PRADA

MILANO

DAL 1913

Annual Report 2016

PRADA spa
(Hong Kong Stock code: 1913)

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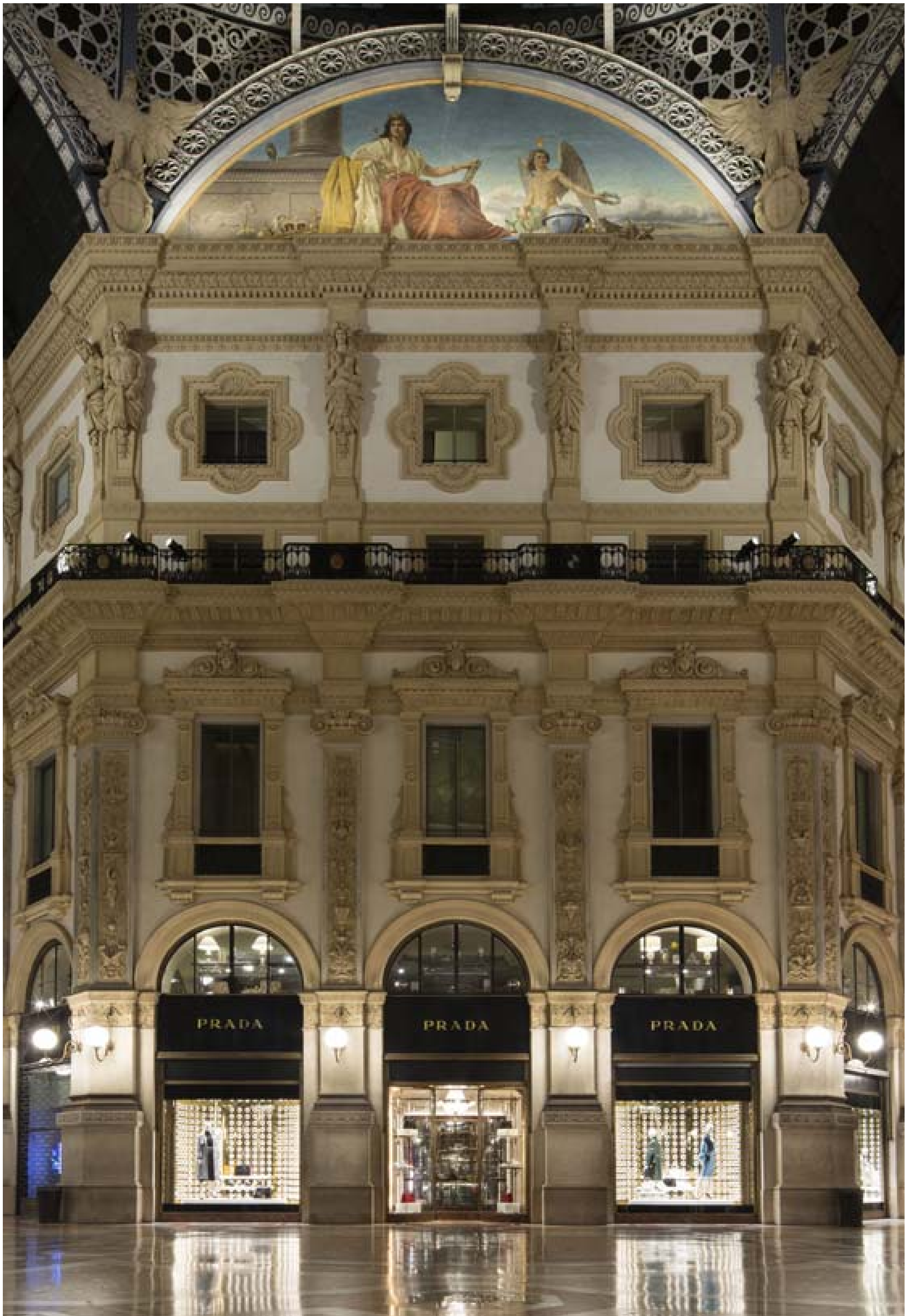
Patrizio Bertelli

Miuccia Prada

The PRADA Group



The first Prada store,
Galleria Vittorio Emanuele II
Milan

The PRADA Group

Presentation

"For Prada, fashion, quality and style have always been a much vaster enterprise than a simple, endless production of clothing, shoes, handbags.

Observation and curiosity about the world, society, and culture have always been at the heart of Prada's creativity and modernity; this has pushed Prada past the boundaries of boutiques and showrooms and has brought us to interact with diverse, seemingly distant worlds, and to introduce very naturally, almost unconsciously, a new way of creating fashion."
Miuccia Prada and Patrizio Bertelli

These values guide all the activities that over time have transformed a family-run business into a major player in the luxury market worldwide with the Prada, Miu Miu, Church's and Car Shoe brands. With its recent acquisition of Pasticceria Marchesi 1824, the Group has entered the food industry, where it remains positioned at the highest levels of excellence.

The Group is present in 70 countries through 620 company-owned stores, 34 franchised stores and a network of selected multi-brand stores and department stores.

Prada's distinctive features and prestige derive from its unique way of managing the creative and production processes that enables the Group to offer its customers all around the world products of unparalleled quality, creativity and exclusivity.

A focus on quality permeates every aspect of the Group's business. The strong heritage and identity of each brand are scrupulously preserved by the Group's design department and craftsmen, who are constantly challenged to keep tradition alive through a continuous process of reinvention and innovation. Each step of the process, both within and outside the company, is constantly monitored in order to remain true to the commitment to excellent quality.

The result is an exclusive relationship bonding each customer to the Group's brands, products, message and stores. This is because customers recognize in Prada's products something exclusive, important and personal, representing the image they wish to portray of themselves and their lifestyle.

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

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

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

Prada Store
Saint Barthélemy Island

Prada Store
Plaza 66, Shanghai

Miu Miu Store
via S. Andrea, Milan

Miu Miu Store
Canton Road, Hong Kong

Prada Group history

The Prada brand dates back to the beginning of the last century: in 1913, Mario Prada opened an exclusive store in the Galleria Vittorio Emanuele II, Milan, selling handbags, travel trunks, beauty cases, tasteful accessories, jewelry and other luxury items. Thanks to the innovative design of its goods, created using fine materials and sophisticated techniques, Prada rapidly became a favorite of the aristocracy and the most stylish members of the *haute-bourgeoisie* in Europe.

In 1919 Prada became an official supplier to the Italian Royal Family; since then Prada has been able to display the House of Savoy coat of arms and knotted rope design in its trademark logo.

Over the years, the Prada name gained ever greater renown and prestige.

The turning point for the Group came at the end of the 1970s when Miuccia Prada, Mario Prada's granddaughter, partnered with Tuscan entrepreneur Patrizio Bertelli to combine creativity with business acumen and lay the foundations for the ensuing international expansion. Patrizio Bertelli broke new ground in the luxury goods sector by introducing a business model based on direct, internal control over all processes and applying strict quality criteria to the entire production cycle. Miuccia Prada's creative talent attracted international attention due to her innovative approach, inspired by an unconventional outlook on society, enabling her to anticipate - and often set - new fashion and design trends.

In 1977 Patrizio Bertelli founded IPI spa, where he concentrated the production resources he had built up over ten years in the leather goods industry. In the same year, IPI spa obtained a license from Miuccia Prada for the exclusive production and distribution of Prada brand leather goods. In the following years the two family businesses gradually merged into a single Group.

In 1983 the Prada family opened a second store in prestigious Via della Spiga in Milan, one of Europe's key shopping destinations. The store showcased the new brand image by pairing traditional elements with modern, innovative architecture, thereby revolutionizing and setting a new standard for luxury retail.

Starting in 1986 new stores were opened in New York and Madrid, followed by London, Paris and Tokyo.

In response to the growing appreciation of Prada products, the leather goods range was expanded to include the first women's footwear collection in 1979. The first clothing collection was launched in Milan in 1988.

In 1993 Prada made its debut in menswear with its first men's clothing and footwear collection. That same year, Miuccia Prada's creative inspiration led to the establishment of a new brand, Miu Miu, conceived for sophisticated, stylish women who love to stay ahead of fashion trends. Miu Miu now creates women's ready-to-wear apparel, handbags, accessories, footwear, eyewear and fragrances, and accounts for a significant share of the Group's sales.

In 1993 Miuccia Prada and Patrizio Bertelli created "Milano Prada Arte", subsequently become "Fondazione Prada", to pursue their interests and passions in the world of art and culture.

In 1997 Patrizio Bertelli organized the Prada Challenge sailing team to compete for the 2000 America's Cup, and in the same year Prada launched its leisurewear range featuring the "Linea Rossa" (red line).

In 1999, the Prada Group acquired the classic brand Church's, founded in 1873 in Northampton, England. The brand, specialized in high-end handcrafted footwear, is a universally recognized symbol of British tradition and sophisticated elegance.

In 2001, the Prada "Epicenter" store, designed by Rem Koolhaas, was opened on Broadway in New York City. This was the first store of the Epicenters project, whose purpose was to redefine the shopping concept and try out inventive ways to interact with customers. A second Epicenter store was opened in Aoyama, Tokyo, followed by a third on Rodeo Drive, Beverly Hills, in 2004. During the same year, Prada acquired control of Car Shoe, a classic Italian brand renowned for its exclusive driving moccasins.

In 2003, Prada entered into a licensing agreement, renewed in 2012, with Italian eyewear manufacturer Luxottica, a global leader in the eyewear industry. The Luxottica Group currently produces and distributes eyewear under the Prada and Miu Miu brands. Also in 2003 the Group partnered with Spanish cosmetics manufacturer Puig Beauty & Fashion Group, launching the first fragrance, Amber, at the end of 2004.

In 2006, Miu Miu moved its fashion show venue to Paris to better represent its brand identity.

The Prada phone by LG, the world's first touch screen cellphone, made its debut in March 2007. The Prada/LG partnership achieved further success with new releases in 2008 and 2011.

The Prada e-store went online in 2010 followed by Miu Miu in 2011.

On June 24, 2011, Prada was successfully listed on the Main Board of the Hong Kong Stock Exchange.

In March 2014, PRADA spa entered the food industry by acquiring control of Angelo Marchesi srl, owner of the historical Milanese patisserie founded in 1824.

In 2015 the Prada Group and Coty Inc. introduced the first Miu Miu fragrance. In September of that year the Marchesi brand was developed on the market with the opening of a patisserie in via Montenapoleone, Milan.

2016 featured extensive manufacturing investments, leading to the inauguration of a new leather goods factory and the renovation of five factories in central Italy. The first construction phase of the new logistics hub for finished products was completed in Tuscany, Italy, and new retail concepts were implemented for Prada and Miu Miu stores.

2016
Advertising campaign
for Miu Miu Fragrance

2016
Advertising campaign
for Prada Parfums

Spring/Summer 2017
Advertising campaign
for Prada

The Group's brands

The Prada Group owns and manages some of the most prestigious luxury brands in the world and works constantly to enhance their value by increasing their visibility, recognition and appeal. The Group's brands are its most important asset.

Prada

The Prada label has become one of the most prestigious and widely-recognized brands in the fashion and luxury goods industry. Prada is synonymous with best of Italy's design and manufacturing tradition, sophisticated style and outstanding quality. As one of the most innovative fashion brands, it is capable of redefining the norm by anticipating and often setting new trends. In the public mind, Prada has become a symbol of elegance and the very essence of fashion, even to the point of capturing the attention of the literary, cinema and art worlds. The Prada brand’s distinctive originality is based on its innovative approach to style, craftsmanship, quality, and constant research in all sectors, as it applies its creative approach not only to design development, but also to the most novel production techniques, to communications and to its distribution network.

Miuccia Prada has always been a sophisticated interpreter of her times who has stayed ahead of styles and trends. The Prada brand, with its collections of men's and women's leather goods, clothing, footwear, eyewear, and fragrances, targets an international clientele that is modern, sophisticated, fashion-conscious and appreciative of the highest quality craftsmanship. By combining attention to detail and quality with cutting-edge products and an exclusive identity, Prada aims to make each product truly unique.

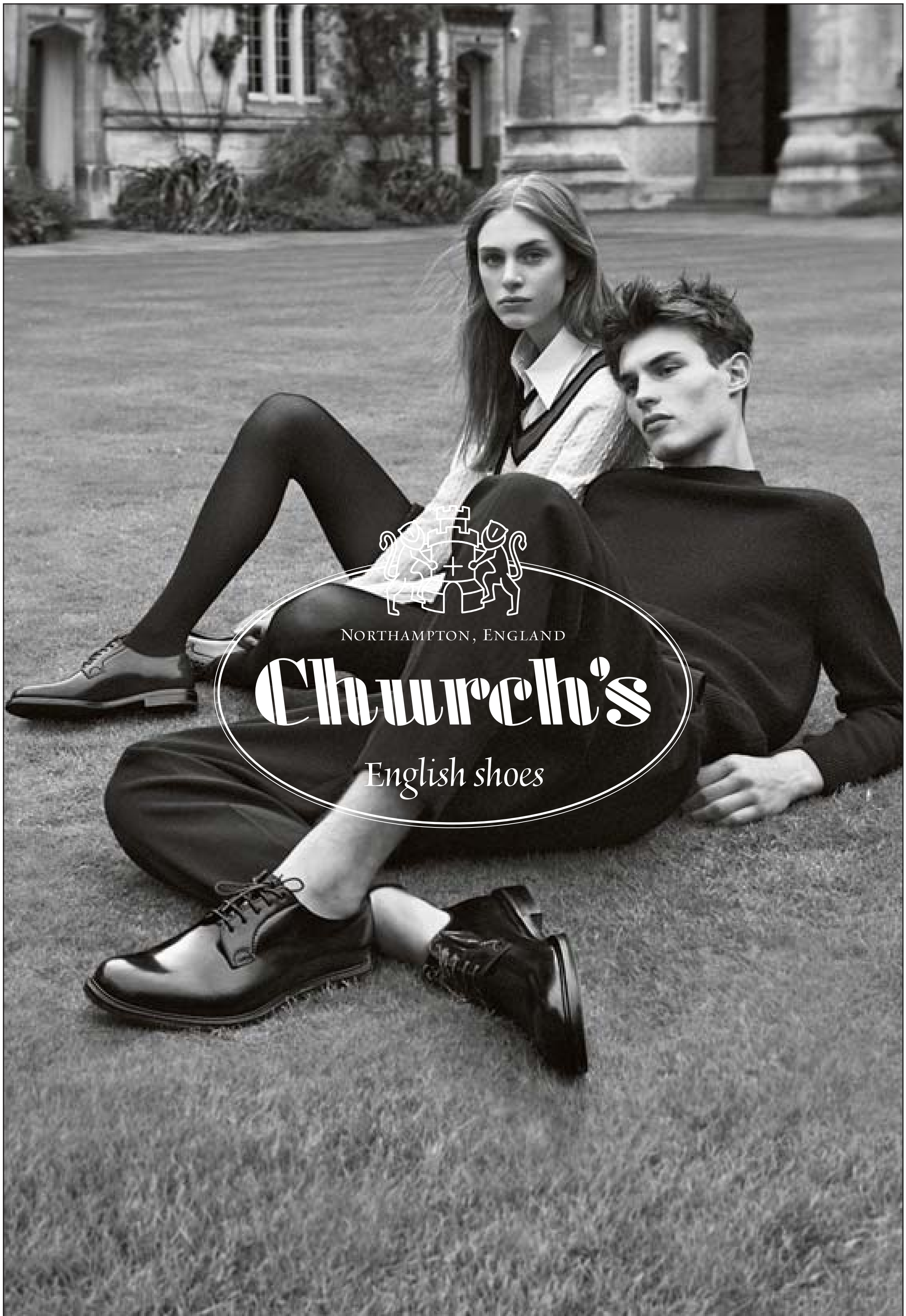
Spring/Summer 2017
Advertising campaign
for Prada

Spring/Summer 2017
Advertising campaign
for Prada Eyewear

Spring/Summer 2017
Advertising campaign
for Miu Miu

Miu Miu

Miu Miu, named for Miuccia Prada's childhood nickname, became a brand in 1993 with a separate identity from Prada. It soon evolved into one of the leading fashion brands in the world by successfully embodying the same creativity, quality and culture of innovation on which all the Group's activities are based. Miu Miu is known for its fashion-forward, sensual and provocative style, which seeks to evoke a sense of freedom and intimacy, along with attention to detail and quality. Miu Miu targets fashion-conscious women driven by a modern spirit of exploration and experimentation in their fashion choices. The independent identity of the Miu Miu brand is enhanced by its ties to Paris, where its fashion show venue and marketing and communications center are located.



2016
Advertising campaign
for Church's

Church's

The Church’s brand was founded in 1873 in Northampton, England by Thomas Church and his three sons, capitalizing on the family's experience acquired in producing handmade men’s shoes since 1675. In the early 20th century, Church’s began exporting outside Europe to the United States, Canada and South America, and in 1965 received from Queen Elizabeth II the prestigious Queen’s Award to Industry for excelling in exports. Church’s is renowned as a leading producer of handmade luxury goodyear-welted footwear. Its products feature a classical style and sophisticated English elegance based on the combination of fine leather and high-quality craftsmanship. The Church’s collections are targeted to a high-end, international clientele that appreciates well-made footwear, and combine a classic range with a more contemporary one, both of them known for their excellent quality, sophistication and style.

Car Shoe

Car Shoe was founded in 1963 by Gianni Mostile, who designed the iconic driving moccasin. The brand has since become an Italian classic, known for its original high-performance design, high-quality leathers and hand craftsmanship. The Car Shoe brand is a symbol of an exclusive, relaxed lifestyle, inspired by luxury. Particularly suited for leisure time and informal occasions, the Car Shoe collections are targeted to a casual, well-dressed male and female clientele.

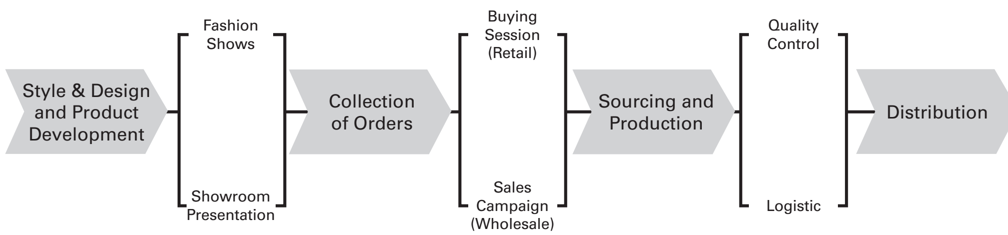
Marchesi 1824

Pasticceria Marchesi, one of Milan’s iconic cafes, was founded in 1824 in the same location where it continues to operate today. Renowned for its finest quality pastries and chocolate, as well as for typical Milanese “Panettone” Christmas cake, over the years Pasticceria Marchesi has become a favorite destination for sophisticated locals and a must-see for visitors to the city. Marchesi is the perfect synthesis of tradition and creativity.

Pasticceria Marchesi 1824
Galleria Vittorio Emanuele II, Milan

Business model

The success of the Group's brands is based on the original business model, which combines an industrial manufacturing process with artisanal skills. This unique integration enables the Group to translate its innovative fashion concepts into viable commercial products while retaining flexible capacity and technical control over know-how, quality standards and production costs.



Design

Creativity is the first step of the quality process.

Miuccia Prada has the talent to combine intellectual curiosity, the pursuit of new and unconventional ideas, and cultural and social interests with a strong sense of fashion. This has made it possible to establish a genuine design culture, based on method and discipline, which guides everyone working within the creative process.

With this unique approach Prada anticipates trends and often sets them, while continually experimenting with new designs, fabrics, and production techniques. Experimentation and idea-sharing are the essential components of the design process throughout the Group. The time spent at the drawing board and in the testing room on design research and development is fundamental to formulating each collection so that the clothing, footwear and accessories complement each other and create a well-defined image reflecting the brands.

