85.7%	-0.5%
Independent customers and franchises	351,485	13.9%	365,166	14.3%	-3.7%
Total	2,523,160	100.0%	2,547,206	100.0%	-0.9%
Net sales	2,523,160	98.9%	2,547,206	98.9%	-0.9%
Royalties	28,863	1.1%	28,895	1.1%	-0.1%
Total net revenues	2,552,023	100.0%	2,576,101	100.0%	-0.9%

Net revenues for the three months ended October 31, 2014

(amounts in thousands of Euro)	three months ended		three months ended		% change
	October 31 2014 (unaudited)		October 31 2013 (unaudited)		
Net sales by geographical area					
Italy	116,009	14.6%	130,032	15.5%	-10.8%
Europe	182,602	23.1%	197,712	23.5%	-7.6%
Americas	103,007	13.0%	104,092	12.4%	-1.0%
Asia Pacific	283,634	35.8%	304,414	36.2%	-6.8%
Japan	84,044	10.6%	80,306	9.6%	4.7%
Middle East	22,087	2.8%	21,749	2.6%	1.6%
Other countries	877	0.1%	1,317	0.2%	-33.4%
Total	792,260	100.0%	839,622	100.0%	-5.6%
Net sales by brand					
Prada	651,790	82.3%	704,348	83.9%	-7.5%
Miu Miu	117,467	14.8%	112,048	13.3%	4.8%
Church's	19,361	2.5%	18,588	2.2%	4.2%
Car Shoe	2,622	0.3%	3,402	0.4%	-22.9%
Other	1,020	0.1%	1,236	0.2%	-17.5%
Total	792,260	100.0%	839,622	100.0%	-5.6%
Net sales by product line					
Clothing	136,721	17.3%	141,525	16.9%	-3.4%
Leather goods	504,046	63.6%	554,414	66.0%	-9.1%
Footwear	137,556	17.4%	132,962	15.8%	3.5%
Other	13,937	1.7%	10,721	1.3%	30.0%
Total	792,260	100.0%	839,622	100.0%	-5.6%
Net sales by distribution channel					
DOS	729,514	92.1%	759,580	90.5%	-4.0%
Independent customers and franchises	62,746	7.9%	80,042	9.5%	-21.6%
Total	792,260	100.0%	839,622	100.0%	-5.6%
Net sales	792,260	98.9%	839,622	99.0%	-5.6%
Royalties	8,448	1.1%	8,414	1.0%	0.4%
Total net revenues	800,708	100.0%	848,036	100.0%	-5.6%

Number of stores

	as at October 31 2014		as at January 31 2014		as at October 31 2013	
	DOS	franchises	DOS	franchises	DOS	franchises
Prada	350	26	330	24	312	23
Miu Miu	167	7	150	8	146	7
Church's	55	-	52	-	50	-
Car Shoe	8	-	8	-	8	-
Total	580	33	540	32	516	30

	as at October 31 2014		as at January 31 2014		as at October 31 2013	
	DOS	franchises	DOS	franchises	DOS	franchises
Italy	52	6	51	6	50	6
Europe	164	3	150	6	139	6
Americas	104	-	91	-	84	-
Asia Pacific	170	21	157	20	154	18
Japan	70	-	72	-	70	-
Middle East	17	3	16	-	16	-
Africa	3	-	3	-	3	-
Total	580	33	540	32	516	30

4. Operative expenses

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)	% on net revenues	nine months ended October 31 2013 (unaudited)	% on net revenues
	Product design and development costs	96,172	3.8%	94,077
Advertising and communication costs	120,295	4.7%	135,878	5.3%
Selling costs	971,608	38.0%	859,247	33.4%
General and administrative costs	151,907	6.0%	142,224	5.5%
Total	1,339,982	52.5%	1,231,426	47.8%

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

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)	nine months ended October 31 2013 (unaudited)
	Interests expenses on borrowings	(9,206)
Interest expenses IAS 19	(121)	(168)
Interest income	2,394	2,732
Exchange gains /(losses) – realized	2,816	(8,022)
Exchange gains/(losses) – unrealized	(9,499)	558
Other financial income/(expenses)	(2,363)	(2,690)
Total	(15,979)	(14,423)

6. Taxation

(amounts in thousands of Euro)	nine months ended October 31 2014 (unaudited)	nine months ended October 31 2013 (unaudited)
Current taxation	182,699	238,541
Deferred taxation	(27,987)	(23,406)
Income taxes	154,712	215,135