Miuccia Prada and Patrizio Bertelli's flair and extraordinary personalities continue to attract talented people from all over the world who desire to work with them in a range of creative fields. This results in remarkable teams in all areas of the creative process: from design to manufacturing, from architecture to communications and photography, from interior store design to all the exclusive special projects in which the Prada Group is involved.

Raw materials and the production process

Raw materials, an essential part of product quality, are of primary importance for the Prada Group. In many cases the fabrics and leather are made especially for Prada, according to stringent technical and style specifications that guarantee both the excellence of the materials and their exclusive nature, and highlight the independent spirit imbued in all Group products. Raw materials undergo extreme quality controls by internal inspectors and experts.

Prada products are made at 21 manufacturing facilities owned by the Group (18 in Italy, 1 in the United Kingdom, 1 in France and 1 in Romania), and through a network of contract manufacturers which receive the raw materials, patterns and prototypes and undergo strict controls. This system enables close oversight of each stage of the production process, emphasizing the individual capacity of each facility and ensuring the utmost flexibility and quality for each product.

Production employees have been working for the Prada Group for an average of 20 years; this ensures an extremely high level of specialization, in-depth knowledge, harmony with the Group's unique concept, and the seamless transmission of production techniques and core values to younger generations.

Prada's approach to manufacturing is based on two key principles: the constant quest for innovation, ensuring the continuous evolution of skills and expertise; and a vocation for craftsmanship, which is an essential asset for production and a unique distinction for every brand.

Distribution

The retail network is regularly studied and improved in order to make the stores more attractive to customers and the product displays more impressive.

Over the years, the Group has expanded its distribution network to 620 Directly Operated Stores ("DOS") in the most prestigious locations of the major international shopping destinations, consistent with the image, heritage and exclusivity of each brand. This extensive network is a true asset for the Group as it showcases the new collections and represents an essential contact point with the customer. The DOS go beyond their primary sales function as they are also an important means of communication: they are the true ambassadors of the brand, conveying its image consistently and categorically. The Directly Operated Stores also allow the Group to monitor in real time the sales performance of the various markets for each brand and product category.

The wholesale channel (department stores, multi-brand stores, franchisees and e-tailer) provides additional venues selected for prestige of location and enables direct, immediate comparison with other brands. In recent years, the overhaul of this channel has gradually reduced the number of accounts, in keeping with the Group’s retail strategies and brand positioning. In addition, the Group's developments in the digital world have recently led to new partnerships with major electronic retailers ("e-tailers").

The retail channel generates 83.9% of the Prada Group’s consolidated sales while the wholesale channel accounts for the remaining 16.1%.

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

Image and communications

Effective communications are key to building and transmitting a strong image consistent with the brand identity. From impeccably executed fashion shows rich in content to award-winning advertising campaigns, Prada and all the Group's brands continue to create a captivating, stylish image that is valued particularly by a high-end, international clientele and by the strictest, most demanding observers and critics.

The primary importance that the Prada Group attaches to innovation is apparent in the ongoing evolution of its communications projects. The recent decision to focus its strategy on electronic communications and social media has helped to raise brand profiles and customer relationships.

Meanwhile, as the media continues to showcase the Group's products on hundreds of covers of the world's leading fashion magazines and in the most influential dailies and weeklies, the visibility of Prada brands keeps growing. Special events also help raise the brand profiles and boost awareness of the most recent collections in local markets, especially large cosmopolitan cities.

Human Resources

Human resources are a fundamental asset for the entire business model. The Group's competitive advantage for growth is based on the skills and diligence of its employees and on promoting and rewarding productivity, goal orientation and teamwork. The Human Resources Management team operates in an international environment, working closely with the other areas in order to analyze and constantly improve the efficiency and effectiveness of processes, make the most of local skills and specializations, and integrate central and peripheral areas.

The Group continues to seek and attract the best talent on the international labor market through a structured, transparent selection process, which includes collaborating with prestigious universities and fashion schools. At the same time, it creates opportunities for Prada professionals to work abroad.

The vast array of cultures and talent that distinguish employees working in 48 countries where the Group is directly present is a source of wealth, progress and affinity with a clientele that is also highly diverse. The well-structured Compensation & Benefit system, based on rewarding skills and merit, can ensure equal treatment with respect to gender, seniority and roles, and thus also ensure respect for equal opportunity. Moreover, the protection of workers' rights is of key importance; throughout the value chain, the Group promotes and supports respect for human rights and compliance with child and slave labor laws and health and safety regulations. The Group also cooperates with trade unions to assess opportunities to improve the working conditions of its employees.

The Group's remuneration policy aims to attract, reward and retain high-level professionals and skilled managers, and to bring management's interests into line with the goal of medium/long-term value creation.

The Remuneration Committee oversees the pay and benefits of senior managers, taking into account their roles and responsibilities and benchmarking against similar positions in a panel of companies comparable to Prada in terms of size and complexity.

Prada industrial Headquarter
Valvigna, Terranuova Bracciolini (AR)
by architect Guido Canali


PRADA

Environment and territory

The Prada Group adopts and encourages principled behavior that can contribute to the sustainable development of the business and set examples of good practices in the industry. The Group encourages knowledgeable development through an everyday policy of increasing the environmental awareness of contractors, the supply chain and business partners so as to spread a culture of environmental sustainability.

Reducing land take, renovating existing structures and working on property redevelopment have inspired decisions made "naturally, almost sub-consciously" in more than thirty years of the Group's industrial development.

The few newly constructed buildings fit harmoniously into the local settings. The Prada Group has approximately 192,000 m^2 of factory space, including 175,000 m^2 in Italy. The factories represent the best expression of the Group's manufacturing tradition as they harmonize the ability to preserve craft skills with cutting-edge manufacturing processes designed to meet the most exacting requirements in terms of product quality and excellence.

The decision to locate the various clothing, footwear and leather goods manufacturing facilities in industrial districts demonstrates the intention to preserve craft skills in the areas and communities where they originated. At the same time, the sizeable recent investments in manufacturing attest to the renewed commitment to strongly integrate these traditional skills with the demands of production on an international scale.

Special projects

Convinced of the need to blend different creative experiences in order to continuously renew its style, image and communications, the Prada Group has always had strong links with other fields, especially art and culture. Interaction with these apparently distant environments has led to a number of special projects that, over the years, have helped define the many facets of the Prada world.

Prada's interest in architecture materialized from the outset in its state-of-the-art production facilities, the conversion of industrial buildings into new showrooms and offices, and the development of revolutionary design concepts for retail premises.

The most high-profile project in the retail sector is the "Epicenter Concept Store", a collaboration with world-renowned architects and Pritzer Prize winners Rem Koolhaas and Herzog & de Meuron, carried out between 2001 and 2004 with the opening of three cutting-edge stores in New York, Los Angeles and Tokyo. In 2015 the Group again worked with Herzog & de Meuron on the Miu Miu store in Tokyo Aoyama, designed to be the heart of the Japanese business for the brand. These epicenters along with the most exemplary flagship stores, such as PRADA Plaza 66 in Shanghai and PRADA Canton Road in Hong Kong (to name 2016 projects), are designed to reinvent and continually revisit the shopping concept: experimental laboratories in constant evolution where luxury goods, technology, design and architecture combine seamlessly with a vast range of exclusive services and sensory experiences.

Since 1993, the interests and passions of Miuccia Prada and Patrizio Bertelli have led the Prada Group to sponsor Fondazione Prada's activities in the fields of art and culture. Fondazione Prada was set up in Milan as a space for contemporary art exhibitions as well as projects in architecture, cinema and philosophy.

By 2010 it had staged 24 solo shows in Milan devoted to important Italian and international artists. Since 2011 the Fondazione has hosted 5 group shows at its venue in an eighteenth-century Venetian palace in Ca' Corner della Regina, and in 2016 it hosted "Belligerent Eyes", an experimental project dedicated to cinema. In May 2015 Fondazione Prada inaugurated its new permanent facility in Milan, designed by the

OMA architects led by Rem Koolhaas. Situated in the southern part of Milan, it was converted from a distillery dating back to the early 1900s. The complex has a surface area of 19,000 m² capable of holding many exhibitions and cultural events, enabling the foundation to develop its multidisciplinary vocation.

In 2016 it hosted important anthological and retrospective exhibitions dedicated to international artists, a choreographic performance, and a film festival curated by Alejandro González Iñárritu. During the year it also continued its educational program for Children's Academy activities and began the first part of the site-specific project, "Slight Agitation", with artist Tobias Putrih.

The Osservatorio, Fondazione Prada's new photography exhibition center in Galleria Vittorio Emanuele II in Milan, opened in December 2016.

Cinema, as a contemporary form of art, has engaged Prada in creative collaborations with internationally renowned film directors, leading to productions including *Thunder Perfect Mind* directed by Jordan and Ridley Scott (2006), *A Therapy* directed by Roman Polanski (2012), *Castello Cavalcanti* by Wes Anderson (2013) and *Past Forward* by Academy Award winner David O. Russell (2016). Miuccia Prada's own personal interest led to *The Miu Miu Women's Tales*, a series of short films in which directors of international fame and different intellectual backgrounds explore the world of women.

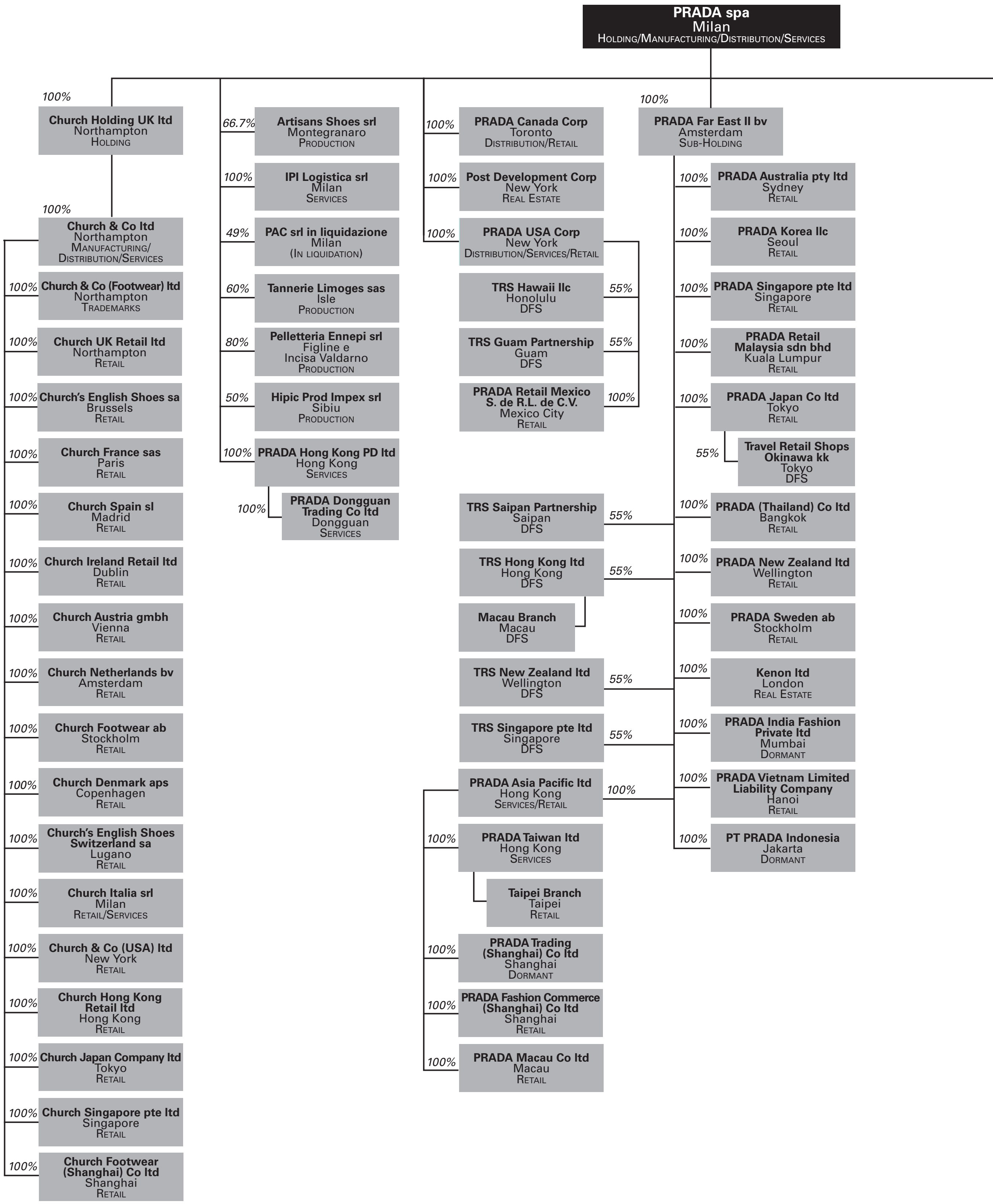
In high-profile sports, the Luna Rossa team sponsored by the Group was a challenger in the America's Cup sailing yacht races in 2000, 2003, 2007 and 2013, winning the challenger selection regattas in 2000 and reaching the finals in 2007 and 2013. This has made a huge contribution to the commercial success of the leisure clothing and footwear lines and raised visibility around the world by associating the Prada name with the oldest international sports competition.

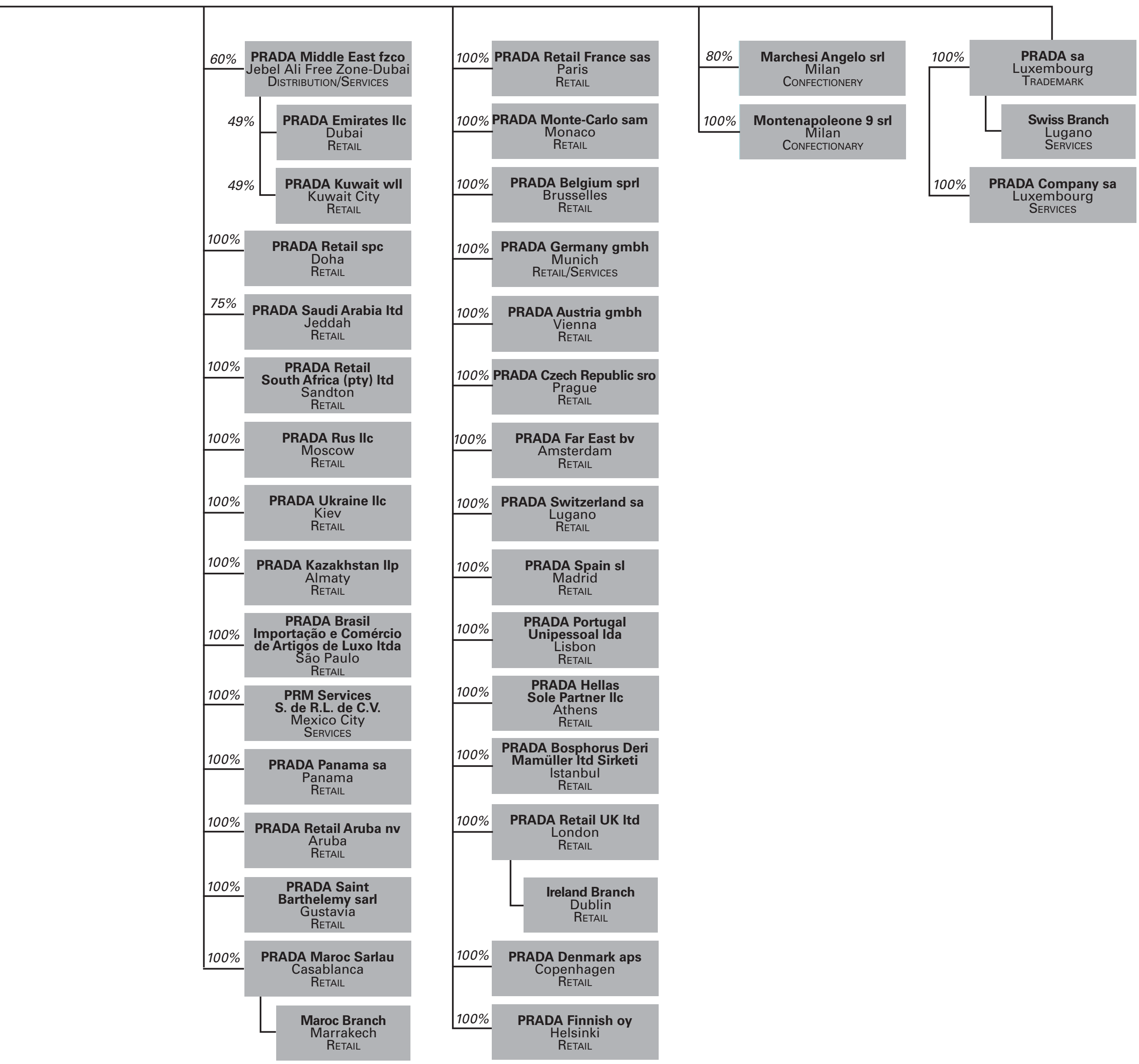
Fondazione Prada
Largo Isarco 2, Milan
by architect Rem Koolhaas


FONDAZIONE PRADA

Fondazione Prada Osservatorio
Galleria Vittorio Emanuele II, Milan

PRADA Group Structure




60%
PRADA Middle East fzco
Jebel Ali Free Zone-Dubai
Distribution/Services
49%
PRADA Emirates llc
Dubai
Retail
49%
PRADA Kuwait wll
Kuwait City
Retail
100%
PRADA Retail spc
Doha
Retail
75%
PRADA Saudi Arabia ltd
Jeddah
Retail
100%
PRADA Retail South Africa (pty) ltd
Sandton
Retail
100%
PRADA Rus llc
Moscow
Retail
100%
PRADA Ukraine llc
Kiev
Retail
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PRADA Kazakhstan llp
Almaty
Retail
100%
PRADA Brasil Importação e Comércio de Artigos de Luxo ltda
São Paulo
Retail
100%
PRM Services S. de R.L. de C.V.
Mexico City
Services
100%
PRADA Panama sa
Panama
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100%
PRADA Retail Aruba nv
Aruba
Retail
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PRADA Saint Barthelemy sarl
Gustavia
Retail
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Paris
Retail
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PRADA Monte-Carlo sam
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PRADA Belgium sprl
Brusselles
Retail
100%
PRADA Germany gmbh
Munich
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Vienna
Retail
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PRADA Czech Republic sro
Prague
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PRADA Spain sl
Madrid
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PRADA Portugal Unipessoal lda
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PRADA Hellas Sole Partner llc
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PRADA Bosphorus Deri Mamüller ltd Sirketi
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London
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Retail
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PRADA Denmark aps
Copenhagen
Retail
100%
PRADA Finnish oy
Helsinki
Retail
80%
Marchesi Angelo srl
Milan
Confectionery
100%
Montenapoleone 9 srl
Milan
Confectionary
100%
PRADA sa
Luxembourg
Trademark
Swiss Branch
Lugano
Services
100%
PRADA Company sa
Luxembourg
Services

PRADA S.p.A. Corporate Information

Registered Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Head Office	Via A. Fogazzaro, 28 20135 Milan, Italy
Place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance	36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Company web site	www.pradagroup.com
Hong Kong Stock Exchange Identification Number	1913
Board of Directors	Carlo Mazzi (Chairman & Executive Director) Miuccia Prada Bianchi (Chief Executive Officer & Executive Director) Patrizio Bertelli (Chief Executive Officer & Executive Director) Alessandra Cozzani (Chief Financial Officer & Executive Director) Stefano Simontacchi (Non-Executive Director appointed first on April 8, 2016 and confirmed on May 24, 2016) Maurizio Cereda (Non-Executive Director appointed on May 24, 2016) Gian Franco Oliviero Mattei (Independent Non-Executive Director) Giancarlo Forestieri (Independent Non-Executive Director) Sing Cheong Liu (Independent Non-Executive Director) Donatello Galli (Chief Financial Officer & Executive Director) resigned with effect from February 19, 2016 Gaetano Micciché (Non-Executive Director) resigned with effect from April 15, 2016
Audit Committee	Gian Franco Oliviero Mattei (Chairman) Giancarlo Forestieri Sing Cheong Liu
Remuneration Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Giancarlo Forestieri
Nomination Committee	Gian Franco Oliviero Mattei (Chairman) Carlo Mazzi Sing Cheong Liu