7. Earnings and dividends per share

Earnings per share

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

	nine months ended October 31 2014 (unaudited)	nine months ended October 31 2013 (unaudited)
Group net income in Euro	319,319,389	440,879,330
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Earnings per share in Euro, calculated on weighted average number of shares	0.125	0.172

Dividends per share

During the nine months ended October 31, 2014, the Company distributed dividends of Euro 281,470,640 (or Euro 11 cents per share), as approved by the Shareholders' Meeting held on May 22, 2014, to approve the financial statements for the year ended January 31, 2014. The payment of the dividends and the related Italian withholding tax payable (Euro 11.3 million), arising from the application of the Italian ordinary withholding tax rate to the whole amount of dividends paid to beneficial owners of the Company shares held through the Hong Kong Central Clearing and Settlement System, was completed by July 31, 2014.

During the year ended January 31, 2014, the Company distributed dividends of Euro 230,294,160 (or Euro 9 cents per share) as approved by the Shareholders' Meeting held on May 23, 2013, to approve the financial statements for the year ended January 31, 2013. The payment of the dividends and the related Italian withholding tax payable (Euro 9.2 million), arising from the application of the Italian ordinary withholding tax rate to the whole amount of dividends paid to beneficial owners of the Company shares held through the Hong Kong Central Clearing and Settlement System, was completed by July 31, 2013.

8. Inventories, net

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Raw materials	117,005	85,333
Work in progress	43,287	28,424
Finished products	518,974	403,473
Allowance for obsolete and slow moving inventories	(64,354)	(67,327)
Total	614,912	449,903

Overall, the increase in inventories was due to the larger number of DOS as well as the wider replenishment strategy that the Group is realizing with the aim to better serve the retail activities.

9. Trade receivables, net

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Trade receivables from third parties	277,665	288,504
Allowance for bad and doubtful debts	(10,526)	(10,432)
Trade receivables from related parties	35,295	30,333
Total	302,434	308,405

Trade receivables from third parties decreased during the nine months ended October 31, 2014, mainly as a result of lower amounts arising from the retail business which were partially offset by the increase resulting from the 2014 F/W collection wholesale deliveries.

10. Receivables from, and advance payments to, parent company and other related parties - current and non-current

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Financial receivables - other related parties	11	2,008
Other receivables - PRADA Holding bv and other companies controlled by PRADA Holding bv	178	392
Other receivables - other related parties	498	2,159
Advance payments - other related parties	4,056	1,434
Receivables from, and advance payments to, parent company and other related parties - current	4,743	5,993

The financial receivables from other related parties reported at January 31, 2014, were due from Luna Rossa Challenge 2013 srl and were reimbursed in the period.

Receivables from, and advance payments to, parent company and other related parties non-current is detailed as follows:

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Accrued rental income other related parties – long-term	3,610	1,487
Deferred expenses other related parties	11,304	-
Receivables from, and advance payments to, parent company and other related parties – non-current	14,914	1,487

Accrued rental income - long-term - was recognized in relation to Fratelli Prada spa and Progetto Prada Arte srl in application of "IAS 17 Leases" which requires rental income to be recognized on a constant basis. Deferred expenses mainly related to the sponsorship of the Luna Rossa sailing team for the participation in the XXXV edition of the America's Cup, as in compliance with the agreement signed on February 27, 2014.

11. Capital expenditure

Changes in the net book value of Property, plant and equipment in the period ended October 31, 2014, are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improvements	Furniture & fittings	Other tangible	Assets under construction	Total net book value
Balance at January 31, 2014 (audited)	390,677	20,279	487,227	153,428	69,223	109,358	1,230,192
Change in scope of consolidation	-	49	(7)	19	24	-	85
Additions	68,055	5,347	76,394	35,680	6,374	98,236	290,086
Depreciation	(7,042)	(6,278)	(106,569)	(28,669)	(7,262)	-	(155,820)
Disposals	(58)	(31)	(188)	(347)	(71)	(1,470)	(2,165)
Exchange differences	9,497	38	17,083	5,623	490	1,937	34,668
Reclass. from Assets in progress/Other movements	728	121	22,988	5,962	155	(29,954)	-
Impairment	-	-	(1,474)	(1,175)	(16)	(239)	(2,904)
Balance at October 31, 2014 (unaudited)	461,857	19,525	495,454	170,521	68,917	177,868	1,394,142

Changes in the net book value of Intangible assets in the period ended October 31, 2014, are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangible assets	Assets in progress	Total net book value
Balance at January 31, 2014 (audited)	282,913	504,373	78,994	10,637	19,029	5,343	901,289
Change in scope of consolidation	-	7,983	21,843	2	1	-	29,829
Additions	351	-	13,802	931	133	17,858	33,075
Amortization	(8,372)	-	(13,515)	(2,640)	(1,953)	-	(26,480)
Disposals	-	-	-	(5)	0	(1)	(6)
Exchange differences	2,513	439	790	30	2	29	3,803
Reclassification from Assets in progress / Other movements	-	-	2,417	290	(2)	(3,298)	(593)
Impairment	-	-	-	-	-	(41)	(41)
Balance at October 31, 2014 (unaudited)	277,405	512,795	104,331	9,245	17,210	19,890	940,876

12. Other current assets

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
VAT	45,501	39,250
Income tax and other tax receivables	17,256	14,062
Other assets	18,914	13,470
Prepayments and accrued income	56,955	42,375
Deposits	4,616	5,740
Total	143,242	114,897

13. Other non-current assets

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Guarantee deposits	64,144	57,158
Deferred rental income	6,535	6,923
Other receivables	9,698	5,786
Total	80,377	69,867

14. Payables to parent company and other related parties - current and non-current

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Other payables - PRADA Holding bv and other companies controlled by PRADA Holding bv	10	136
Financial payables - other related parties	3,736	4,130
Other payables - other related parties	768	628
Payables to parent company and other related parties – current	4,514	4,894

Financial payables towards other related parties, totaling Euro 3.7 million at October 31, 2014, related to an interest-free loan contributed by Al Tayer, the non-controlling shareholder of PRADA Middle East fzco, according to its share in the said company. The loan was partially repaid during the period.

The non-current portion of payables to parent company and other related parties is detailed as follows:

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Other payables – other related companies	13,349	13,247
Payables to parent company and other related parties – non-current	13,349	13,247

Other payables to related companies includes the amount due to Fin-Reta srl in relation to the establishment in the year 2013 of a ten year right of usufruct to a real estate property in Tuscany, Italy, and to a business party to the rental agreement for said property which the Group is using as part of its retail operations. The payable reported at October 31, 2014, represents the present value of future payments due after October 31, 2015.

15. Trade payables

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Trade payables – third parties	373,230	337,807
Trade payables – related parties	15,939	10,727
Total	389,169	348,534

The increase in Trade payables is strictly connected with the intense industrial activities incurred in the last months aimed to sustain the impressive retail replenishment strategy ongoing at the reporting date.

16. Other current liabilities

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Payables for capital expenditure	98,029	70,848
Accrued expenses and deferred income	15,357	10,842
Other payables	83,144	72,976
Total	196,530	154,666

17. Provisions for charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Provisions for other charges	Total
Balance at January 31, 2014 (audited)	1,400	22,724	28,536	52,660
Exchange differences	36	4	1,647	1,687
Other	149	-	(149)	-
Reversals	(190)	-	(483)	(673)
Uses	(102)	-	(624)	(726)
Increases	5	3,729	1,845	5,579
Balance at October 31, 2014 (unaudited)	1,298	26,457	30,772	58,527

Provisions 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 is reasonable considering the contingent liabilities that might arise.

The increases occurred in the provision for tax disputes during the nine months ended October 31, 2014, for Euro 3.7 million essentially related to tax risks on direct taxes with reference to subsidiaries located in the European Union for which the management deemed more likely than not the rising of future liabilities as a consequence of the probable outcome of tax inspections ongoing at the reporting date.

Management Discussion and Analysis for the three months period ended October 31, 2014

Net revenues

In the three months ended October 31, 2014, the Group's net revenues amounted to Euro 800.7 million, down by 5.6% compared to Euro 848 million recorded in the same three months period of last year.

Contributing 92.1% to the consolidated net sales generated in the period of three months ended October 31, 2014, the retail channel delivered net sales for Euro 729.5 million, down by 4% compared to Euro 759.6 million achieved in the same period a year earlier. The net total of new stores opened by the Group during this third quarter of 2014 was 14: 15 openings (9 Prada, 5 Miu Miu and 1 Church's) and 1 closure (Prada). In the same period, the wholesale business recorded shrinkage of some Euro 17 million over the results achieved in the three months ended October 31, 2013.