Board of Statutory Auditors	Antonino Parisi (Chairman) Roberto Spada (Standing member) David Terracina (Standing member)
Supervisory Board (Leg. Decr. 231/2001)	David Terracina (Chairman) Gian Franco Oliviero Mattei Paolo De Paoli
Main Shareholder	PRADA Holding S.p.A. Via A. Fogazzaro, 28 20135 Milan, Italy
Joint Company Secretaries	Patrizia Albano Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Authorized Representatives in Hong Kong	Carlo Mazzi Via A. Fogazzaro, 28 20135 Milan, Italy Ying-Kwai Yuen (Fellow member, HKICS) 36/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Alternate Authorized Representative to Carlo Mazzi in Hong Kong	Sing Cheong Liu House 7 Severn Hill 4 Severn Road The Peak Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditor	Deloitte & Touche S.p.A. Via Tortona, 25 20144 Milan, Italy

Financial Review

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	twelve months ended January 31 2017	%	twelve months ended January 31 2016	%
Net Sales	3,139,290	98.6%	3,504,344	98.8%
Royalties	44,779	1.4%	43,427	1.2%
Net revenues	3,184,069	100.0%	3,547,771	100.0%
Cost of goods sold	(894,957)	-28.1%	(980,206)	-27.6%
Gross margin	2,289,112	71.9%	2,567,565	72.4%
Operating expenses	(1,857,931)	-58.4%	(2,064,672)	-58.2%
EBIT	431,181	13.5%	502,893	14.2%
Interest and other financial expenses, net	(18,003)	-0.6%	(29,872)	-0.9%
Dividends from investments	2,252	0.1%	2,311	0.1%
Income before taxation	415,430	13.0%	475,332	13.4%
Taxation	(131,240)	-4.1%	(141,994)	-4.0%
Net income for the year	284,190	8.9%	333,338	9.4%
Net income - Non-controlling interests	5,861	0.2%	2,450	0.1%
Net income - Group	278,329	8.7%	330,888	9.3%
Basic and diluted earnings per share (in Euro per share)	0.109		0.129	
Depreciation, amortization and impairment	222,267	7.0%	299,865	8.5%
EBITDA	653,448	20.5%	802,758	22.6%

Key financial information

Key figures from statement of profit or loss (amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016	twelve months ended January 31 2015	% change on January 2016
Net revenues	3,184,069	3,547,771	3,551,696	-10.3%
EBITDA	653,448	802,758	954,249	-18.6%
EBITDA %	20.5%	22.6%	26.9%	-
EBIT	431,181	502,893	701,551	-14.3%
EBIT %	13.5%	14.2%	19.8%	-
Net income of the Group	278,329	330,888	450,730	-15.9%
Earnings per share (Euro)	0.109	0.129	0.176	-15.9%
Capital expenditure	251,507	336,895	449,735	-
Net operating cash flows	631,850	368,465	483,597	-
Average number of employees	12,326	12,414	11,962	-

Key figures from statement of financial position (amounts in thousands of Euro)	January 31 2017	January 31 2016	January 31 2015	change at Jan 31, 2017 Vs Jan 31, 2016
Net operating working capital	556,351	665,156	563,409	(108,805)
Net invested capital	3,086,089	3,212,172	2,829,359	(126,083)
Net financial position surplus/(deficit)	18,441	(114,795)	188,788	133,236
Group shareholders' equity	3,080,502	3,080,340	3,000,737	162

2016 highlights

2016 was a challenging year for the Prada Group, as it made concrete plans for brand development and launched an overhaul of its main operating processes.

This transition phase coincides with the completion of the long-term plan for the geographical expansion of its retail network and the beginning of efforts to streamline operations and achieve an innovative form of integration with the digital universe. The business climate was mired in uncertainty, due to ongoing geopolitical tensions of global impact, as well as new events that have suddenly altered economic balances around the world. Meanwhile, the stabilization of some currency trends paved the way for a recovery in domestic consumption, as in China and Russia, although growth in these markets has not yet compensated for the decrease in cross-border tourism.

Against this backdrop, the Group took the initiative on several fronts, starting as always from the development of new products that stand out for their innovative style and outstanding quality. New items were designed for Prada and Miu Miu in every category, particularly leather goods, with the creation of new, iconic handbag designs as well as special editions. With the same dedication, the Group also focused on store renovation with a view to enhancing the shopping experience. The massive restyling program launched during the year has begun to create more intimate, exclusive environments, updated to meet Prada's and Miu Miu's new aesthetic guidelines.

The recent redefinition of the Group's digital strategy, with the formation of a highly qualified team, is the foundation of a new global vision whereby brands will be empowered to express their full potential. These efforts will generate sustainable growth based on product quality, strong innovation, and distribution/communication channels that permanently evolve in line with the habits of new generations of consumers.

Moreover, in 2016 the Group made some industrial changes under a three-year plan adopted in 2015, which aims to strengthen control over the production process by insourcing some of the most delicate phases. These investments will help preserve the craftsmanship at the heart of the Group's business model, while underscoring its ties to the Italian community and the sustainability of its manufacturing cycle.

Finally, efforts to streamline facilities and simplify processes took the form of new, transversal projects involving every unit and department while strengthening the cost reduction targets identified in 2015.

As for performance, cost-cutting programs managed to keep profitability from being further diluted by the decline in retail sales. The year closed with EBIT of Euro 431.2 million, or 13.5% of net revenues, while the Group's share of net income came to Euro 278.3 million (8.7% of net revenues).

The financial objectives set by the Group helped optimize working capital management; the resulting increase in operating cash flow brought the net financial position to positive territory by the end of the year.

Net revenues

(amounts in thousands of Euro)	twelve months ended January 31 2017		twelve months ended January 31 2016		% change
Net Sales	3,139,290	98.6%	3,504,344	98.8%	-10.4%
Royalties	44,779	1.4%	43,427	1.2%	3.1%
Net revenues	3,184,069	100%	3,547,771	100%	-10.3%

Net sales analysis

(amounts in thousands of Euro)	twelve months ended January 31 2017		twelve months ended January 31 2016		% change
Net Sales by geographical area					
Europe	1,190,149	37.9%	1,292,121	36.9%	-7.9%
Americas	458,925	14.6%	525,424	15.0%	-12.7%
Asia Pacific	993,214	31.6%	1,158,174	33.0%	-14.2%
Japan	388,892	12.4%	407,398	11.6%	-4.5%
Middle East	103,417	3.3%	115,444	3.3%	-10.4%
Other countries	4,693	0.1%	5,783	0.2%	-18.8%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales by brand					
Prada	2,528,129	80.5%	2,841,056	81.1%	-11.0%
Miu Miu	515,176	16.4%	564,315	16.1%	-8.7%
Church's	80,378	2.6%	82,456	2.4%	-2.5%
Other	15,607	0.5%	16,517	0.4%	-5.5%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales by product line					
Leather goods	1,803,762	57.5%	2,103,241	60.0%	-14.2%
Footwear	678,797	21.6%	725,987	20.7%	-6.5%
Clothing	599,563	19.1%	612,249	17.5%	-2.1%
Other	57,168	1.8%	62,867	1.8%	-9.1%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales of direct operated stores (DOS)	2,634,923	83.9%	3,059,732	87.3%	-13.9%
Sales to Independent customers and franchisees	504,367	16.1%	444,612	12.7%	13.4%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%

Distribution channels

Retail sales for the twelve months ended January 31, 2017 were lower by 13.9% at current exchange rates and by 13.1% at constant exchange rates. The trend for the period shows a less marked decline during the second half of the fiscal year, especially in the final months. The number of Directly Operated Stores, with 28 openings and 26 closures, rose from 618 at January 31, 2016 to 620 at the reporting date.

Sales in the wholesale channel were up by 13.4% at current exchange rates and by 14.6% at constant rates. Growth in this channel was due primarily to the new partnerships with leading online "e-tailers" around the world.

Markets

Net sales in the Asia Pacific market were down by 14.2% at current exchange rates and by 12.1% at constant exchange rates. Mainland China had a substantial impact on the region's performance, suffering a double-digit decline in the first six months, then gradually recovering and resuming growth late in the year. In the second half of the period South Korea reported recovery for sales to franchisees.

Net sales in Europe decreased by 7.9% at current exchange rates and by 5.2% at constant exchange rates. The decline in tourism, as a result of the terrorist attacks, had an especially significant impact on sales in France although the trend showed significant signs of improvement during the final quarter. Performance was particularly valuable in Russia, which enjoyed double-digit growth, and in the UK, where a first-half decline was successfully reversed and the year ended with a solid growth rate. The wholesale channel in Europe benefited from the new partnerships forged with on-line distributors during the year.

Net sales in the Americas fell by 12.7% at current exchange rates and by 12% at constant rates. Net sales in the United States were down in both channels, while Brazil and Mexico reported growth, as did Canada during the second half of the year.

Net sales in the Japanese region decreased by 4.5% at current exchange rates and by 12.8% at constant exchange rates. The stronger Yen discouraged tourism from China.

In the Middle East, sales decreased by approximately 10.4% at both current and constant exchange rates.

Products

Leather goods showed a decrease of 14.2% at current exchange rates and 14% at constant exchange rates, although the trend was more moderate in the second half. In absolute terms, the declines were most severe in Hong Kong, France and the United States.

The downturn for footwear was less steep (-6.5% at current exchange rates and -4.5% at constant exchange rates), though the trends in terms of region and timing were similar to those of leather goods.

Net sales of the clothing were in line with the previous year (-2.1% at current exchange rates and -0.8% at constant exchange rates), with a decline in the first six months followed by growth in the second half of the fiscal year.

Brands

Sales of Prada brand products decreased by 11% at current exchange rates and by 10.3% at constant exchange rates, with a greater decline for leather goods and footwear, which however lessened during the year.

Miu Miu sales were down by 8.7% at current exchange rates and by 8.3% at constant exchange rates. The improvement in the second half of the fiscal year was especially visible for footwear and clothing, both of which increased.

Sales of Church's brand products decreased by 2.5% at current exchange rates, but grew by 5.8% at constant exchange rates, reporting real growth in Italy and the UK.

The heading "Other brands" mainly includes Car Shoe sales, which decreased due to closures in 2015 in Singapore, London and Hong Kong, and sales of patisserie goods by Marchesi 1824, which showed both organic growth and growth through expansion.

Royalties

In 2016, licensing agreements generated royalties of Euro 44.8 million, an increase of 3.1% with respect to 2015. The royalty growth was attributable primarily to the launch of Miu Miu's first fragrance.

Number of stores

	January 31, 2017		January 31, 2016	
	Owned	Franchises	Owned	Franchises
Prada	387	25	386	26
Miu Miu	171	9	173	10
Church's	54	-	52	-
Car Shoe	5	-	5	-
Marchesi	3	-	2	-
Total	620	34	618	36

	January 31, 2017		January 31, 2016	
	Owned	Franchises	Owned	Franchises
Europe	220	4	221	5
Americas	113	-	117	-
Asia Pacific	187	25	183	26
Japan	78	-	74	-
Middle East	20	5	21	5
Africa	2	-	2	-
Total	620	34	618	36

Operating results

The gross margin came to 71.9% of net revenues, down slightly from the previous fiscal year due mainly to a less favorable sales mix in terms of distribution channel and product category.

The operating expenses of 2016 were lower than those of 2015 by Euro 206.7 million, or 10%. This reflects measures to optimize key processes, a decline in variable costs, and lower depreciation and amortization as explained in greater detail below. In particular, advertising and communication costs fell, although they remained 5.4% of net revenues, as a result of less spending in the traditional media, as well as lower sponsorship costs.

(amounts in thousands of Euro)	twelve months ended January 31 2017	% of net revenues	twelve months ended January 31 2016	% of net revenues
Product design and development costs	125,258	3.9%	134,272	3.8%
Advertising and communications costs	172,549	5.4%	191,695	5.4%
Selling costs	1,383,337	43.4%	1,517,443	42.8%
General and administrative costs	176,787	5.7%	221,262	6.2%
Total Operating expenses	1,857,931	58.4%	2,064,672	58.2%

For the twelve months ended January 31, 2017, EBITDA was Euro 653.5 million or 20.5% of net sales, falling by 210 basis points in comparison with 2015, when it amounted to 22.6% of revenues.

During the fiscal year, management reviewed the estimated useful life of certain tangible and intangible fixed assets in order to better represent their use in business processes, principally within the retail area. This change in estimates reduced depreciation and amortization by Euro 64 million in the consolidated statement of profit or loss.

EBIT came to Euro 431.2 million, a reduction of Euro 71.7 million with respect to 2015. As a percentage of net revenues, EBIT fell from 14.2% to 13.5%.

Finance charges decreased from Euro 27.6 million in 2015 to Euro 15.8 million. The decrease was influenced by lower exchange losses on financial items and, to a minor degree, the combination of higher interest income thanks to the more efficient use of cash and lower interest expense due to lower average debt and interest rates.

The effective tax rate was 31.6%, up slightly from the 29.9% of 2015, essentially following to a less favorable geographical distribution of the taxable income in 2016.

The Group's net income of the 2016 was Euro 278.3 million, or 8.7% of net revenues, compared with the Euro 330.9 million or 9.3% achieved in 2015.

Analysis of the statement of financial position

Net invested capital

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

(amounts in thousands of Euro)	January 31 2017	January 31 2016	January 31 2015
Non-current assets (excluding deferred tax assets)	2,599,620	2,586,841	2,557,198
Trade receivables, net	285,504	254,183	346,284
Inventories, net	526,941	692,672	654,545
Trade payables	(256,094)	(281,699)	(437,420)
Net operating working capital	556,351	665,156	563,409
Other current assets (excluding items of financial position)	275,384	260,983	190,149
Other current liabilities (excluding items of financial position)	(224,536)	(234,496)	(411,878)
Other current assets/(liabilities), net	50,848	26,487	(221,729)
Provision for risks	(82,323)	(69,233)	(63,695)
Post-employment benefits	(67,211)	(69,405)	(85,754)
Other long-term liabilities	(187,322)	(171,364)	(159,419)
Deferred taxation, net	216,126	243,690	239,349
Other non-current assets/(liabilities)	(120,730)	(66,312)	(69,519)
Net invested capital	3,086,089	3,212,172	2,829,359
Shareholder's equity – Group	(3,080,502)	(3,080,340)	(3,000,737)
Shareholder's equity – Non-controlling interests	(24,028)	(17,037)	(17,410)
Total Consolidated shareholders' equity	(3,104,530)	(3,097,377)	(3,018,147)
Long-term financial payables	(547,628)	(519,772)	(254,462)
Short-term financial, net surplus/(deficit)	566,069	404,977	443,250
Net financial position surplus/(deficit)	18,441	(114,795)	188,788
Shareholders' equity and net financial position	(3,086,089)	(3,212,172)	(2,829,359)
Net Debt to Consolidated equity ratio	n/a	3.6%	n/a

As of January 31, 2017, the Group has net invested capital of Euro 3,086.1 million, a positive net financial position of Euro 18.4 million and equity attributable to the Group of Euro 3,080.5 million.

Non-current assets, consisting essentially of property, plant, equipment and intangible assets, increased from Euro 2,586.8 million to Euro 2,599.6 million, mainly due to capital expenditure (Euro 251.5 million) less depreciation, amortization and impairment (Euro 222.3 million).

Capital expenditure was allocated for Euro 151.2 million to many projects in the retail area to expand, relocate and renovate stores. Investments in the retail network also included the initial projects of the restyling plan intended to bring Prada and Miu Miu stores into line with the Group's new aesthetic guidelines. The remaining capital expenditure of Euro 100.3 million concerned the corporate and manufacturing divisions. Indeed, several manufacturing projects in Italy finalized at strengthening control over the production cycle were completed in the fiscal year: the inauguration of a new leather goods manufacturing facility, the upgrading of various factories, and the purchase of two former contract manufacturers (one in Italy and one in Romania). In addition, the Group opened the first of three tranches to serve as its new logistical hub for finished products.

The decrease in net working capital was due essentially to a reduction in finished product inventories that was achieved by improving the timing of manufacturing activities and revising the strategies for replenishing the stores.

Other current assets, net, increased by Euro 24.4 million due chiefly to lower tax payables, the termination of derivative contracts and other receivables.

Other non-current liabilities, net, increased by Euro 54.4 million essentially as a result of lower deferred tax assets on retail inventories and greater deferred rent liabilities.

During the fiscal year the Group paid dividends to PRADA spa shareholders in the amount of Euro 281.5 million.

Net financial position

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

(amounts in thousands of Euro)	January 31 2017	January 31 2016	January 31 2015
Bonds	(130,000)	(130,000)	(130,000)
Bank borrowing – non-current	(417,628)	(390,475)	(125,203)
Total financial payables – non-current	(547,628)	(520,475)	(255,203)
Financial payables and bank overdrafts - current	(151,211)	(270,766)	(263,356)
Payables to parent company and related parties	(4,934)	(4,858)	(2,371)
Total financial payables – current	(156,145)	(275,624)	(265,727)
Total financial payables	(703,773)	(796,099)	(520,930)
Financial receivables from related parties – non-current	-	703	741
Financial Receivables from related parties – current	-	-	11
Cash and cash equivalents	722,214	680,601	708,966
Total financial receivables and cash and cash equivalents - current	722,214	680,601	708,977
Total financial receivables and cash and cash equivalents	722,214	681,304	709,718
Net financial surplus/(deficit), total	18,441	(114,795)	188,788
Net financial surplus/(deficit) excluding related party balances	23,375	(110,640)	190,407
Net Financial Position/EBITDA ratio	n/a	-14.3%	n/a

As of January 31, 2017, the net financial position is positive and amounting to Euro 18.4 million, compared with the net indebtedness of Euro 114.8 million as of January 31, 2016. Working capital management made a significant contribution to operating cash flow, which enabled the Group to pay dividends to shareholders, self-finance its capital expenditure and reduce indebtedness.

In 2016, thanks in part to favorable credit market conditions, the Group took out Euro 120 million in new medium/long-term loans that further reduced the average borrowing rate while extending maturities. Together with the cash surplus generated during the year, the new loans made it possible to repay some Euro 80 million of long-term loans at their natural maturity and to settle short-term credit lines totaling some Euro 138 million.

The total amount of undrawn lines of credit at January 31, 2017 is Euro 662 million.

Risk factors

Risk factors regarding the international luxury goods market

Economic risks and international business risks

The performance of the luxury goods market is influenced to a large extent by the general economy. Accordingly, the Group’s business performance is exposed to global macroeconomic risks due to its international scale.

The international economic environment could adversely affect the demand for the Group’s products and access to credit, causing financial difficulties for customers and other parties with which the Group operates. Overall, these factors could have a negative impact on the Group's operations, results, cash flows and financial condition.

A substantial portion of the Group’s sales originates from purchases of products by customers on trips abroad. Consequently, unfavorable economic conditions, social or geopolitical situations leading to instability, and natural disasters resulting in lower travel volumes have in the past, and could in the future, negatively impact the Group’s business and results. At the same time, the global scale of the retail network enables to mitigate the risk that the sales of a particular geographical area could influence significantly the consolidated sales.

Intellectual property risks

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

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

Risks regarding image and brand recognition

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

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

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

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

The Group pursues its objective of leading the luxury goods market by stimulating consumer markets and inspiring trends through the creative efforts of its design and product development teams. This business area consists of approximately 1,000 individuals working in the design division, where a mix of nationalities, cultures and talents contribute to creativity, and in the development division, where craft skills combined with solid manufacturing processes enable the Group to continue to compete and keep abreast of emerging consumer trends and lifestyles.