In terms of geography, net sales contracted in all markets with the exception of Japan and Middle East which, as reported, delivered growths over the results achieved in the same period last year: +4.7% and +1.6% respectively.

The Prada brand alone contributed 82.3% to the consolidated net sales for the period under analysis and generated net sales of Euro 651.8 million, down by 7.5% over Euro 704.3 million posted in the same period of 2013. On the contrary Miu Miu posted a positive trend as well as Church's brand filing growths as reported of +4.8% and +4.2% respectively.

In the three months ended October 31, 2014, the leather goods division contracted by 9.1% as reported with net sales amounting to Euro 504 million, some Euro 50 million less than the results achieved in the same period a year earlier. Ready-to-wear also decreased in this third quarter (-3.4% as reported), while shoes advanced (3.5% as reported).

Operating results

The consolidated EBITDA for the three months ended October 31, 2014, totaled Euro 188.8 million, some Euro 81 million less than the results scored in the same period of 2013. As a percentage of net revenues the margin decreased from 31.8% to 23.6%. The dilution was essentially the result of the above detailed sales trend, especially in the leather goods division, combined with the increase of the selling expenses which went up by 12.5% compared to the same three months period of last year.

In the three months ended October 31, 2014, the EBIT was down to 15.4% from 25.9%, also following the increase in the level of amortization and depreciation costs.

The taxation of the three months ended October 31, 2014, was affected by the recognition of some Euro 3 million following the rejection by the Italian Tax Authorities of the PRADA spa's request not to apply the Italian Controlled Foreign Companies rules ("CFC") to its Dutch sub-holding company PRADA Far East bv for the tax year 2013. As a consequence of the above, the effective

tax rate for the three months ended October 31, 2014, reached 35.7%, anyway lower compared to 38.4% reported for the same period a year earlier, when the three months tax burden included some Euro 22 million extraordinary charges, as explained in the Announcements for the nine months period ended October 31, 2013.

In the period of three months under analysis the Group's net result amounted to Euro 74.5 million while in the same period of last year it totaled Euro 132.6 million.

Management Discussion and Analysis for the nine months ended October 31, 2014

Distribution channels

In the nine months ended October 31, 2014, the net sales generated by the retail channel amounted to Euro 2,171.7 million, or 86.1% of the total net sales for the Group, almost in line (-0.5%) with the results achieved in the same period of 2013. At constant exchange rates there was a growth of 1.3%. As at October 31, 2014, the Group operated through a network of 580 Directly Operated Stores (DOS), a net of 40 new openings from the beginning of the financial period (47 openings and 7 closures). From November 1, 2013, the total net openings were 64.

The wholesale channel, contributing for the remaining 13.9% to the consolidated net sales, delivered net sales of Euro 351.5 million, down by 3.7% as reported and 4.2% at constant exchange rates. Against growths achieved in Italy and Asia Pacific, the wholesale business significantly contracted in Europe and America, also as a consequence of the enduring selective policy of the Group in this channel and the conversion strategy adopted.

Markets

In the nine months ended October 31, 2014, the Asia Pacific market delivered net sales for Euro 902.9 million, down by 3.1% compared to Euro 932.0 million recorded in the same period of nine months a year earlier. At constant exchange rates there was a decrease of 2%. At October 31, 2014, in the area the Group operated through 170 DOS, out of which 16 new shops unveiled during the period and 3 stores closed. The retail channel contracted by 4.3% (-2.8% at constant exchange rates) as a result of a general slowdown in demand particularly strong in Hong Kong and Macau. Overall the Greater China retail net sales amounted to Euro 566.2 million, down by 4.1% (-2.3% at constant exchange rates). It is worth highlighting that in South Korea, the only significant wholesale market in the area, the independent clients' business (mainly duty free operations) recorded double-digit growth both as reported and at constant exchange rates, benefitting of more consistent tourist spending mainly from China.

The European market posted net sales for Euro 544.1 million, down by 4.9% compared to Euro 572 million achieved in the same period of last year (-5% at constant exchange rates). The drop was determined mainly by the leather

goods performance as ready-to-wear and shoes were positive. In terms of channels, the retail contracted 1.9% while the wholesale decreased 22.7% also following the ongoing selective strategy of the independent clients' accounts and the conversion program of the Swiss market from wholesale to retail. As at October 31, 2014, the Group operated in the area through 164 DOS with 15 new shops opened from February 1, 2014, and 1 closure.

In the period of nine months ended October 31, 2014, the Italian market recorded net sales for Euro 402.8 million, slightly up by 1.1% compared to Euro 398.6 million posted in the same period of 2013 thanks to the expansion of the wholesale business that increased 6.8%. The retail channel was basically in line with the same period of 2013.

In the nine months ended October 31, 2014, Americas delivered net sales for Euro 336.5 million, in line with previous period and showing an increase of 2.9% at constant exchange rates. Strong of a network of 104 DOS, the retail channel expanded 6% as reported and 8.8% at constant exchange rates. During the period a total of 13 new stores were unveiled (11 in North America and 2 in Central America).

The Japanese market confirmed the strong performance showed all along the period that resulted for the nine months ended October 31, 2014, in net sales totaling Euro 259.3 million. The increase was equal to 8.2% as reported and 15.4% at constant exchange rates. In the period the Group optimized its retail structure through the closing of 3 stores.

In the nine months ended October 31, 2014, the Middle East reported net sales for Euro 74 million, expanding double-digit both as reported and at constant exchange rates: +13.8% and +15.7% respectively.

Products

In terms of product category, the Group recorded progresses in the ready-to-wear and shoes divisions and contractions in the leather goods.

Footwear delivered net sales for Euro 452.0 million and expanded 8.8% as reported and 10% at constant exchange rates compared to the results posted in the same period a year earlier. The contribution of this product category to the consolidated net sales for the period increased up to 17.9% from 16.3% of last year. The expansion was achieved in almost all markets. In the retail channel, shoes advanced 18.9% as reported and 20.7% at constant exchange rates.

In the nine months ended October 31, 2014, the ready-to-wear division, that contributed 16.4% to the consolidated net sales for the period (15.3% a year earlier), recorded net sales of Euro 412.5 million, up by 5.7% compared to Euro 390.3 million posted in the same period of 2013 (+7.6% at constant exchange rates). In terms of geography, the paces of growth were broadly balanced worldwide. In the retail channel, ready-to-wear advanced 7.5% as reported and 9.7% at constant exchange rates.

The performance of the leather goods division essentially affected the performance of the entire Group for the nine months ended October 31, 2014. Net sales amounted to Euro 1,614.8 million, down by 5.6% compared to

Euro 1,710.8 million posted in the same period of last year (-4.2% at constant exchange rates). All markets were down with the exception of Japan and Americas. The contribution to the consolidated net sales dropped to 64% from 67.2%.

Brands

In the nine months ended October 31, 2014, the Prada brand posted net sales amounting to Euro 2,082.9 million, decreasing by 1.5% compared to the same period of last year when net sales totaled Euro 2,114.4 million. The drop was equally spread between the two channels. In terms of markets, the reported growths achieved in Italy, Japan and the Middle East were exceeded by the shrinkages recorded in Europe and Asia Pacific, while Americas was almost flat. The trends by product division were in line with the consolidated figures.

Miu Miu net sales totaled Euro 373.5 million and recorded an increase of 1.5% compared to Euro 368.0 million posted in the nine months ended October 31, 2013 (+3.4% at constant exchange rates). The growth was entirely contributed by the retail channel which scored a 3.9% increase (+6.1% at constant exchange rates) as the wholesale business contracted double-digit. More in details the retail channel advanced everywhere, but in Italy. Same as Prada, the trends by product division were in line with the consolidated figures.

In the nine months ended October 31, 2014, the Church's brand generated net sales of Euro 54.9 million and expanded 7.1% compared to Euro 51.3 million posted in the same nine months period of last year. The increase at constant exchange rates was 4.5%. The retail channel strongly contributed double-digit to the growth during the entire period (+13.3% as reported and +11.1% at constant exchange rates) as the wholesale business slightly decreased.

Royalties

In the nine months ended October 31, 2014, the Group's licensing agreements generated royalties for Euro 28.9 million, in line with the same period of last year. The growth achieved in the eyewear business was offset by the contraction reported in the fragrances.

Operating results

In the nine months ended October 31, 2014, the delivery margin amounted to Euro 1,836.4 million, or 72% as a percentage of consolidated net revenues, down by 3.8% compared to Euro 1,909.2 million earned in the same period of 2013. The dilution was mainly caused by the negative impact of the exchange rates fluctuations.