Risk factors specific to PRADA Group

Strategic risks

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

The Group provides support to the retail network by offering leather goods, clothing and footwear that reflect the brand positions, accompanied by store management geared toward making the buying experience unique. The performance of the retail channel is also supported by localized marketing initiatives intended to enhance the identity of the brands and the key features of the Group's value chain. Numerous store renovation and restyling projects aim to further expand the capacity to attract customers and create an increasingly exclusive store ambiance.

Meanwhile, in completing its international expansion, the Group carefully assesses market conditions and consumer trends in areas where new DOS openings are considered in order to ensure the success of each new DOS. When entering into countries for the first time, the Group dedicates substantial resources to make certain that sales managers and staff portray an image consistent with the identity of the Group brands and provide customer service in line with the quality of the products.

Risks regarding the importance of key personnel

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

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

Risks regarding the outsourcing of manufacturing activities

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

The Group has implemented a strict inspection and quality control process for all outsourced production. Prada contractually requires its contract manufacturers to comply with all laws and regulations on brand ownership and other intellectual property rights, and with collective bargaining agreements concerning labor, social security, the workplace, and occupational health and safety. The Group also requires its contract manufacturers to read the PRADA Group Code of Ethics and comply with the principles set forth therein.

Credit risk

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements. The Group considers its credit risk to involve primarily trade receivables generated from the wholesale channel and liquid assets. The Group manages credit risk and mitigates the related effects through its business and financial strategies.

With respect to trade receivables, credit risk is managed by monitoring and checking the reliability and solvency of customers. The lack of concentration of the total trade receivables with any one customer and the evenly spread out geographical composition of the receivables mitigate the exposure to credit risk.

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

Liquidity risk

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

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

Legal and regulatory risks

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

– risks associated with non-compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong or with other laws or regulations in force in Hong Kong that the Company must observe as it is listed on the Stock Exchange of Hong Kong Limited;

– risks associated with non-compliance with laws and regulations applicable to the Company due to the listing on the Irish Stock Exchange of the bond notes issued in August 2013;

– risks associated with occupational health and safety under Italian Legislative Decree 81/08 and equivalent regulations in force in other countries;

– possible legal penalties for wrongful acts pursuant to Italian Law 231/2001 as subsequently amended;

– possible events that could adversely affect the reliability of the annual financial statements and the protection of assets;

- changes in international tax rules applicable in the various countries where the Group operates;
- possible manufacturing compliance risks regarding Italian and international laws and regulations for finished goods distributed and raw materials and consumables used.

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

Foreign exchange risk

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

The management of interest rate risk is described in more detail in the Notes to the Consolidated Financial Statements.

Interest rate risk

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

The management of interest rate risk is described in more detail in the Notes to the Consolidated Financial Statements

Data processing risk

Data is processed using information systems whose governance model ensures that:

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

Information on related-party transactions

Information on the Group’s transactions and balances with related parties is provided in the Notes to the Consolidated Financial Statements, insofar as required by IFRS, and in the Board of Directors' Financial Review and Corporate Governance Report, insofar as required by the Hong Kong Stock Exchange rules.

Non-IFRS measures

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

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

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

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

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

The following table sets forth the EBITDA and EBIT of the past three fiscal years.

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016	twelve months ended January 31 2015
Consolidated net income for the period	284,190	333,338	459,218
Taxes on income	131,240	141,994	208,484
Interest and other financial (income)/expense and dividends from investments	15,751	27,561	33,849
EBIT (Earnings Before Interest and Taxation)	431,181	502,893	701,551
Depreciation, amortization and impairment	222,267	299,865	252,698
EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization)	653,448	802,758	954,249

Financial Review Basis of Preparation

The Board of Directors' Financial Review refers to the Group of companies controlled by PRADA spa (the "Company"), operating holding company of the PRADA Group (the "Group"), and is based on the Consolidated financial statements of the Group for the twelve months ended January 31, 2017 (fiscal year 2016), prepared in accordance with IFRS as adopted by the European Union. This Financial Review must be read in conjunction with the Consolidated Financial Statements and the related Notes, which are an integral part of the latter.

Outlook

The Group will leverage on its unique heritage and creativity to continue to deliver unparalleled innovation and quality. The omni-channel experience will be intensified with enhanced online presence and in-store digital environment. This action plan, coupled with a streamlined cost structure, puts the Group in a strong position to convert future revenue into profitability.

Milan, April 12, 2017

Directors and Senior Management

Directors

Our Board consists of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The Board of Directors is appointed for a term of three years.

Chairman

MAZZI, Carlo, aged 70, is the Chairman of the Board, first appointed on February 14, 2014 and most recently re-elected on May 26, 2015. He was first appointed to the Board in 2004 – who served mainly as Vice Chairman – until his appointment as Chairman of the Board. Mr. Mazzi holds directorships in subsidiaries of the Company. He holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., which are substantial shareholders of the Company. Mr. Mazzi obtained a degree "cum laude" (with praise) in Mechanical Engineering from the Bologna University of Italy in 1971 and obtained a master's degree in Business Administration from Bocconi University of Milan in 1976. Mr. Mazzi worked as a Manager of the Large Corporate department of IMI and San Paolo IMI Bank from 1994 to 2000. He was a board member of IBI International Business Advisors Investment N.V. - Amsterdam; Vice Chairman and Executive Committee Member of IBI Bank AG - Zurich; Board Member of IBI Corporate Finance B.V. - Amsterdam; Managing Director of IBI S.p.A. - Milan (financial intermediation ex art. 106 TUB) from 2000 to 2004. He is currently a board member of Chora S.r.l. - Milan (a service company). He was previously a board member of ABN AMRO S.p.A. - Milan (focused on merchant banking), SAGO S.p.A. - Florence (an IT research company responsible for the management of health facilities), IMILEASE S.p.A. - Rome (a leasing company), Banca di Intermediazione Mobiliare IMI S.p.A. - Milan (now Banca IMI S.p.A.) (focused on investment banking), Tecnofarmaci S.p.A. - Pomezia (a research company in the pharmaceuticals industry), SIM S.p.A. - Rome (focused on project management) and Paros International Insurance Brokers S.r.l. - Milan (in the insurance brokerage sector). He is currently a member of the Remuneration Committee and Nomination Committee. Mr. Mazzi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Executive Directors

PRADA BIANCHI, Miuccia, aged 68, is a Chief Executive Officer of the Company. She was first appointed as the Chairperson of the Board on November 20, 2003 until February 14, 2014 and she was most recently re-elected as Executive Director on May 26, 2015. Ms. Prada holds directorships in Prada Holding S.p.A., Bellatrix S.p.A. and Ludo S.r.l., which are substantial shareholders of the Company. Ms. Prada received an Honorary Doctorate from the Royal College of Art (London) in 2000. Ms. Prada is a co-founder of our Group along with Mr. Bertelli. Ms. Prada is the wife of Mr. Bertelli, one of our Chief Executive Officers. Ms. Prada is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

BERTELLI, Patrizio, aged 71, is a Chief Executive Officer of the Company. He was first appointed to the Board on November 20, 2003 and was most recently re-elected as Executive Director on May 26, 2015. Mr. Bertelli holds directorships in subsidiaries of the Company. He holds directorship in PABE 1 S.r.l., which is a substantial shareholder of the Company. Mr. Bertelli received an honorary degree in Business Economics from the University of Florence in October, 2000. Mr. Bertelli is a co-founder of our Group along with Ms. Prada. Mr. Bertelli is the husband of Ms. Prada, one of our Chief Executive Officers. Mr. Bertelli is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

COZZANI, Alessandra, aged 54, is the Chief Financial Officer of the Company. She was first appointed to the Board as Executive Director on December 20, 2013 and she was re-elected on May 26, 2015. She has been our Investor Relations Director since

July 2010, responsible for managing financial communication and for relationships with investment community, and was further appointed as Chief Financial Officer on February 19, 2016. Ms. Cozzani holds directorships in subsidiaries of the Company. Ms. Cozzani joined our Group in 2000 and has covered different managerial roles within the Finance department. In 2003, she was appointed as Group Financial Reports Director. Ms. Cozzani obtained a degree "cum laude" (with praise) in Business Administration from the University of Genoa (Italy) in 1988. She started her career as an auditor at Coopers & Lybrand (1989 to 1995). Prior to joining our Group, she worked in Castelletti International Transports, the Italian subsidiary of an international logistic company (now Schenker Group) for five years, most of the time as Finance and Control Director. Ms. Cozzani is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-Executive Directors

SIMONTACCHI, Stefano, aged 46, has been appointed as Non-executive Director of the Company on April 8, 2016 and re-elected on May 24, 2016. Mr. Simontacchi has been Managing Partner of BonelliErede Law Firm, a leading law firm in Italy, since 2013 and has been on the firm's board since 2010. His practice focuses on international taxation, transfer pricing, tax planning, private equity, and tax aspects related to real-estate transactions, real-estate and equity funds, M&A and reorganisations. In addition, Mr. Simontacchi is a member of the EU Joint Transfer Pricing Forum (which assists and advises the European Commission on transfer pricing tax matters) and has authored widely on tax law, including for Il Sole 24 Ore (a leading, daily business newspaper). Mr. Simontacchi obtained a degree with praise (cum laude) in business administration from L. Bocconi University of Milan in 1995. In 2000, he obtained an Adv. LLM with praise (cum laude) in International Taxation from Leiden University. In January 2007, Mr. Simontacchi obtained his PhD in International Taxation from the Faculty of Law of Leiden University. In April 2015, Mr. Simontacchi was appointed as board member of RCS MediaGroup S.p.A., an Italian listed company, leader in the newspaper sector. In addition, he has been serving as board member of Cabara Insurance Broker S.r.l. since 2010 and has been appointed as Chairman of the Fondazione Ospedale Buzzi since July 2015. Save as disclosed herein, Mr. Simontacchi has not held any directorship in other listed companies in Hong Kong or overseas in the last three years.

CEREDA, Maurizio, aged 53, has been appointed as Non-Executive Director of the Company on May 24, 2016. Since 2015, Mr. Cereda's practice focuses on providing consultancy services to entrepreneurs, family offices, companies and financial institutions. Since 2015, he has also been founding partner and board member of FIEE (Fondo Italiano per l'Efficienza Energetica) Sgr S.p.A. Mr. Cereda obtained a degree in business economics from L. Bocconi University of Milan in 1989. Mr. Cereda has been serving as board member of various companies listed on the Italian Stock Exchange including Technogym S.p.A. (since 2016), SAVE S.p.A. (since 2015), Enervit S.p.A. (since 2007), and other Italian companies, and Foundation "Istituto Europeo di Oncologia" (since 2011). Mr. Cereda started his career as an analyst in the equity capital markets division in Rasfin S.p.A. and then he worked fifteen years at Mediobanca S.p.A., till his appointment as deputy general manager and head of corporate finance covering large corporate clients, a role that he covered from 2007 to 2015. From 2007 to 2014, he was a board member of Mediobanca S.p.A., and from 2006 to 2014, he was also a board member of Ansaldo STS S.p.A., both companies listed on the Italian Stock Exchange. Save as disclosed herein, Mr. Maurizio Cereda has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years.

Independent Non-Executive Directors

MATTEI, Gian Franco Oliviero, aged 71, was first appointed as Independent Non-Executive Director on May 28, 2009 and was most recently re-elected on May 26, 2015. Mr. Mattei obtained a degree in Economics from The Sapienza University of Rome (Italy) in 1970 and became a Public Chartered Accountant (member of the Registro dei Revisori Contabili) with the Italian Ministry of Justice in 1995. He has worked as Managing Director (Investment Banking) in Credit Suisse, Managing Director (Global Banking & Markets) in The Royal Bank of Scotland, Head of Investment Banking at Sanpaolo IMI and Chairman of Banca IMI and was previously Head of the Finance Department at the Istituto Mobiliare Italiano IMI. Mr. Mattei has also been a Board Member of Borsa Italiana. He is Chairman of Officine CST - Consulting Services & Technology - S.p.A.. Mr. Mattei is currently the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Mattei is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

FORESTIERI, Giancarlo, aged 70, was first appointed to the Board first on May 31, 2007 and was most recently re-elected as Independent Non-Executive Director on May 26, 2015. Mr. Forestieri obtained a degree in Economics and Banking from the University of Siena (Italy) in 1970 and obtained a Specialization in Corporate Finance from the Scuola Mattei - ENI in 1971. From 1988 to 2016, Mr. Forestieri has been a Full Professor of Financial Markets and Institutions at the Bocconi University in Milan. Mr. Forestieri's professional experience includes serving as a member of the boards of directors of INA and Assitalia (from 1993 to 1994), Mediofactoring (from 1997 to 1999), Cassa di Risparmio di Parma e Piacenza (from 1996 to 1999 and then from 2003 to 2007 as the chairman of the board), Banca Intesa (from 1999 to 2006) and as a member of its executive committee (from 2000 to 2006), Alleanza Assicurazioni (from 2001 to 2007), Centrosim (from 1998 to 2003 where he was the chairman of the board) and Crédit Agricole Vita (from 2007 to 2013 as the chairman of the board). Mr. Forestieri is a member of the Italian Scientific Societies in the Fields of Finance and Management. Mr. Forestieri is currently a member of the Audit Committee and the Remuneration Committee. Mr. Forestieri is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIU, Sing Cheong, JP, aged 61, was first appointed as Independent Non-Executive Director on May 9, 2011 and was most recently re-elected on May 26, 2015. He has been the Chairman of My Top Home (China) Holdings Limited, Chairman of Evergreen Real Estate Consultants Limited since 2001, Director of HKS Education Fund Limited ("HKSEF") since 2005 (HKSEF is a charitable institution which holds certain percentage of shares in Hongkong Sales (International) Limited ("HKSI"), an investment holding, knitwear manufacturing company), and Non-executive Director of HKSI since 2005, all of which are private companies. He has been an independent non-executive director of Swire Properties Limited since 2010 (Swire Properties Limited was listed on the Stock Exchange of Hong Kong on January 18, 2012). Mr. Liu graduated from The Hong Kong Polytechnic in 1979 with an Advanced Higher Diploma in Surveying and from The Hong Kong University of Science and Technology in 1994 with a Master of Business Administration degree. He has been a fellow of the Royal Institution of Chartered Surveyors since 1994. Mr. Liu is currently a member of the Audit Committee and the Nomination Committee. Save as disclosed above, Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Senior Management

Our senior management is responsible for the day-to-day management of our business of the Group.

ANTONACCI, Nicola, aged 53, has been Regional Director North America since 2015. Mr. Antonacci is primarily responsible for overseeing the Group's operations in the USA and Canada. Mr. Antonacci joined our Group in 1996 and covered, until 2010, different managerial roles within the commercial and the collections development areas. Mr. Antonacci, from 2012 to 2015 served as Senior Vice President Prada Retail/Wholesale of Prada USA. From 2010 to 2011 he worked in Paris, as Men's Ready to Wear Director for Givenchy. Prior to joining our Group, he worked for Giorgio Armani S.p.A. and Hermes as store manager and visual merchandiser. Mr. Antonacci is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

BOZZI, Bruno, aged 55, has been Prada Women's Ready to Wear Industrial Director since 2010. Mr. Bozzi is primarily responsible for the manufacturing of the woman's ready to wear collection of the Prada brand. He joined our Group in 1996 and undertook managerial roles in the planning and production of ready to wear for both Prada and Miu Miu brands. In 2009 he was appointed as Knitwear Division Director, a role which he is still covering. Prior to joining the Group he covered different roles in the production departments of a number of manufacturing companies. Mr. Bozzi is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

BUSO, Daniele, aged 49, has been our Prada Men's Ready to Wear Industrial Director since 2009. Mr. Buso is primarily responsible for the manufacturing of the men's ready to wear collection of the Prada brand. He obtained a high school diploma at Giulio Natta Technical High School in Padova in 1986. Mr. Buso joined our Group in 2004 as Operations Director for Jil Sander brand and in 2008 was appointed as Linea Rossa Ready to Wear Operations Director. He started his career in a Venetian fashion company before joining Gilmar in 1988. In 2001 he joined the Ferrè Group as Industrial Director. Mr. Buso is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

CANTINO, Stefano, aged 50, has been Group Strategic Marketing Director since February 2016 and has been appointed as General Manager for France and the Principality of Monaco in 2017. He is primarily responsible for the Group's communication strategy and global marketing functions and for overseeing the Group's operations in France and the Principality of Monaco. Mr. Cantino obtained a degree in Political Science from the University of Turin (Italy) in 1993. Mr. Cantino joined our Group in 1996 and held several managerial roles in the commercial and marketing areas with Prada, Church's and Car Shoe, including Alaïa Operations Director, Car Shoe Commercial Director and Church's Brand and Retail Director. He was Prada's Marketing Director from 2005 to 2009, and Communication and External Relations Director from 2009 until 2016. Mr. Cantino is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

CAROLA, Pablo, aged 49, has been Regional Director Iberian Peninsula and North Africa since 2013. Mr. Carola is primarily responsible for overseeing the Group's commercial operations in the Iberian Peninsula and in North Africa areas, where he covers several managerial roles at the Company's subsidiaries. Mr. Carola obtained a University degree in Business Administration at Universidad de Politecnica de Catalunya (Spain). He joined the Group in 2011 to manage human resources of both Miu Miu and Prada stores worldwide. Prior to joining our Group he worked for almost twelve years as human resources director at Louis Vuitton. Mr. Carola is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

CARRARO, Luca, aged 50, has been Miu Miu Leather and Ready to Wear Industrial Director since 2003. He obtained a textile expert high school diploma in Padova (Italy) at Giulio Natta Technical High School in 1986. He joined our Group in 1999 and undertook several managerial roles in the planning and production of leatherwear for the Prada brand. Prior to joining Prada he worked for various ready to wear manufacturing companies in Italy as production and sample collection manager. Mr. Carraro is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

CHOI, Moonyoung, aged 54, has been General Manager Prada Korea since 2007. She is primarily responsible for overseeing the Group's commercial operations in Korea. She started her career at Louis Vuitton, as the first Louis Vuitton Store Manager in Korea (1991 – 1999). From 1999 to 2007 Ms. Choi worked at Celine Korea, LVMH Group, as Retail Manager, subsequently becoming Country Manager for Korea. Ms. Choi is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

CLARK, Sophie, aged 44, has been the General Manager Prada Australia since 2016. She is primarily responsible for overseeing the Group's commercial operations in Australia and New Zealand. Ms. Clark graduated from Sydney's exclusive Kincoppal-Rose Bay School. Ms. Clark had an extensive career at leading Department store David Jones in Sydney (1999 – 2016) where she most recently held the position of General Manager Womenswear. Prior to this Ms. Clark was the General Manager for Accessories, Shoes and Luxury brands as well as holding several buying manage positions across the divisions. Ms. Clark was elected as a judge for the prestigious International Woolmark Fashion Awards in Milan 2014, Bejing 2015 and New York 2016. Ms. Clark is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

COVIELLO, Letizia, aged 49, has been Group Tax Director since March 2016. She joined Prada in 1998 in the Tax Department. She is primarily responsible for overseeing all Group strategic tax matters. Ms. Coviello obtained a Degree in Economics from the University La Sapienza in Rome in 1991 followed by a Tax Specialization Master at Ipsoa in Milan. Before joining the Group she worked for a Legal Firm, Studio Simonelli e Associati in Milan and afterwards as Tax Senior Assistant in the Fiscal Department at Eni Spa, in Milan. Ms. Coviello is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

DE PAOLI, Paolo, aged 40, has been Group Internal Auditing Director since July 2016. He is primarily responsible for the appropriateness of the control systems and the risk management and the application of procedures, to ensure protection against risks at Group level. Mr. De Paoli obtained a degree in Economics at Bocconi University. After spending 5 years in KPMG Spa as Supervising Senior, he joined Prada in 2008, first as Internal Audit Manager, than as Administration and Finance Manager for Emea and New Markets. Mr. De Paoli is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

D'IPPOLITO, Andrea, aged 49, has been Purchasing Fabrics Ready to Wear Industrial Director. He joined our Group in 1989, and since 1996 he has been responsible for purchases for the Sample Collection within the Ready to Wear Division and then he was promoted as Ready to Wear Purchasing Director for all Group brands. Since 2010 he has also overseen the research fabrics, the raw material warehouses as well as the Finished Product Quality Control and Repairs Departments. Mr. D'Ippolito is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

ETHERIDGE, Stephen, aged 58, has been appointed as Chairman of Church Holding UK ltd. in 2017. He has been primarily responsible for the industrial operations of the

Church Group since 2011. Prior to this he has covered the role of Chief Executive at Cheaney & Son Footwear (1995 to 2001), a company which belonged to the Church Group. He started his career in the Sales Department at John White Footwear Limited UK and increased his responsibility up to the role of Managing Director (1986 to 1990). From 1990 to 1994 he was Managing Director of SE Marketing for Epic Fashion Footwear Limited, a company which specialized in production and distribution of men's footwear. Mr. Etheridge is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

FAYARD, Pierre, aged 55, has been Regional Director for Middle East and South Africa since he joined our Group in 2011. He is responsible for overseeing the Group's operations in the Middle East area and in South Africa, where he covers several managerial roles at the Company's subsidiaries. Mr. Fayard obtained a degree in Business Administration from Paris Business School in 1984. Prior to joining our Group he worked for almost twelve years for the LVMH Group, covering different managerial roles at Sephora International, Sephora Middle East, Sephora UK and Sephora Europe. Mr. Fayard is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

GOTTI, Aldo Camillo, aged 52, has been Prada Marketing Director since 2016. He is primarily responsible for the communication strategy, the wholesale and e-commerce of the Prada brand. Mr. Gotti joined our Group in 1990 and before being appointed to his current position, he held several managerial roles in the wholesale, marketing and communication areas of the Prada and Miu Miu brands, including Miu Miu General Manager. In 2014 he was appointed as Regional Director for France and the Principality of Monaco, responsible for overseeing the Group's operations in such area. Mr. Gotti is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

GRECO, Enzo, aged 51, has been Group Information Technology Director since December 2014. He is primarily responsible for the management of the Group's information technology system. Mr. Greco obtained a degree in Mathematics, from the University of Florence (Italy) and a master's degree in Business Administration "cum laude" (with praise) from SDA Bocconi University in Milan (Italy) in 1996. He started his career as IT Director for Federazione Toscana BCC in Florence (1997-2001). Later he was responsible for Outsourcing Application Management Contract in Infogroup Spa, Bank Group in Florence (2002-2005). He worked for eight years for Esselunga Spa in Milan as IT Director managing the whole group's Information System. Mr. Greco is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

LAM, Shun Yan Janice, aged 46, has been General Manager China since 2013. She is primarily responsible for overseeing the Group's commercial operations in China, where she covers several managerial roles at the Company's subsidiaries. Ms. Lam obtained a Bachelor degree in BA, Sociology from the Chinese University of Hong Kong. She started her career at Jusco Store HK Ltd. (1993–1995); then she was worked at Chickeeduck Distribution HK Ltd. in China (1999–2003). Before joining our Group she was Managing Director at Alfred Dunhill China (2006 -2012). Ms. Lam is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

LOMANTO, Maria Cristina, aged 42, has been Miu Miu General Manager since 2015. She is primarily responsible for overseeing worldwide operations and strategy of the Miu Miu brand. Ms. Lomanto obtained a degree in Law from the University of Milan (Italy) in 1998. She joined our Group in 2006 and before being appointed to her current position she covered different managerial roles in wholesale, retail and collection merchandising areas. Prior to joining Prada, she worked in Yves Saint Laurent as Commercial Director for Italy and Switzerland. Ms. Lomanto is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

LUPAS, Domnica Alexandra, aged 44, has been Regional Director for Central Europe since 2012. She is primarily responsible for overseeing the Group's operations in Germany, Austria, Switzerland and Czech Republic area, where she covers several managerial roles at the Company's subsidiaries. Ms. Lupas joined our Group in 1997 and has covered different managerial roles within the Group. In 2005, she was appointed as Administration, Finance and Control European Retail Subsidiaries Director. Ms. Lupas obtained a degree in International Business Administration from the European Business School in London in 1996. Ms. Lupas is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

MARSICOLA, Alessandra, aged 57, has been appointed as Retail Development Director for Japan and Asia in 2017. She is primarily responsible for the development of the retail business of both Prada and Miu Miu brands in Japan and Asia. Ms. Marsicola joined our Group in 1991 and before being appointed to her current position she covered different managerial roles in the commercial department, including Prada Worldwide Store Operation Director and Prada Retail Director for Prada Japan. In 2014 she was appointed as Chief Executive Officer of Prada Fashion Commerce (Shanghai), responsible for overseeing the Group's operations in China. From 2006 to 2009, she worked first as Sales Director for La Rinascente then as Asia Pacific Retail Director for Fendi. Ms. Marsicola is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

MECHERI, Fabrizio, aged 51, has been Footwear Industrial Director since August 2014. He is primarily responsible for the manufacturing of the footwear collection for all the Group's brands. Mr. Mecheri joined our Group in 1999 and covered different managerial roles within the industrial area and was then appointed General Manager of Prada Singapore. Prior to joining our Group, he worked for Salvatore Ferragamo S.p.A. as production manager for ladies' footwear. Mr. Mecheri obtained an executive master's degree in Business Administration from Kellogg – HKUST of Hong Kong in 2012, and graduated in Electronic Engineering at the University of Florence (Italy) in 1992. He started his career at Andersen Consulting S.p.A. as top senior consultant (1993-1996). Mr. Mecheri is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

NOSCHESE, Marcelo, aged 52, has been Regional Director for South America since December 2011, when he joined our Group, and for Central America and Carribean since 2017. He is primarily responsible for overseeing the Group's operations in South America, Central America and Carribean. Mr. Noschese obtained a master's degree in Business Administration from INSEAD, Fontainebleau, France, in 1992 and graduated in Business Administration in Getúlio Vargas Foundation São Paulo, Brazil. He started his career at L'Oréal, as International Development Manager for the Fine Fragrances Division, and then was appointed as General Manager for the Travel Retail Division in North and South America (1992 – 1998). Prior to joining our Group, he worked for LVMH – Moët Hennessy Louis Vuitton as Country Manager for Brazil (2001 – 2004) and for Salvatore Ferragamo S.p.A., as Regional Development Director for South America (2007 – 2011). Mr. Noschese is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

RASTRELLI, Stefano, aged 54, has been Group Human Resources Director since 2013. Mr. Rastrelli obtained a degree in Law, from the University of Naples. He first joined the PRADA Group in 2007 to manage the human resources of the Industrial Departments and subsequently extended also to the Commercial Departments. Prior to joining our Group he worked for almost twenty years for the Fiat Group, covering different managerial roles within the Fiat Group for different branches in Italy and abroad (Argentina, Brazil). From 2005 to 2007 Mr. Rastrelli was in Spain as Human Resources Director for GKN Driveline. Mr. Rastrelli is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

ROMANO, Anthony, aged 50, has been Regional Director for the South East Mediterranean area since 2013 and has been appointed as Chief Executive Officer of Church & Co Ltd. in 2017. Mr. Romano is responsible for overseeing the Group's operations in the South East Mediterranean area, where he covers several managerial roles at the Company's subsidiaries. Mr. Romano is also responsible for overseeing the Church Group and Car Shoe brand operations. After his bachelor's degree in Business in New Zealand, he was employed at Deloitte & Touche and then at Timberland Europe before working for almost ten years for Calvın Kleın Europe (1995 – 2004) where he became C.E.O. and Managing Director. From 2004 to 2007, he was the General Manager and Company Director of Luna Rossa Challenge for the 2007 America's Cup. He was partner of ADR – fashion and sport strategic consultancy company, from 2008 to 2013. Mr. Romano is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

SESIA, Davide, aged 49, has been Regional Director Japan and Hawaii since February 2004. He is primarily responsible for overseeing the Group's operations in Japan, Guam, Saipan and Hawaii area, where he covers several managerial roles at the Company's subsidiaries. Mr. Sesia obtained a degree in Business Administration from the University Cattolica del Sacro Cuore of Milan in 1991. He joined our Group in 2000 as Representative Director and Chief Financial Officer of Prada Japan. Prior to that, he was Chief Financial Officer and Director of Benetton Japan and Managing Director of Benetton Korea Ltd (1997 - 2000). He started his career in Japan working for several companies from 1992. Mr. Sesia is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

SUTTER, Stefano, aged 43, has been Regional Director for North Europe since December 2010, when he joined our Group. Mr. Sutter is primarily responsible for overseeing the Group's operations in United Kingdom, Ireland and Sweden, where he covers several managerial roles at the Company's subsidiaries. Mr. Sutter obtained a master's degree in Business Administration from Columbia Business School, New York, in 2005 and graduated "cum laude" (with praise) in Business Administration at University of Genoa in 1998. Prior to joining our Group, he worked for INDITEX Group covering different managerial roles including as General Manager of Zara Canada (2006 to 2007), Managing Director of Inditex UK and Ireland (2007 to 2009) and, then, Managing Director of Inditex Austria, Hungary, Czech Republic and Slovakia. Prior to that, he spent five years working for Bain & Company Inc.. Mr. Sutter is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

TOLOMELLI, Armando, aged 51, has been Regional Director Asia Pacific since 2012. Mr. Tolomelli is primarily responsible for overseeing the Group's operations in the Asia Pacific region, where he covers several managerial roles at the Company's subsidiaries. Prior to this appointment Mr. Tolomelli has been our Group Controlling Director since joining our Group in July 2005. Prior to joining our Group, he spent fourteen years working for the Barilla Group, covering various roles including Financing Office Manager, Divisional Business Controller, Business Controller for South Eastern Europe, Group Controller of Wasa in Stockholm, Sweden (1999 to 2001), Finance Manager International Business Development of the Bakery Division (2001) and Corporate Controlling Director of Kamps in Düsseldorf, Germany (2002 to 2005). Mr. Tolomelli is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

ZAMBERNARDI, Fabio, aged 54, has been Group Design Director since November 2002. He is responsible for the collection concept development, overseeing all the strategic activities related to the coherence between image and product development of the collection, as well as supporting the strategic brands image communication of both Prada and Miu Miu brands. He has been collaborating with the Group since 1981. He was promoted Shoe Design Director in 1997 and Design Fashion Coordinator in 1999. Mr. Zambernardi is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

ZENKOVSKAYA, Vera, aged 40, has been Regional Director for the Russian area since 2013. Ms. Zenkovskaya is primarily responsible for overseeing the Group operations in Russia, Kazakhstan and Ukraine, where she covers several managerial roles at the Company's subsidiaries. Ms. Zenkovskaya obtained a Foreign Languages Degree at Language University of Kazakhstan. Prior to joining our Group in 2011 as Russia Country Manager, she worked within the beauty sector (L'Oreal, Temtrade) in marketing and retail areas. From 2006 to 2011, she covered several managerial roles in Russia and Ukraine for Louis Vuitton. Ms Zenkovskaya is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

Company Secretary

ALBANO, Patrizia, aged 63, is the joint company secretary of the Company. Ms. Patrizia Albano has been the Head of Corporate Affairs since September 2008 and is responsible for monitoring general legal compliance. Ms. Albano obtained a degree in Law from the University La Sapienza of Rome in 1979 and was admitted to the Bar Association (Ordine degli Avvocati di Roma) in 2006. She started her career as an in-house legal advisor at the Istituto Mobiliare Italiano S.p.A. from 1981 to 1999 and then worked as Head of the Large Corporate Division central legal office of San Paolo IMI S.p.A. until 2000. She has also worked as General Counsel of IBI (now Alerion Clean Power S.p.A.), and as Company Secretary of Risanamento Napoli S.p.A. and Fincasa S.p.A., both of which are listed companies on the Italian Stock Exchange. In 2002, Ms. Albano became the General Counsel and Company Secretary of a private company active in services provision, property and facility management and renewable energy. She then worked at an Italian law firm, Studio Legale Carbonetti, from 2003 to 2007, and also founded her own private practice law firm, Albano Baldassari, in 2007 before joining our Company in 2008. Ms. Albano has been Chairman of the Board of Statutory Auditors of Artemide Italia S.r.l., a member of the Board of Statutory Auditors in Artemide Group S.p.A. and Artemide S.p.A. since May 2014, and has been Chairman of Gruppo Moda, Design e Arredo of Assolombarda (Association of Industrial provinces of Milan, Lodi, Monza and Brianza) since February 2015. Ms. Albano also served as board member of Cassa di Risparmio di Rimini S.p.A. from April to November 2015 and Mediacontech S.p.A. from June to December 2016. Ms. Albano is the wife of Mr. Carlo Mazzi, the Chairman of the Board of our Company. Ms. Albano is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

YUEN, Ying-kwai, aged 51, is the joint company secretary of the Company. She is responsible for corporate secretarial duties. Ms. Yuen joined our Group and was appointed joint company secretary in May 2011. Ms. Yuen has over 25 years of working experience in the corporate secretariat and compliance areas of sizeable organizations and professional firms. Prior to joining our Group, she worked with Li & Fung group for 15 years. She first joined in 1995 as company secretary of Li & Fung (1937) Limited until 1999 when she was transferred to Li & Fung Distribution (Management) Limited and appointed as group company secretary in 2000. Ms. Yuen was the company secretary of Integrated Distribution Services Group Limited (member of Li & Fung Group) between 2004 and 2011. Ms. Yuen received an Honours Diploma in Company Secretaryship and Administration from Lingnan College (now known as Lingnan University) in 1988. Ms. Yuen holds a master's degree in Business Administration (Executive) from City University of Hong Kong, awarded in 2003. Ms. Yuen has been a fellow of both the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Institute of Chartered Secretaries and Administrators, UK since 2001. Ms. Yuen has been a member of the Membership Committee of HKICS since 2016 and was the past member of the Company Secretaries Panel of HKICS (2012 – 2015). Ms. Yuen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Directors’ Report

Principal activities and business review

PRADA S.p.A. (the "Company"), together with its subsidiaries (the "Group"), is a leading global luxury group in the design, production and distribution of high-end leather goods, handbags, footwear, apparel, accessories, eyewear and fragrances. Through its Directly Operated Stores network (the "DOS") and a selected number of wholesalers, the Group operates in all major international markets.

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

Further discussion and analysis of these activities as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance, including a review of the business of the Company, a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, is set out in the Financial Review section of this annual report. Particulars of important events affecting the Company that have occurred since the end of the reporting period is set out in note 44 to the Consolidated financial statements. These discussions form part of this directors' report.

Compliance with the Relevant Laws and Regulations

A key ethical value fundamental to the Group is the compliance with legislative and regulatory provisions in all countries in which the Group operates. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have a significant impact on the Group.

The Group's products are distributed and sold across 70 countries, therefore they have to comply with all applicable laws, standards and regulations in each of these countries. To properly address this matter, the Group established an Industrial Compliance Committee in 2010 to constantly oversee the Group's products compliance with international and local legislative requirements of the manufacturing and distribution process at a worldwide level.

A detailed analysis of the legal and regulatory risks to which the Group is exposed is set out in the paragraph headed "Legal and regulatory risks" of the Financial Review section of this annual report, which forms part of this directors' report.

Environmental Policies and Performance

The Group aims to a continuous improvement in creating value for its stakeholders by combining economic profitability with employee and customer satisfaction, as well as respecting ethical and environmental values and maintaining a high standard of corporate social responsibility.

Environmental protection is of primary interest to the Group, which feels responsible for engaging in and cultivating virtuous behaviors that contribute to its sustainable growth and are examples of good practices.The main direct impact of the Group's business originates from the use of energy for offices, factories, logistics centers and stores in the various parts of the world. The objective is to reach higher levels of energy efficiency and continuously pursue new ways to reduce waste.

In the last few years a long-term plan for improving energy efficiency has been implemented, involving all of the Company's factories and offices. In fact, the Group has continued to work towards improving its infrastructure, energy and materials management in order to minimize the impact on the environment.

The Group has also always paid great attention to the territories where it operates and seeks to play a respectful part in local life by contributing to the enhancement of the community, either in the form of certain unique and avant-garde venue or by rehabilitating existing districts. This environmentally-sensitive approach has led the Group to develop a method in using the least possible amount of ground, restoring what already existed and working to rehabilitate buildings for new purposes. The opening in 2016 of the latest industrial site outside Florence dedicated to the production of leather bags is another example of a recovery and building renovation of what was a former factory producing Christmas decorations that the Group acquired back in 2014.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers and shareholders.

Employees

The Group is built on people and the enthusiasm, craft skills and intellectual curiosity of the employees of the Group are the indispensable elements which underpin the innovation and quality of the Group's products. The Company searches for people that can combine these exceptional qualities with the values of the Group.

The average number of employees for the twelve months ended January 31, 2017 was 12,326 people, almost the same as 2015 financial year.

The Group's remuneration policy aims to attract, reward and retain high-level professionals and skilled managers, and to share with the management the interest in the primary objective of creating value over the medium and long term.

Further analysis on the value of human resources of the Group is set out in the "The PRADA Group" section to this annual report, while further analysis on the remuneration policy of the Group is set out in the "Corporate Governance" section of this annual report, both of which form part of this directors' report.

Customers

The Group believes that it has a reputation for being leader in style, maker of outstanding products and providing excellent customer service.

The distinctive features and the prestige of the Group, derived from an original management of the creative and industrial processes, places the Group itself in a position to offer customers around the world with uniques products, which represent an inimitable synthesis of creativity, quality and exclusivity. In addition, the Group believes that an effective communication is crucial to build and convey an image of strong and consistent brand identity.

The result of the Group's approach to its customers is the unique relationship between each customer and the Group's brands, its products and its stores.

Suppliers

The Group regards its relationship with its suppliers - built up through years of day-to-day collaboration and directed towards continuous improvement - as fundamental to it. The Group has a diverse range of raw materials suppliers and external manufacturers. About 90% of them are located in the European Union and mainly in Italy.

Raw materials are a key component of the quality of the Group's products and therefore constitute a primary focus for the Group itself. Their procurement process, import, use and export are carried out in compliance with the most stringent international and local regulations. Every raw material used in the manufacturing process has a certificate of origin that attests its geographical origin.

In fact, the Group has always intended to act as a stimulus for its suppliers, not only in terms of the excellent quality level required, but also through the promotion of a culture and modus operandi which comply with the highest ethical standards. The Group thus requires that its suppliers act in a responsible manner and that each of them undertakes and acknowledges the Group's Code of Ethics, which expresses the inalienable rights of employees, proper working conditions, equal opportunity, freedom of association, health insurance coverage and protection of the environment in the collection of the materials and in the production processes.

In order to achieve the highest quality standards, the Group undergoes a strict process in selecting its suppliers. The Group's relationships with suppliers are all aimed at being of a long-term nature and are initiated following a selection process, whose strict parameters are intended to ensure the highest quality standards, with a special focus on working conditions.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to its shareholders by granting dividend payouts, taking into account the liquidity positions and business expansion needs of the Group. Details of the Group's communication with its shareholders are set out in the "Corporate Governance" section of this annual report, which forms part of this directors' report.

An analysis of the Group's environmental policies and performance and of the relationships with key stakeholders (employees, customers, suppliers and shareholders) will be included in the Group's Social Responsibility Report 2016, which is expected to be published by mid-2017.

Results and dividends

The results of the Group for the year ended January 31, 2017 are set out in the Consolidated Statement of Profit or Loss.

The Board recommends, for the twelve month period ended January 31, 2017, a final dividend of Euro 307,058,880 (or Euro/cents 12 per share). The payments shall be made:

(i) in Euro to the shareholders recorded in the section of the Company's shareholders register kept by the Company at its registered office in Milan (Italy), and

(ii) in Hong Kong dollars to the shareholders recorded in the section of the Company's shareholders register kept in Hong Kong. The relevant exchange rate will be the opening buying T/T rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day the final dividend is approved by the shareholders.

The final dividend will be subject to approval by the shareholders at the forthcoming shareholders' general meeting of the Company to be held on Wednesday, May 31, 2017. The shareholders recorded on the Company's shareholders register on Friday, May 26, 2017, will be allowed to attend and vote at the shareholders' general meeting of the Company.