The EBITDA for the nine months ended October 31, 2014, amounted to Euro 681.7 million, down compared to the EBITDA of Euro 821.0 million reached in the same period of last year. As a percentage of net revenues, profitability went down from 31.9% to 26.7% following the pressure recorded at the delivery margin level, as already mentioned, together with the increased

incidence in the costs connected to the selling activities. The actions undertaken by the management are granting lower spending on most of the discretionary costs, so as to preserve margins as far as possible.

The EBIT for the period totaled Euro 496.4 million, or 19.5% as a percentage of consolidated net revenues. The drop in profitability, that was equal to 26.3% in the nine months ended October 31, 2013, was essentially attributable to the volume of depreciation and amortization determined by the retail network expansion.

The tax charges for the nine months ended October 31, 2014, totaled Euro 154.7 million, down by some Euro 60 million compared to the same period of previous year. Despite the lower tax burden, the effective tax rate did not change and was equal to 32.2%.

Finally, the Group's net income amounted to Euro 319.3 million, or 12.5% as a percentage of net revenues, compared to Euro 440.9 million for the nine months ended October 31, 2013.

Net invested capital

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

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Non-current assets (excluding deferred tax assets)	2,464,855	2,225,451
Trade receivables, net	302,434	308,405
Inventories, net	614,912	449,903
Trade payables	(389,169)	(348,534)
Net operating working capital	528,177	409,774
Other current assets (excluding financial position items)	157,154	132,866
Other current liabilities (excluding financial position items)	(353,219)	(291,378)
Other current assets/(liabilities), net	(196,065)	(158,512)
Provisions for risks	(58,527)	(52,660)
Post-employment benefits	(78,068)	(63,279)
Other long-term liabilities	(134,360)	(113,698)
Deferred taxation, net	198,471	158,574
Other non-current assets/(liabilities), net	(72,484)	(71,063)
Net invested capital	2,724,483	2,405,650
Shareholders' equity – Group	(2,797,832)	(2,687,554)
Shareholders' equity – Non Controlling Interests	(17,039)	(13,986)
Total consolidated Shareholders' equity	(2,814,871)	(2,701,540)
Long term financial payables	(260,682)	(207,969)
Short term financial , net surplus/(deficit)	351,070	503,858
Net financial position surplus/(deficit)	90,388	295,890
Shareholders' equity and Net financial position	(2,724,483)	(2,405,650)

At October 31, 2014, Net invested capital stood at Euro 2,724.5 million, Euro 318.8 million more than the Euro 2,405.7 million reported at January 31,

2014. The investments that occurred in the period in the retail, industrial and corporate areas contributed the most to the raise in the value.

The capital expenditure for the first nine months of 2014 totaled Euro 353.1 million and was spent to enlarge, renovate and strengthen the retail network for Euro 217.3 million, to purchase the strategic headquarter offices in Milan for Euro 61.5 million (previously occupied under a rental agreement), to enlarge and improve the industrial and logistic facilities for Euro 41.3 million and to improve other corporate processes and premises for a total of Euro 33 million.

The Net operating working capital increased by some Euro 118.4 million, reaching Euro 528.2 million at October 31, 2014, from Euro 409.8 million at January 31, 2014. The increase in the net value was essentially absorbed by the higher quantities of finished products stocked at the reporting date, following the larger number of DOS opened in the nine months period, and a wider ongoing replenishment strategy deployed to better serve the retail activities that were suffering of insufficient availability on some important product ranges.

Total Other net current liabilities increased from Euro 158.5 million at January 31, 2014, to Euro 196.1 million. The variance was due to the lower fair value of derivative financial instrument for Euro 19 million, the higher payable for capital expenditure for Euro 27.2 million and a net of other variances totaling lower liabilities for Euro 8.6 million.

The caption other non-current liabilities, net, remained almost unchanged in the total as it increased from Euro 71.1 million at January 31, 2014, to Euro 72.5 million at October 31, 2014. Rather, in details, the net value increased for Euro 39.9 million as a result of higher deferred tax assets for temporary differences on inventories while it reduced for higher long-term liabilities connected to long-term employee incentives.

The Group shareholders' equity stood at Euro 2,797.8 million at October 31, 2014, increasing by Euro 110.3 million compared to Euro 2,687.6 million reported at January 31, 2014. During the nine months period the Group achieved a net result of Euro 319.3 million while it distributed dividends of Euro 281.5 million on the 2013 financial statements. The rest of the increase in the Group's equity, which means some Euro 72 million, was essentially delivered by the higher value of the net assets contributed by the foreign subsidiaries as a result of the weakening of the Euro currency occurred in the period.

Net financial position surplus/(deficit)

(amounts in thousands of Euro)	as at October 31 2014 (unaudited)	as at January 31 2014 (audited)
Long-term debt	(260,862)	(207,950)
Obligations under finance leases	-	(19)
Long-term financial payables	(260,862)	(207,969)
Bank overdraft and short-term loans	(168,291)	(61,909)
Payables to related parties	(3,737)	(4,130)
Receivables from related parties	12	2,008
Obligations under finance leases	(391)	(524)
Cash and cash equivalents	523,477	568,414
Short-term net financial surplus/(deficit)	351,070	503,859
Net financial position surplus/(deficit)	90,388	295,890

At October 31, 2014, the Net financial position was a surplus amounting to Euro 90.4 million. The net operating cash flow generated in the nine months period and amounting to Euro 364.3 million allowed the Group to entirely finance the capital expenditure spending for Euro 312 million and partially fund the dividends distributions to PRADA spa shareholders and Non-controlling shareholders that, taken together, absorbed Euro 288.2 million. The rest of the cash disbursement to pay dividends was granted by the net cash surplus available at the beginning of the period.

During the nine months ended October 31, 2014, a new loan facility agreement of GB Pound 60 million was signed by the subsidiary Kenon Limited with Unicredit Bank AG, London Branch. The loan under the facility is secured by a mortgage on the prestigious building in Old Bond street, London, home of one of the most important Prada stores in Europe. It has to be repaid in quarterly equal installments starting from April 2015. The loan will expire on January 31, 2029.

On December 1, 2014, PRADA spa signed a new revolving credit facility with a pool of banks amounting to Euro 315 million, expiring in December 2019. The loan, which replaces the existing revolving line of credit due in May 2016, was negotiated to support the financial cycle of the business, while taking benefit from the current favorable credit markets conditions and extending the financial flexibility of the group for a longer period.

Significant acquisitions of subsidiaries

Marchesi Angelo srl

On March 14, 2014, the Group acquired the 80% of the Marchesi Angelo srl, owner of the historic Milanese pastry shop founded in 1824. The acquisition was aimed at enhancing the "Pasticceria Marchesi" brand, a synonym to quality in the Italian food industry, joining it with Prada and Miu Miu brands, leaders in the luxury goods market, within the Group's development worldwide.

The net cash-out for the acquisition amounted to Euro 7.7 million and resulted as the net of the consideration paid, Euro 8.4 million, and the cash surplus included in the net asset acquired, Euro 0.7 million.

(amounts in Euro thousand)	fair value of net assets acquired
Cash surplus	707
Tangible fixed assets	88
Other current assets/(liabilities)	(53)
Other non-current assets/(liabilities)	(210)
Net assets acquired	532
Non-controlling interests (measured at net assets)	(106)
Consideration paid	8,400
Goodwill	7,974

Outlook

On top of the ongoing difficult international economic environment, the luxury goods market is undergoing a certain readjustment, the extent and nature of which is not yet entirely clear. We are confident that the market has a positive medium-term growth outlook, but also aware of the increased level of competition. As a result, while we remain convinced of our growth on the long-term, on the short-term we will also have to strive to increase the efficiency of our structures and the operating performance of our existing stores, in order to ensure the Group achieves satisfactory levels of profitability.

Corporate governance practices

Audit Committee

The Audit Committee, which comprises three independent non-executive directors, on December 5, 2014, has reviewed the unaudited consolidated results of the Company and its subsidiaries for the nine months ended October 31, 2014.

Compliance with the Corporate Governance Code of the Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the nine months ended October 31, 2014.

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 nine months ended October 31, 2014.

Withholding Tax applicable to Dividend Payment

The rate of Italian withholding tax applicable to future dividend payment has changed from 20% to 26%.

Publication of Announcement on Consolidated results for the nine months ended October 31, 2014

This announcement on the consolidated results for the nine months ended October 31, 2014, is published on the Company's website at www.pradagroup.com and on the Hong Kong Stock Exchanges' website at www.hkexnews.hk.

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

Milan (Italy), December 5, 2014

As at the date of this announcement, the Company's executive directors are Mr. Carlo MAZZI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Mr. Donatello GALLI and Ms. Alessandra COZZANI; the Company's non-executive director is 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.