In order to qualify to attend and vote at the shareholders' general meeting of the Company, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar itself, or

(ii) the Company's registered office in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company itself,

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Thursday, May 25, 2017. The Company's shareholders register (both sections) will be closed from Friday, May 26, 2017 to Wednesday, May 31, 2017, both days inclusive, during which period no share transfer can be registered.

Subject to the shareholders' approving the recommended final dividend, such dividend will be paid on Tuesday, June 20, 2017.

The final dividend will be paid to shareholders recorded on the Company's shareholders register on Wednesday, June 7, 2017.

In order to qualify for the payment of the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company's Hong Kong share registrar, or

(ii) the Company's registered office in Milan (Italy), Via A. Fogazzaro, 28, if the transfer concerns shares registered in the section of the Company's shareholders register kept by the Company,

in any case, no later than 4:30 p.m. (Hong Kong time)/10:30 a.m. (CET time) on Tuesday, June 6, 2017. The Company's shareholders register (both sections) will be closed on Wednesday, June 7, 2017, during which no share transfer can be registered.

The dividend will be paid net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is 26%.

Five-year financial summary

The five-year financial summary of the Group is set out in Note 41 to the Consolidated financial statements.

Reserves

Details of the movements in the reserves of both the Group and the Company during the year are set out in the Consolidated Statement of Changes in Shareholders' Equity and in the Statement of Changes in PRADA S.p.A. Equity.

Distributable reserves

As at January 31, 2017, the Company's reserves available for distribution to shareholders in accordance with the Company's by-laws amounted to Euro 976.6 million.

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year ended January 31, 2017 (the "Reviewed Period"), are set out in Note 15 to the Consolidated financial statements.

Pre-emptive rights

The Company's by-laws do not provide for pre-emptive rights.

Purchase, sale or redemption of the Company's listed securities

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

Capital gains tax in Italy

Capital gains realized from the sale in an Italian company by shareholders resident in Hong Kong are no longer subject to taxation in Italy, applying as of January 1, 2016.

Further details on Italian capital gains taxation have already been reported in the Tax Booklet available on the Company's website www.pradagroup.com.

Subsidiaries

Details of the Company's subsidiaries as at January 31, 2017, are set out in Note 42 to the Consolidated financial statements.

Directors

The Directors of the Company during the Reviewed Period and up to the date of this annual report are:

Executive Directors

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

Mr. Donatello GALLI (resigned from the role with effect from February 19, 2016)

Non-Executive Directors

Mr. Stefano SIMONTACCHI (assumed the role with effect from April 8, 2016 and was re-elected at the AGM on May 24, 2016)
Mr. Maurizio CEREDA (elected at the AGM on May 24, 2016)

Mr. Gaetano MICCICHÉ (resigned from the role with effect from April 15, 2016)

Independent Non-Executive Directors

Mr. Gian Franco Oliviero MATTEI
Mr. Giancarlo FORESTIERI
Mr. Sing Cheong LIU

In accordance with the by-laws of the Company, the Board of Directors is appointed by the shareholders' general meeting for a period of up to three financial years. The term lapses on the date of the shareholders' general meeting to be called to approve the financial statements for the final year of its office. The Directors may be reappointed.

Biographical information of Directors

A brief biography on each of the Directors of the Company is set out in the "Directors and Senior Management" section of this annual report.

Directors' permitted indemnity

There is no permitted indemnity provision in a contract entered into by the Company or any of its associated corporation that is or was in force during the Reviewed Period and until the date when this directors' report is approved by the Board, which is required to be disclosed under section 470 of the Hong Kong Companies Ordinance.

Management contract

No contract concerning the management and administration of the whole or any substantial part of any business of the Company, that it is not a contract of service with any Director or any person engaged in full-time employment of the Company, to which the Company or any of its subsidiaries was part, was entered into or existed during the Reviewed Period.

Directors' service contracts

None of the Directors of the Company has or is proposed to have a service contract with any member of the Group that cannot be terminated within one year without payment of compensation, other than statutory compensation.

Directors' interests in competing business

During the Reviewed Period, none of the Directors of the Company, held any interest in a business which competes, or is likely to compete, either directly, or indirectly, with the business of the Company or the Group.

Directors' interests and short positions in securities

As at January 31, 2017, the Directors of the Company and their associates held the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

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

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

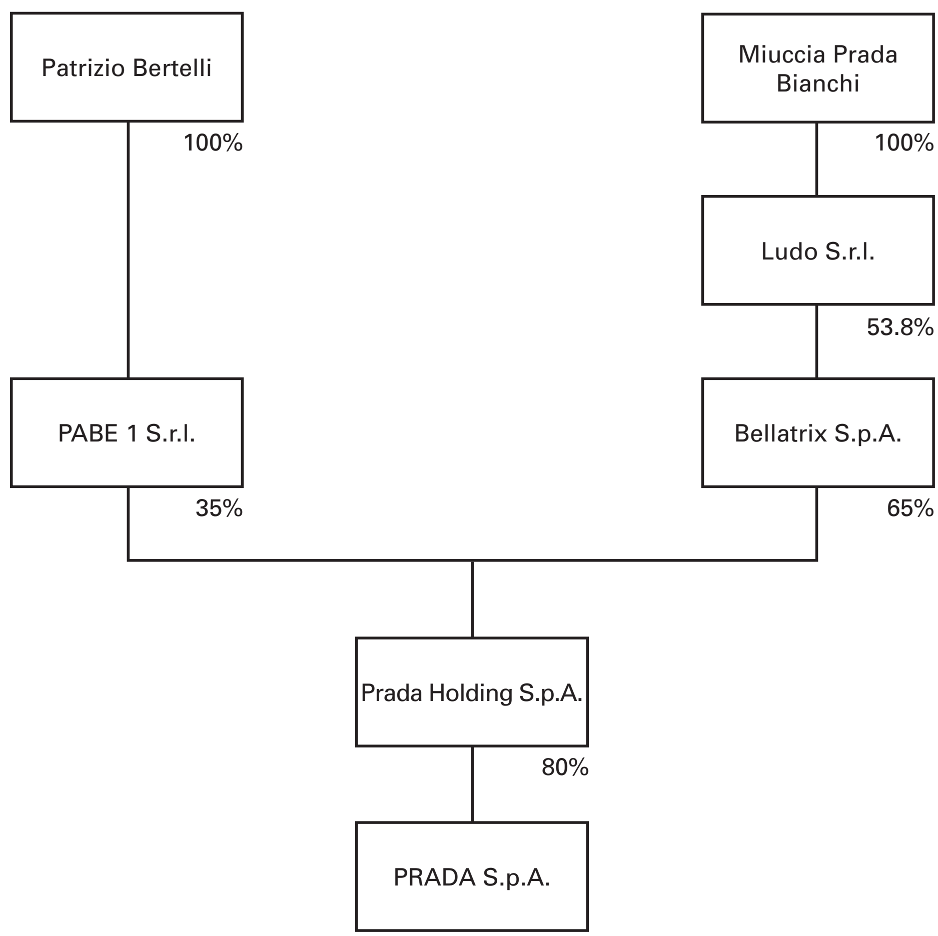
Notes:

1. Prada Holding S.p.A. owns approximately 80% of the issued capital in the Company and is therefore the holding company of the Company.

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

3. Mr. Patrizio Bertelli owns, indirectly through PABE 1 S.r.l., 35% (comprised of 750 ordinary shares and 300 preference shares) of the capital in Prada Holding S.p.A.. Mr. Patrizio Bertelli is therefore deemed under the SFO to be interested in all the shares registered in the name of Prada Holding S.p.A.. Mr. Patrizio Bertelli is also a director of PABE 1 S.r.l..

The interests of Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli in the shares of the Company as at January 31, 2017 are summarized in the following chart:



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

Name of Director	Name of associated corporations	Class of shares	Number of shares	Nature of Interests	Approximate percentage of Interests
Ms. Miuccia Prada Bianchi	Prada Holding S.p.A.	Ordinary Shares	1,650	Controlled Corporation	68.75%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquidation)	Participation Quotas (Euro)	30,600	As above	100%
	Bellatrix S.p.A.	Ordinary Shares	438,460	As above	49.83%
	Bellatrix S.p.A.	Preference Shares	100,000	As above	83.34%
	Ludo S.r.l.	Ordinary Shares	100,311	Beneficial Owner	100%
	PRA 1 S.r.l.	Participation Quotas (Euro)	10,000	Controlled Corporation	100%
	C.I.D. – Cosmetics International Distribution Corp.	Common Shares	1	As above	100%
	Fratelli Prada S.p.A.	Ordinary Shares	734,754	As above	73.48%
	Petranera S.r.l.	Participation Quotas (Euro)	2	As above	100%
Mr. Patrizio Bertelli	Prada Holding S.p.A.	Ordinary Shares	750	Controlled Corporation	31.25%
	Prada Holding S.p.A.	Preference Shares	300	As above	50%
	Prapar Corporation	Common Shares	50	As above	100%
	MFH Munich Fashion Holding GmbH	Registered Share	1	As above	100%
	PAC S.r.l. (in liquida-tion)	Participation Quotas (Euro)	30,600	As above	100%
	C.I.D. – Cosmetics International Distribution Corp.	Common Shares	1	As above	100%

Save as disclosed above, as at January 31, 2017, none of the Directors of the Company or their associates held any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests and short positions in securities

As at January 31, 2017, other than the interests of the Directors of the Company as disclosed above, the following persons held interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued capital
Long Positions			
Prada Holding S.p.A.	Legal and beneficial owner	2,046,470,760	80%
Bellatrix S.p.A.	Interest of controlled corporation	2,046,470,760	80%
Ludo S.r.l.	Interest of controlled corporation	2,046,470,760	80%
PABE 1 S.r.l.	Interest of controlled corporation	2,046,470,760	80%
OppenheimerFunds, Inc	Investment manager	150,723,710	5.89%
JPMorgan Chase & Co.	Beneficial owner (2,592,011) Trustee (other than a bare trustee) (7,178) Custodian corporation/ approved lending agent (134,642,111)	137,241,300	5.36%
Short Positions			
JPMorgan Chase & Co.	Beneficial owner	2,488,000	0.09%
Lending Pool			
JPMorgan Chase & Co.	Custodian Corporation/ approved lending agent	134,642,111	5.26%

Note:

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

Share capital

Details of the share capital of the Company during the Reviewed Period are set out in both the Consolidated Statement of Changes in Shareholders' Equity and Note 28 to the Consolidated financial statements.

Material interests of Directors and entities connected with a Director in transactions, arrangements and contracts

Save for those contracts disclosed under the section on Continuing Connected Transactions below and in Consolidated financial statements Note 39, Transactions with Related Parties, and Note 38, Remuneration of the Board of Directors, in the opinion of the Directors, no transaction, agreement or contract of significance to the Company or the Group subsists as at January 31, 2017, or in fact subsisted during the Reviewed Period in relation to the Company or the Group's business in which the direct or indirect interest of a Director or an entity connected with a Director is or was material.

During the Reviewed Period, there were no arrangements to which the Company or any of the Company's subsidiaries or holding companies or a subsidiary of any of the Company's holding companies is a party, these being arrangements whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Issuance of debt securities

Neither the Company nor any of its subsidiaries issued any debt securities during the Reviewed Period.

As announced on August 1, 2013, the Company issued Euro 130 million 2.75 per cent Notes which become due on August 1, 2018 (the "Notes"). The Notes were subscribed by professional and institutional investors and were settled on August 1, 2013. The Notes were admitted to the official list on the Irish Stock Exchange and were permitted to trade on its regulated market. The Company may, at its discretion, redeem the entirety of the Notes at once (but not some only), at any time after their issuance at an amount equal to their principal amount plus (if applicable) a premium, together with any accrued interest or at par plus accrued interest, in the event that certain tax changes occur. The Notes are not rated.

Continuing Connected transactions

During the Reviewed Period, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the Company's announcements dated January 29, 2013, January 29, 2014, February 27, 2014, July 15, 2015, and April 8, 2016, respectively:

(a) Franchise Agreement – Prada Milan Stores

As disclosed in the Company's announcement dated January 29, 2014, the Company was established in 1913 as a family business operating in Milan and has continued as such since Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli began their cooperation in the late 1970s. Therefore, the Prada stores in Milan have historically been operated by companies that are connected to the Prada family.

Against this historical background, on January 28, 2009, the Company entered into a franchise agreement in relation to the Prada stores based in Milan (the "Franchise Agreement") with five companies that operated the stores and their controlling entity, all of which subsequently merged with Fratelli Prada S.p.A. (the "Franchisee"). The Franchisee is a company indirectly controlled by Ms. Miuccia Prada Bianchi, a Chief Executive Officer, an executive director and a substantial shareholder of the Company. The Franchise Agreement will expire on January 31, 2024 and will be automatically extended for a further 15-year term provided that (i) the Franchisee has met the minimum annual budget for the initial 15-year term; or (ii) the cumulative amount of the purchases made by the Franchisee for the entire initial 15-year term is at least equal to the sum of the minimum annual budget for each of the 15 years.

The table below sets out the annual caps for the Reviewed Period of the Franchise Agreement:

Franchise Agreement – Prada Milan Stores	Euro million
Revenue from sales of goods	59.7
Revenue from services	5.0
Royalties income	1.7
Purchase of goods by the Group	(1.0)
Net transaction amount	65.4

(b) Galleria Transaction

On January 29, 2013, the Company entered into a Business Combination Agreement with Progetto Prada Arte S.r.l. ("PPA") to satisfy the requirements imposed by the Municipality of Milan before the granting to the Company of the right to use the Galleria Property in Milan, Italy. PPA is a company indirectly controlled by Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli (both Chief Executive Officers, executive directors and substantial shareholders of the Company).

In early 2016 the Company - in agreement with PPA - formally asked the Municipality of Milan to fully replace PPA in the management of the entire Galleria Property. Having obtained the approval of the Municipality of Milan, the Company and PPA have mutually agreed to terminate the PPA Business Combination Agreement.

As disclosed in the Company's announcement dated April 8, 2016, the Company entered into a termination agreement with PPA to terminate the Business Combination Agreement with effect from the same date. Neither party is required to pay any penalty or compensation to the other party in respect of the early termination of the Business Combination Agreement.

Following the termination, the Company may from time to time grant to other entities, on a temporary basis, the right to use a portion of the Galleria Property to arrange exhibitions or organise other artistic and cultural events, in promoting and sponsoring the Prada brand image.

The annual cap for the Reviewed Period of the rent to be paid by PPA to the Company under the PPA Business Combination Agreement is Euro 1.6 million.

(c) Luna Rossa sponsorship agreement

On February 27, 2014, the Company entered into a sponsorship agreement with Luna Rossa Challenge S.r.l. a company which is indirectly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, an executive director and a substantial shareholder of the Company, in relation to the participation of the Luna Rossa sailing team in the XXXV edition of the America's Cup (the "Luna Rossa Sponsorship Agreement").

In April 2015, Luna Rossa withdrew from the America's Cup due to the change of the rule to downsize the sailing yacht which was resolved without the unanimous consent of all participants. The Company continued sponsoring the related activities to be carried out by the Luna Rossa sailing team to further promote Prada's name through the sponsorship.

The annual cap for the Reviewed Period of the sponsorship contribution to be paid by the Company to Luna Rossa Challenge S.r.l. under the Luna Rossa Sponsorship Agreement for the Reviewed Period is Euro 9 million.

(d) Lease Agreement and Guarantee for Aoyama Building in Japan

On July 15, 2015, PABE-RE LLC purchased a building in Minami-Aoyama, Tokyo, Japan ("the Aoyama Building"). Prada Japan Co. Ltd ("Prada Japan"), the Company's indirect wholly-owned subsidiary, has been leasing the Aoyama Building for use as its flagship store in Tokyo since 2004.

On May 25, 2015, Prada Japan, as lessee, and the former lessor, renewed the lease of the Aoyama Building by entering into a lease agreement for a term of 20 years (the "Lease Agreement"). On the same date, the Company granted a guarantee in favour of the former lessor to guarantee the punctual performance by Prada Japan of all its obligations under the Lease Agreement (the "Guarantee").

As a results of purchasing the Aoyama Building, PABE-RE LLC has become the lessor under the Lease Agreement and the beneficiary of the Guarantee granted by the Company in favour of the former lessor.

PABE-RE LLC is a wholly-owned subsidiary of PABE 1 S.r.l., a substantial shareholder of the Company, which is directly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, executive director and substantial shareholder of the Company.

Accordingly, the Lease Agreement and the Guarantee, which were continuing transactions of the Group, have become continuing connected transactions of the Group under Chapter 14A of the Listing Rules. The annual cap for the Reviewed Period for the rent paid to PABE-RE LLC, or accrued by the Company in accordance with applicable accounting rules, under the Lease Agreement and the Guarantee is JPY 2,040,703,000.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the Reviewed Period:

	Continuing Connected Transaction ("CCT")	Accounting adjustment to the CCT following the application of "IAS 17 Leases"	Other Accounting adjustment to the CCT following the application of "IAS 1 Presentation of Financial Statements"	Total impact on the profit or loss for the twelve months ended January 31, 2017
(a) Franchise Agreement – Prada Milan Stores	**Euro million**	**Euro million**	**Euro million**	**Euro million**
Revenue from sales of goods	**21.1**	**-**	**-**	**21.1**
Revenue from services, net	**(0.5)**	**-**	**-**	**(0.5)**
Royalties income	**0.6**	**-**	**-**	**0.6**
Purchase of goods by the Group	**(0.5)**	**-**	**-**	**(0.5)**
Net transaction amount	**20.7**	**-**	**-**	**20.7**
(b) PPA Business Combination Agreement				
Rental income	**0.2**	**(1.6)**	**-**	**(1.4)**
(c) Luna Rossa Sponsorship Agreement				
Sponsorship contribution	**0**	**-**	**11.7**	**11.7**
(d) Lease Agreement and Guarantee for Aoyama Building	**Japanese Yen million**	**Japanese Yen million**	**Japanese Yen million**	**Japanese Yen million**
Rent	**2,040.70**	**-**	**-**	**2,040.70**

The Independent Non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that these have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or better; and

(iii) in accordance with the relevant agreement governing them on terms that are considered fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to review the above non-exempt continuing connected transactions. The auditors have, based on the work performed, provided a letter to the Directors of the Company (with a copy provided to the Stock Exchange) to confirm that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Company's Board of Directors;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transaction involved the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have exceeded the relevant annual limits set out in the Company's announcements dated January 29, 2013, January 29, 2014, February 27, 2014, July 15, 2015, and April 8, 2016, as applicable.

Other than the above non-exempt continuing connected transactions no other transaction disclosed in the Consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Listing Rules or, where it falls under the definition of "connected transaction" or "continuing connected transaction" contained in Chapter 14A of the Listing Rules, it is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements governing "connected transactions" or "continuing connected transactions" in accordance with Chapter 14A of the Listing Rules.

Bank loans and other borrowings

Details of the Group's bank loans and other borrowings as at January 31, 2017 are set out in Notes 19 and 24 to the Consolidated financial statements.

Major customers and suppliers

The nature of the Group's activities are such that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is less than 30% of the total sales or purchases and the Directors do not consider any one customer or supplier to have an influence on the Group.

Retirement benefit schemes

Details of the retirement benefit schemes of the Group are set out in Note 25 to the Consolidated financial statements.

Model Code for securities transactions

The Company has adopted the Model Code. Having made specific enquiries to all Directors, all have confirmed that they have complied with the standard set out in the Model Code throughout the Reviewed Period.

Events after the reporting period – if applicable

Details of significant events occurring after the reporting date are set out in Note 44 to the Consolidated financial statements.

Commitments and contingencies

Details of capital commitments and contingent liabilities of the Group as at January 31, 2017 are set out in Notes 40 and 26 respectively to the Consolidated financial statements.

Sufficiency of public float

At the time the Company was listed, the Stock Exchange granted a waiver from strict compliance with Rule 8.08(1) of the Listing Rules (the "Public Float Waiver"). Pursuant to the Public Float Waiver, the Company must at all times maintain a minimum public float of 20%. Based on the information that is available to the Company and within the knowledge of the Directors, the Company has maintained an amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this annual report.

Directors' responsibilities for the Consolidated financial statements

The Directors are responsible for the preparation of the Consolidated financial statements for the year which ended January 31, 2017, with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies, made judgments and estimates that are prudent and reasonable, and prepared the Consolidated financial statements on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union. The Directors are responsible for keeping proper accounting records for safeguarding the assets of the Company and the Group.

Auditor

The Consolidated financial statements and the Separate financial statements of the Company were audited by Deloitte & Touche S.p.A.. Under Italian company law, the auditor is appointed and its remuneration is resolved every three years by the shareholders of the Company in a general meeting, on the basis of a proposal from the Board of statutory auditors.

On April 13, 2012, the Stock Exchange granted to the Company a waiver from strict compliance with Rule 13.88 of the Listing Rules, which requires the appointment of an auditor at each annual general meeting to hold office until the next annual general meeting. As a consequence, the Company's auditor is appointed and its remuneration determined every three years at the shareholders' general meeting of the Company under the applicable Italian laws.

On April 8, 2016, the Board had resolved, in accordance with the recommendations received from the Board of statutory auditors and the Audit Committee, to propose a resolution at the shareholders' general meeting of the Company on May 24, 2016 (the "2016 AGM") to appoint Deloitte & Touche S.p.A. as the auditor of the Company for the relevant three year-term and to fix its remuneration.

At the 2016 AGM, it was resolved to appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years (financial year ended January 31, 2017 to financial year ending January 31, 2019), ending on the date of the shareholders' general meeting called to approve the financial statements for the last year of the auditor's appointment and to approve its remuneration of Euro

487,000, for each financial year of its three-year term, for the provision to the Company of the audit of the Separate financial statements and the Consolidated financial statements, which is included in the overall annual remuneration of Euro 1,868,794 for Deloitte & Touche S.p.A. and its network in respect of provision of audit services to the Group as a whole. The auditor's annual remuneration shall be subject to adjustment in accordance with changes in relevant applicable laws or in the requirements for the audit services as well as the annual adjustment linked to the changes in CPI - consumer price index.

By order of the Board

Carlo Mazzi
Chairman

April 12, 2017

Corporate Governance

Corporate governance practices

The Company is committed to maintaining a high standard of corporate governance practices as part of its commitment to effective corporate governance. The corporate governance model adopted by the Company consists of a set of rules and standards aimed toward establishing efficient and transparent operations within the Group, to protect the rights of the Company's shareholders and to enhance shareholder value. The corporate governance model adopted by the Company is in compliance with the applicable regulations in Italy, as well as the principles of the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules.

Compliance with the Code

The Board has reviewed the Company's corporate governance practices and is satisfied that such practices have complied with the code provisions set out in the Code, for the entire Reviewed Period (i.e. the year ended January 31, 2017). This Corporate Governance report summarizes the way in which the Company has applied the principles and implemented the code provisions contained in the Code for the duration of the Reviewed Period.

Directors' securities transactions

The Company has adopted written procedures governing Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific written acknowledgments have been obtained from each Director to confirm his/her compliance with the required standard set out in the Model Code and the Company's relevant procedures regarding directors' securities transactions for the duration of the Reviewed Period. There were no incidents of non-compliance during the Reviewed Period.

The Company has also adopted written procedures governing securities transactions carried out by the relevant employees who are likely to possess inside information in relation to the Company and its securities. The terms of these procedures are no less exacting than the standard set out in the Model Code.

Directors' interests as at January 31, 2017, in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) are set out in the Directors' Report.

Board of Directors

a. Board Composition

The Board is currently composed of nine Directors, of which four are Executive Directors, two are Non-Executive Directors and three are Independent Non-Executive Directors. All Directors have distinguished themselves in their field of expertise and have advised the Board in the area of their respective specialty, where this is relevant to the Group's business activities and strategic development. Biographical details of the Directors and their relationships, where applicable, are set out in the Directors and Senior Management section of this annual report. The Company has maintained both on its own website and on the website of the Stock Exchange an updated list of its Directors, identifying their respective roles and functions and also specifying if they are an Independent Non-Executive Director.

With a view to achieving a sustainable and balanced development, the Company has viewed diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its development. The Board diversity policy has been considered and adopted by the Board. All Board appointments are based on meritocracy and candidates are proposed and selected based on objective criteria, with due regard for the benefits of diversity within the Board. Diversity in this sense encompasses a wide range of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The final selection is based on merit and the contribution which the candidates can bring to the Board.

The Nomination Committee has been delegated the overall responsibility for implementing and monitoring the application of the board diversity policy. The Nomination Committee will discuss any revisions that may be required to ensure the effectiveness of the board diversity policy and will recommend any such revisions to the Board for its consideration and approval. The Board will review its composition on a regular basis to assess its optimal structure.

b. Board Meetings

During the Reviewed Period, the Board held six meetings to discuss the Group's overall corporate strategic direction and objectives, assess its operational and financial performance (including the annual budget, as well as the annual and interim results) and to approve connected transactions and the Group's main investments and corporate reorganization plans. The average attendance rate of the Directors for these six meetings either in person or through electronic means was 88.7%.

Minutes of the Board meetings are kept by the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano. Minutes of the Board meetings and all Board Committee meetings are available for inspection by any Director by giving reasonable notice.

c. Board Attendance

The details of attendance at Board meetings, Committee meetings and shareholders' general meeting held during the Reviewed Period are set out in the following table:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Executive Directors					
Mr. Carlo MAZZI (Chairman)	6/6		5/5	3/3	1/1
Ms. Miuccia PRADA BIANCHI (Chief Executive Officer)	5/6				0/1
Mr. Patrizio BERTELLI (Chief Executive Officer)	5/6				1/1
Ms. Alessandra COZZANI (also apppointed Chief Financial Officer on February 19, 2016)	6/6				1/1
Mr. Donatello GALLI (Chief Financial Officer resigned effective February 19, 2016)	0/1				n/a
Non-Executive Directors					
Mr. Stefano SIMONTACCHI (appointed on April 8, 2016)	4/4				1/1
Mr. Maurizio CEREDA (appointed on May 24, 2016)	4/4				1/1
Mr. Gaetano MICCICHÉ (resigned effective April 15, 2016)	0/2				n/a
Independent Non-Executive Directors					
Mr. Gian Franco Oliviero MATTEI 1	6/6	4/4	5/5	3/3	1/1
Mr. Giancarlo FORESTIERI 2	6/6	4/4	5/5		1/1
Mr. Sing Cheong LIU 3	5/6	4/4		3/3	1/1
Statutory Auditors					
Mr. Antonino PARISI (Chairman)	6/6	4/4			1/1
Mr. Roberto SPADA	4/6	2/4			1/1
Mr. David TERRACINA	5/6	3/4			1/1
Date(s) of Meeting	Feb 19, 2016	Apr 8, 2016	April 4, 2016	Feb 19, 2016	May 24, 2016
	Apr 8, 2016	Jun 30, 2016	May 24, 2016	Apr 8, 2016	
	June 30, 2016	Aug 26, 2016	June 29, 2016	May 4, 2016	
	Aug 26, 2016	Jan 20, 2017	Jan 20, 2017		
	Jan 20, 2017		Jan 31, 2017		
	Jan 27, 2017				
Average Attendance Rate of Directors	88.7%	100%	100%	100%	88.8%

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

d. Roles and Responsibilities

The Board is vested with full powers for the ordinary and extraordinary management of the Company. The Board has the power to perform all acts it deems advisable for the successful implementation and attainment of the Company's corporate purposes, except for those acts reserved by laws or by the By-laws for resolution at a shareholders' general meeting. In particular, the Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Company and the Group. The Board reserves for its own consideration and decision all matters concerning the overall Group strategy, the Group's strategic objectives, major acquisitions and disposals, annual budgets, as well as annual and interim results, approval of major transactions, connected transactions and any other significant operational and financial matters. The Board is also responsible for evaluating the effectiveness of the risk management and internal control systems on an ongoing basis.

All Board members have been provided with monthly updates prepared by the Executive Directors with the support of the management in order to give a balanced and comprehensive assessment of the performance, position and prospects of both the Company and the Group, in sufficient detail to enable the Board as a whole and each Director to discharge his/her duties.

The Executive Directors are responsible for the day-to-day management of the Company and to make operational and business decisions within the control and delegation framework of the Company.

The types of decisions delegated by the Board to the management include:

- the preparation of annual and interim results for the approval of the Board prior to publication;
- execution of business strategy and other initiatives adopted by the Board;
- monitoring of operating budgets adopted by the Board;
- designing, implementing and monitoring the risk management and the internal controls systems; and
- compliance with relevant statutory requirements, rules and regulations.

e. Non-Executive Directors

The Non-Executive Directors, including the Independent Non-Executive Directors, provide the Company with diversified skills, expertise, qualifications as well as varied backgrounds and perspectives. They participate in the Board and Board Committees (including Audit Committee, Remuneration Committee and Nomination Committee) meetings to bring independent and objective opinions, advice and judgment on important issues relating to the Company's strategy, policy, financial performance, and take the lead on matters where potential conflicts of interests arise. They also attend the shareholders' general meetings of the Company to understand the views of the shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

f. Independent Non-executive Directors

The independence of the Independent Non-Executive Directors has been assessed in accordance with the applicable Listing Rules. Each Independent Non-Executive Director meets the independence guidelines set out in Rule 3.13 of the Listing Rules and provided the Company with the annual confirmation as to his independence. This was further confirmed by the review of the Nomination Committee made on April 11, 2017. None of the Independent Non-Executive Directors of the Company has any business or financial interest in the Company or its subsidiaries and they continue to be considered independent by the Company.

g. Liability Insurance for the Directors

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of all corporate activities. The insurance coverage is reviewed on an annual basis.

h. Directors' Training

Each Director, after his/her appointment, is provided with a comprehensive, formal and tailored induction program to ensure that he/she has a proper understanding of the key areas of business operations and practices of the Company, as well as his/her responsibilities under the relevant laws, rules and regulations.

All Directors are encouraged to participate in continuous professional training to develop and refresh their knowledge and skills. In this respect, during the Reviewed Period, Directors received regular updates on changes to and developments of the

Group's business and on the latest development of the laws, rules and/or regulations relating to Directors' duties and responsibilities. In addition, all Directors (i.e. Mr. Carlo Mazzi, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli Ms. Alessandra Cozzani, Mr. Stefano Simontacchi, Mr. Maurizio Cereda, Mr. Gian Franco Oliviero Mattei, Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu) attended an in-house seminar conducted by the Joint Company Secretaries covering the latest amendment of the Code: risk management and internal control and ESG reporting obligations. These initiatives are taken to ensure the Directors' awareness of the latest corporate governance practices and that their contribution to the Board remains informed and relevant.

Directors are requested to provide records of the continuous training they have received during the Reviewed Period to the Group Corporate Affairs Director and Joint Company Secretary, Ms. Patrizia Albano.

Chairman and Chief Executive Officers

The Chairman is Mr. Carlo Mazzi and the Chief Executive Officers are Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli. The role of the Chairman is separate from that of the Chief Executive Officers. The Chairman is vested with the power to represent the Company and is responsible for ensuring that the Board is functioning properly and adhering to good corporate governance practices and procedures. The Chief Executive Officers, supported by the other Executive Directors and senior management, are responsible for managing the Company's business, including the implementation of major strategies and other initiatives adopted by the Board. The Chief Executive Officers are husband and wife.

Appointment of Directors

At the shareholders' general meeting of the Company held on May 26, 2015, the Board (including the Non-Executive Directors) was appointed for a term of three financial years. The mandate of all the current Directors will lapse on the date of the shareholders' general meeting called to approve the financial statements of the Company for the year ending January 31, 2018.

The Board is empowered under the Company's by-laws to appoint any person as a Director to fill a casual vacancy.

On February 19, 2016, the Nomination Committee and the Board accepted the resignation of Mr. Donatello Galli, the former Executive Director and Chief Financial Officer of the Company, and on the same day, the Nomination Committee recommended and the Board approved the appointment of Ms. Alessandra Cozzani, an existing Executive Director with the additional role as the Chief Financial Officer.

On April 8, 2016, the Nomination Committee recommended and, on the same date, the Board approved, the appointment of Mr. Stefano Simontacchi as Non-Executive Director of the Company with effect from April 8, 2016, to fill the casual vacancy caused by Mr. Galli's resignation, until the first shareholders' general meeting held after his appointment.

Before the shareholders' general meeting of the Company on May 24, 2016 (the "2016 AGM") the Company received a notice from Prada Holding S.p.A., its substantial shareholder, proposing that Mr. Stefano Simontacchi be re-elected as a Director of the Company at the 2016 AGM. The appointment of Mr. Stefano Simontacchi as Non-Executive Director was also recommended by the Nomination Committee.

The Company also received a notice from Prada Holding S.p.A proposing that Mr. Maurizio Cereda be elected as a Director of the Company at the 2016 AGM to fill the casual vacancy caused by the resignation of Mr. Gaetano Micciché, rendered with effect from April 15, 2016. The appointment of Mr. Maurizio Cereda as Non-Executive Director was also recommended by the Nomination Committee.

Mr. Stefano Simontacchi and Mr. Maurizio Cereda were elected as Directors of the Company at the 2016 AGM and each of their mandate will expire at the same time as the other current Directors (i.e. on the date of the shareholders' general meeting to be convened for the approval of the financial statements of the Company for the year ending January 31, 2018).

Under the Company's By-laws, the Directors may be re-appointed.

Corporate Governance Functions of the Board

The Board is responsible for determining and supervising the application of the Company's appropriate corporate governance policies and ensuring its compliance with the provisions of the Code. The Board's role in this regard is:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices regarding compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the Code of Ethics, the Organisation, Management and Control Model (adopted pursuant to Italian Legislative Decree no. 231 of June 8, 2001) and the Company's procedures applicable to employees and directors;

(v) to review the Company's compliance with the Code and disclosure of such in the Corporate Governance report; and

(vi) to perform any other corporate governance duties and functions set out by the Listing Rules or other applicable rules, for which the Board shall be responsible.

During the Reviewed Period, the Board considered the following corporate governance matters:

(i) reviewed connected transactions of the Company;

(ii) reviewed the level of compliance with the Code;

(iii) reviewed the effectiveness of the internal control and risk management systems of the Company through the Internal Control Department and the Audit Committee; and

(iv) approved the Group's main investments and corporate reorganization plans.

Board Committees

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee is chaired by an Independent Non-Executive Director. Each of the Committees' terms of reference is available on both the website of the Company and the Stock Exchange. The terms of reference in respect of each Committee are of no less exacting than those terms set out in the Code.

In addition, the Board has established a supervisory body under the Italian Legislative Decree no. 231 of June 8, 2001.

a. Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules where at least one member possesses appropriate professional qualifications in accounting or possesses related financial management expertise to discharge the responsibility of the Audit Committee. The membership of the Audit Committee consists of three Independent Non-Executive Directors, namely, Mr. Gian Franco Oliviero Mattei (Chairman), Mr. Giancarlo Forestieri and Mr. Sing Cheong Liu. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial reporting process and its internal control and risk management systems, to oversee the external audit process, the internal audit process, the implementation of the Company's risk management functions and to perform any other duties and responsibilities as are assigned to it by the Board.

During the Reviewed Period, the Audit Committee held four meetings (with an attendance rate of 100%) mainly to review with senior management, the Group's internal and external auditor and the board of statutory auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference and make relevant recommendations to the Board. The Audit Committee's review covers the audit plans as well as the findings of both the internal and the external auditors, internal controls, risk assessment, annual review of the continuing connected transactions of the Group, tax updates and financial reporting matters (including the annual results for the year ended January 31, 2016 and the interim financial results as of July 31, 2016) before recommending them to the Board for approval.

The Audit Committee has also held two meetings on April 6 and 12, 2017, to review the annual results for the year ended January 31, 2017, before recommending it to the Board for approval.

Auditor's compensation

The total fees and expenses accrued in favor of Deloitte & Touche S.p.A. and its network for the audit of the financial statements ended January 31, 2017 and January 31, 2016, together with non-audit services, are illustrated below:

Type of service	Audit Firm	Provided to	twelve months ended January 31, 2017	twelve months ended January 31, 2016
Audit services	Deloitte & Touche spa	PRADA spa	514	485
Audit services	Deloitte & Touche spa	Subsidiaries	173	162
Audit services	Deloitte Network	Subsidiaries	1,194	1,294
Total audit fees accruing			1,881	1,941
Other advisory services	Deloitte Network	PRADA spa	1,045	880
Other advisory services	Deloitte Network	PRADA spa and subsidiaries	216	247
Total non-audit fees accruing			1,261	1,127
Out of pocket expenses			81	99
Total independent auditor's compensation accruing			3,223	3,167

Other advisory services for Prada S.p.A. mainly relate to services to assist the Company with the production of a new website, with processes aimed at creating a data warehouse and in developing its customer cluster analysis.

b. Remuneration Committee

The Company has established a Remuneration Committee in compliance with the Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration package of Directors and senior management and the establishment of a formal and transparent procedure for developing policies on such remuneration. The recommendations of the Remuneration Committee are then put forward to the Board for consideration and adoption, where appropriate. The Remuneration Committee consists of two Independent Non-Executive Directors, Mr. Gian Franco Oliviero Mattei (Chairman) and Mr. Giancarlo Forestieri and one Executive Director, Mr. Carlo Mazzi.

During the Reviewed Period, the Remuneration Committee held five meetings (with an attendance rate of 100%) mainly to recommend certain updates regarding the long-term incentive plan connected to the Group's results and the management by objectives incentives for the 2016 financial year.

Remuneration Policy

The Group's compensation policy is aimed at attracting, rewarding and protecting its personnel, who are considered to be key to the success of the Group's business.

The Group has an incentive system that links compensation with the annual performance of the Group itself, taking into account the Group's objectives in net sales, as well as the objectives of each department.

The Group has adopted long term cash incentive plans for senior managers and key managers for retention purposes, under which the benefit of a senior manager or a key manager under the incentive plan would vest subject to the achievement by the Group of one or more economic objectives and his/her presence within the Group at the end of a three-year period.

Other incentive schemes specific to sales staff are also in place, and technicians of the Group may receive a collection bonus that is provided to them following the development of a seasonal collection.

The aggregate basic remuneration of the Board is approved by the shareholders in a general meeting. The additional remuneration of each Director vested with special authorities (that is to the Executive Directors and members of the Board's Committees) is determined by the Board - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors.

Under the current compensation arrangements, the Executive Directors receive compensation in the form of fees, salaries and other benefits, discretionary bonuses and/or other incentives, including non-monetary benefits and other allowances and contributions such as to retirement benefits schemes. The Non-Executive Directors (including Independent Non-Executive Directors) receive compensation in the form of fees, salaries and contributions to retirement benefits scheme, as the case may be. No Director is allowed to approve his/her own remuneration.

c. Nomination Committee

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

Cheong Liu and one Executive Director, Mr. Carlo Mazzi.

During the Reviewed Period, the Nomination Committee held three meetings (with an attendance rate of 100%), to assess and confirm the independence of the Independent Non-Executive Directors of the Company for 2015 financial year and to recommend to the shareholders the election of Mr. Stefano Simontacchi and Mr. Maurizio Cereda as directors of the Company at the shareholders' general meeting held on May 24, 2016.

On April 11, 2017, the Nomination Committee assessed and confirmed the independence of the Independent Non-Executive Directors of the Company for the Reviewed Period.

d. Supervisory Body

In compliance with Italian Legislative Decree no. 231 of June 8, 2001, the Company has established a supervisory body whose primary duty is to ensure the functioning, effectiveness and enforcement of the Company's Model of Organization, adopted by the Company pursuant to the Decree. The supervisory body consists of three members appointed by the Board selected among qualified and experienced individuals, including Independent Non-Executive Directors, qualified auditors, executives or external individuals. The supervisory body consists of Mr. David Terracina (Chairman), Mr. Gian Franco Oliviero Mattei and Mr. Paolo De Paoli.

Board of statutory auditors

Under Italian law, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable laws, regulations and the By-laws, as well as compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the Company and its functioning.

At the shareholders' general meeting of the Company held on May 26, 2015, the board of statutory auditors (including the alternate statutory auditors) was appointed for a term of three financial years. The mandate of the Board of Statutory Auditors will expire at the shareholders' general meeting called to approve the financial statements of the Company for the year ending January 31, 2018.

The board of statutory auditors of the Company consists of Mr. Antonino Parisi (Chairman), Mr. Roberto Spada and Mr. David Terracina. The alternate statutory auditors are Ms. Stefania Bettoni and Mr. Cristiano Proserpio.

Directors' responsibility and auditors' responsibility for Consolidated financial statements

The Directors are responsible for preparing the Consolidated financial statements of the Company for the year ended January 31, 2017 with a view to ensuring such Consolidated financial statements give a true and fair view of the state of affairs of the Group. In preparing these Consolidated financial statements, the Directors have selected suitable accounting policies and made judgments and estimates that are prudent and reasonable. The Consolidated financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as adopted by the European Union.

In addition the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function during the Reviewed Period.

As regards the auditor of the Company, its responsibilities are stated in the auditor's reports on the Consolidated financial statements.

Internal control and risk management

The Group's internal control system has mainly been designed to safeguard the assets of the Group itself, to maintain proper accounting standards, to ensure that appropriate authority has been given for the performance of acts by the Company, and to comply with the relevant laws and regulations.

To better control its activities in moving toward the achievement of the established objectives, the Group has adopted the "Enterprise Risk Management – Integrated Framework" as reference method to identify, evaluate and manage the specific risks arising out of the continuous changes which affect the regulatory framework and the Group's operations.

The Board places great importance on maintaining a sound and effective system of risk management and internal control to safeguard the shareholders' investment and the Company's assets.

The Board has acknowledged its responsibility for the risk management and internal control systems - including financial, operational and compliance controls functions - and for the ongoing monitoring and review of their effectiveness. Such systems are designed to manage rather than eliminate risks and are aimed at providing reasonable and not absolute assurance against material misstatement or loss.

The management with the support of the Internal Audit Department has been granted by the Board with the responsibility on the process to identify, evaluate and manage the risk factors that may affect the Group's operations and to resolve material internal control defects in the event such defects arise.

The Internal Audit Department provides an independent review of the adequacy and effectiveness of the internal control and the risk management systems. The audit plan is discussed and agreed every year by the Audit Committee and then submitted to the Board for approval. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. The risk assessment documents are periodically updated by the Internal Audit Department - with the support of the management - then reviewed by the Audit Committee and submitted to the Board for the relevant approval.

The Board has received a specific confirmation from the relevant management of the Company on the effectiveness of the Company's risk management and the internal control systems throughout the Reviewed Period.

During the Reviewed Period, no significant control failings or weaknesses were identified.

The Board - also through the support of the Audit Committee – has been reviewing on an ongoing basis (with the same frequency as regular Board meetings were held) and is generally satisfied that the internal control and the risk management systems have functioned effectively and have been adequate for the Group as a whole, throughout the Reviewed Period.

Moreover, the Board is generally satisfied of the adequacy of resources, staff qualifications and experience, training program and budget of the Company's internal audit and risk management function during the Reviewed Period.

Inside Information

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Company:

– has adopted certain policies to ensure potential inside information is captured and confidentiality is maintained until timely and proper disclosure is made (the "Policy on Inside Information");

– has made available on the Company's intranet the Policy on Inside Information in order to ensure immediate access to it by all the Group's staff;

– has included in the procedures governing Directors and relevant employees a prohibition on dealing in the Company's shares whilst in possession of inside information; and

– has authorized only the Executive Directors and few selected members of management to act as spokespersons and respond to external enquiries.

In addition, the Board has established an Inside Information Committee, which comprises the Chairman, the Chief Executive Officer, Mr. Patrizio Bertelli, and the Chairman of the Audit Committee. The Inside Information Committee has been delegated with the power to assess, if necessary, any potential inside information, and to keep all other Directors timely informed about its decisions.

Joint Company Secretaries

The Company has appointed Ms. Patrizia Albano and Ms. Yuen Ying Kwai as joint company secretaries. Given that the headquarter of the Company is located outside Hong Kong and the Company is incorporated in Italy, the Company is of the view that it is in the best interests of the Company and is of good corporate governance to maintain Ms. Patrizia Albano and Ms. Yuen Ying Kwai as the joint company secretaries. During the Reviewed Period, each of Ms. Patrizia Albano and Ms. Yuen Ying Kwai, respectively, undertook over 15 hours of relevant professional training to update their skills and knowledge. Their biographies are set out in the Directors and Senior Management section.

Shareholders' Rights

a. Convening of the shareholders' general meeting at the shareholders' request

Pursuant to Article 14.2 of the Company's By-Laws, a shareholders' general meeting has to be called by the Board when requested by shareholders representing at least one-twentieth of the Company's share capital, provided that the request mentions the item(s) to be discussed at the meeting. If there is an unjustified delay in calling the meeting by the Board, action will be taken by the board of statutory auditors.

b. Putting forward proposals at shareholders' general meeting

Pursuant to Articles 14.4 and 14.5 of the Company's By-Laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days from the notice of call for a shareholders' general meeting, by setting out the proposed additions (five days in advance in the circumstances indicated under the second paragraph of Article 14.4). The proposals should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy.

c. Making an enquiry to the Board

Enquiries about matters to be put forward to the Board should be directed to the Group Corporate Affairs Director and Joint Company Secretary by email at corporateaffairs@pradagroup.com or at the Company's address: Via A. Fogazzaro n. 28, Milan 20135, Italy. The Company will not normally deal with verbal or anonymous enquiries.

d. Procedures for shareholders' to propose a person for election as Director

The procedures for a shareholder to nominate a person for election as a Director of the Company are set out in Articles 19.3 and 19.4 of the Company's By-laws, details of which have been disclosed in the Company's announcement dated March 30, 2012.

Constitutional Documents

During the Reviewed Period, there was no change to the Company's constitutional documents.

Communication with Shareholders

a. Investor relations and communications

The Company endeavors to maintain a high level of transparency when communicating with the shareholders and the financial community in general. The Company has maintained regular dialogue and fair disclosure with institutional shareholders, fund managers, research analysts and the finance media. Investor/analysts briefings and one-on-one meetings, roadshows, investor conferences, site visits and results briefings are conducted on a regular basis in order to facilitate communication between the Company, shareholders and the investment community. The Company strives to ensure effective and timely dissemination of information to shareholders and the investment community at all times and will regularly review the arrangements to ensure its effectiveness.

The Company's corporate website (www.pradagroup.com) facilitates effective communications with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, press releases, presentations, announcements, circulars to shareholders and notices of general meetings, etc.

b. Shareholders' Meetings

The Company strives to maintain an on-going dialogue with its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings. The process of the Company's general meeting is monitored and reviewed on a regular basis.

The Company uses the shareholders' general meeting as one of the principal channels for communicating with the shareholders and to ensure that shareholders' views are communicated to the Board. At the shareholders' general meeting, each substantially separate issue is proposed and considered by a separate resolution (including the election of individual directors).

The 2016 AGM of the Company was held on May 24, 2016 at the Company's registered office at Via A. Fogazzaro n. 28, Milan, Italy with a video-conference system located at the registered office of Prada Asia Pacific Limited at 36/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong. The Directors, including the Chairman of the Board, the Chairman of the Board Committees and the auditor of the Company, Deloitte & Touche S.p.A., attended the 2016 AGM.

Separate resolutions were proposed at the 2016 AGM relating to each issue and the voting results of such resolutions were disclosed in the announcement of the Company dated May 24, 2016. The number of votes cast in favour of each resolution (and the corresponding percentage level) are set out below:

Brief summary of the Ordinary Resolutions passed at the 2016 AGM	Number of Votes cast in favour (%)
1. To approve the Audited Separate Financial Statements and the Audited Consolidated Financial Statements of the Company for the year ended January 31, 2016 together with the Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.	2,427,147,145 (100.00%)
2. To approve the distribution of the net income for the year ended January 31, 2016 to Shareholders and the utilization of retained earnings, in the form of a final dividend of Euro 11 cents per share.	2,427,147,245 (100.00%)
3.a) To elect Mr. Stefano SIMONTACCHI as a Non-Executive Director of the Company.	2,422,431,868 (99.81%)
3.b) To elect Mr. Maurizio CEREDA as a Non-Executive Director of the Company.	2,426,174,275 (99.96%)
4. To appoint Deloitte & Touche S.p.A. as the auditor ("revisore legale dei conti") of the Company for a term of three financial years and to approve its remuneration.	2,426,572,255 (99.98%)

All resolutions put to the shareholders at the 2016 AGM were duly passed. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar, acted as scrutineer for the vote taking at the 2016 AGM.

c. Corporate Communications

In order to increase efficiency in communication with shareholders and to contribute to environmental protection, the Company has made arrangements from September 2011 to ascertain how its shareholders wish to receive corporate communications. Shareholders have the right to choose the language, either in English or Chinese, or both, and means of receipt of the corporate communications, in printed form or by electronic means through the Company's website at www.pradagroup.com.

Consolidated Financial Statements

Consolidated statement of financial position

(amounts in thousands of Euro)	Note	January 31 2017	January 31 2016
Assets			
Current assets			
Cash and cash equivalents	9	722,214	680,601
Trade receivables, net	10	285,504	254,183
Inventories, net	11	526,941	692,672
Derivative financial instruments – current	12	7,045	11,682
Receivables from, and advance payments to, related parties - current	13	14,964	19,629
Other current assets	14	253,375	229,671
Total current assets		1,810,043	1,888,438
Non-current assets			
Property, plant and equipment	15	1,542,684	1,517,779
Intangible assets	16	921,800	932,238
Associated undertakings	17	11,775	17,354
Deferred tax assets	35	247,266	280,572
Other non-current assets	18	123,361	113,954
Derivative financial instruments - non current	12	-	721
Receivables from, and advance payments to, related parties – non-current	13	-	5,499
Total non-current assets		2,846,886	2,868,117
Total Assets		4,656,929	4,756,555
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term financial payables and bank overdraft	19	151,211	270,766
Payables to related parties – current	20	5,542	5,244
Trade payables	21	256,094	281,699
Tax payables	22	65,467	80,744
Derivative financial instruments - current	12	13,634	11,095
Other current liabilities	23	144,827	142,271
Total current liabilities		636,775	791,819
Non-current liabilities			
Long-term financial payables	24	547,628	520,475
Long-term employee benefits	25	67,211	69,405
Provision for risks and charges	26	82,323	69,233
Deferred tax liabilities	35	31,140	36,882
Other non-current liabilities	27	179,072	161,317
Derivative financial instruments non-current	12	8,250	10,047
Total non-current liabilities		915,624	867,359
Total Liabilities		1,552,399	1,659,178
Share capital		255,882	255,882
Total other reserves		2,401,500	2,355,023
Translation reserve		144,791	138,547
Net income for the year		278,329	330,888
Equity attributable to owners of Group	28	3,080,502	3,080,340
Equity attributable to Non-controlling interests	29	24,028	17,037
Total Equity		3,104,530	3,097,377
Total Liabilities and Total Equity		4,656,929	4,756,555
Net current assets		1,173,268	1,096,619
Total assets less current liabilities		4,020,154	3,964,736

Consolidated Statement of Profit or Loss

(amounts in thousands of Euro)	Note	twelve months ended January 31 2017	%	twelve months ended January 31 2016	%
Net revenues	30	3,184,069	100.0%	3,547,771	100.0%
Cost of goods sold	31	(894,957)	-28.1%	(980,206)	-27.6%
Gross margin		2,289,112	71.9%	2,567,565	72.4%
Operating expenses	32	(1,857,931)	-58.4%	(2,064,672)	-58.2%
EBIT		431,181	13.5%	502,893	14.2%
Interest and other financial income/(expenses), net	33	(18,003)	-0.6%	(29,872)	-0.9%
Dividends from investments	34	2,252	0.1%	2,311	0.1%
Income before taxes		415,430	13.0%	475,332	13.4%
Taxation	35	(131,240)	-4.1%	(141,994)	-4.0%
Net income for the year		284,190	8.9%	333,338	9.4%
Net income – Non-controlling interests	29	5,861	0.2%	2,450	0.1%
Net income – Group	28	278,329	8.7%	330,888	9.3%
Basic and diluted earnings per share (in Euro per share)	36	0.109		0.129	

Consolidated statement of cash flows

(amounts in thousands of Euro)	twelve months ended January31 2017	twelve months ended January 31 2016
Income before taxation	415,430	475,332
Profit or loss adjustments		
Depreciation and amortization from continuing operations	212,052	290,408
Impairment of property, plant and equipment and intangible assets	10,215	9,457
Non-monetary financial (income) expenses	15,307	22,104
Other non-monetary charges	17,040	33,877
Balance Sheet changes		
Other non-current assets and liabilities	(16,640)	(59,806)
Trade receivables, net	(27,655)	91,047
Inventories, net	170,549	(63,656)
Trade payables	(25,630)	(155,339)
Other current assets and liabilities	3,499	(15,916)
Cash flows from operating activities	774,167	627,508
Interest paid, net – third parties	(12,693)	(13,583)
Taxes paid	(129,624)	(245,460)
Net cash flows from operating activities	631,850	368,465
Purchases of property, plant and equipment and intangible assets	(227,623)	(393,905)
Disposals of property, plant and equipment and intangible assets	2,608	3,353
Dividends from investments	2,252	1,315
Investment in associated undertaking	-	(2,138)
Transactions with Non-controlling shareholders	-	(750)
Business combination	(3,564)	-
Net cash flow utilized by investing activities	(226,327)	(392,125)
Dividends paid to shareholders of PRADA spa	(281,471)	(281,471)
Dividends paid to non-controlling shareholders	(706)	(3,229)
New loans from related companies	-	2,379
Repayment of short term portion of long term borrowings - third parties	(79,129)	(45,391)
Arrangement of long-term borrowings – third parties	122,500	192,444
Change in short-term borrowings – third parties	(138,426)	125,082
Share capital increases by non-controlling shareholders of subsidiaries	1,014	409
Cash flows generated/(utilized) by financing activities	(376,218)	(9,777)
Change in cash and cash equivalents, net of bank overdrafts	29,305	(33,437)
Foreign exchange differences	12,314	5,158
Opening cash and cash equivalents, net of bank overdraft	680,595	708,873
Closing cash and cash equivalents, net of bank overdraft	722,214	680,594
Cash and cash equivalents	722,214	680,601
Bank overdraft	-	(7)
Closing cash and cash equivalents, net of bank overdraft	722,214	680,594

Consolidated Statement of Changes in Equity (amounts in thousands of Euros, except number of shares)

											Equity		
(amounts in thousands of Euro)	Number of shares	Share Capital	Translation reserve	Share premium reserve	Cash flow hedge reserve	Actuarial reserve	Fair Value Available for sale Reserve	Other reserves	Total other reserves	Net income for year	Equity attributable to owners of the Group	Equity attributable Non-controlling interest-ss	Total Equity
Balance at January 31, 2015	2,558,824,000	255,882	130,996	410,047	(35,323)	(13,481)	11,115	1,790,771	2,163,129	450,730	3,000,737	17,410	3,018,147
Allocation of 2014 net income	-	-	-	-	-	-	-	450,730	450,730	(450,730)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(3,228)	(284,699)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	409	409
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	(726)	(726)	-	(726)	(39)	(765)
Comprehensive income for the year (recycled to P&L)	-	-	7,551	-	28,223	-	(10,182)	-	18,041	330,888	356,480	2,479	358,959
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	5,320	-	-	5,320	-	5,320	6	5,326
Balance at January 31, 2016	2,558,824,000	255,882	138,547	410,047	(7,100)	(8,161)	933	1,959,304	2,355,023	330,888	3,080,340	17,037	3,097,377
Allocation of 2015 net income	-	-	-	-	-	-	-	330,888	330,888	(330,888)	-	-	-
Dividends	-	-	-	-	-	-	-	(281,471)	(281,471)	-	(281,471)	(706)	(282,177)
Share capital increase	-	-	-	-	-	-	-	-	-	-	-	1,014	1,014
Transactions with Non-controlling shareholders	-	-	-	-	-	-	-	(2,008)	(2,008)	-	(2,008)	280	(1,728)
Comprehensive income for the year (recycled to P&L)	-	-	6,244	-	(797)	-	(2,589)	-	(3,386)	278,329	281,187	6,401	287,588
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	2,454	-	-	2,454	-	2,454	2	2,456
Balance at January 31, 2017	2,558,824,000	255,882	144,791	410,047	(7,897)	(5,707)	(1,656)	2,006,713	2,401,500	278,329	3,080,502	24,028	3,104,530

Consolidated Statement of Comprehensive Income

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Net income for the period – Consolidated	284,190	333,338
A) Items recycled to P&L:		
Change in Translation reserve	6,784	7,580
Tax impact	-	-
Change in Translation reserve less tax impact	6,784	7,580
Change in Cash Flow Hedge reserve	(914)	38,907
Tax impact	117	(10,684)
Change in Cash Flow Hedge reserve less tax impact	(797)	28,223
Change in Fair Value reserve	(3,452)	(13,576)
Tax impact	863	3,394
Change in Fair Value reserve less tax impact	(2,589)	(10,182)
B) Item not recycled to P&L:		
Change in Actuarial reserve	3,277	6,526
Tax impact	(821)	(1,200)
Change in Actuarial reserve less tax impact	2,456	5,326
Consolidated comprehensive income for the period	290,044	364,285
Comprehensive income for the period – Non-controlling Interests	6,403	2,485
Comprehensive income for the period – Group	283,641	361,800

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

PRADA spa Separate Financial Statements

PRADA spa Statement of Financial Position

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Assets		
Current assets		
Cash and cash equivalents	112,783	157,110
Trade receivables, net	626,308	538,558
Inventories, net	222,026	320,717
Derivative financial instruments	8,408	11,276
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties	119,937	95,481
Other current assets	158,662	158,867
Total current assets	1,248,124	1,282,009
Non-current assets		
Property, plant and equipment	640,960	555,913
Intangible assets	171,932	125,837
Associated undertakings	1,047,465	945,527
Deferred tax assets	31,662	36,781
Other non-current assets	19,245	16,452
Derivative financial instruments - non current	6,031	7,546
Financial receivables and other receivables from parent company, subsidiaries, associates and related parties	112,161	330,164
Total non-current assets	2,029,456	2,018,220
Total assets	3,277,580	3,300,229
Liabilities and Shareholders' equity		
Current liabilities		
Short-term financial payables and bank overdraft	62,871	208,228
Financial payables and other payables to parent company, subsidiaries, associates and related parties	309,854	53,857
Trade payables	744,134	587,422
Current tax liabilities	10,599	9,071
Derivative financial instruments	11,806	9,218
Other current liabilities	81,826	92,664
Total current liabilities	1,221,090	960,459
Non-current liabilities		
Long-term debt, net of current portion	456,497	371,729
Long-term employee benefits	35,845	37,862
Provisions for risks and charges	31,011	25,503
Deferred tax liabilities	3,980	4,845
Other non-current liabilities	20,110	17,257
Derivative financial instruments - non current	7,608	9,839
Financial payables and other payables to parent company, subsidiaries, associates and related parties	13,879	269,566
Total non-current liabilities	568,930	736,601
Total liabilities	1,790,020	1,697,060
Share capital	255,882	255,882
Other reserves	1,048,323	1,098,866
Net income of the year	183,355	248,421
Shareholders' equity	1,487,560	1,603,169
Total Liabilities & Shareholders' Equity	3,277,580	3,300,229

PRADA spa Statement of Profit or Loss

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Net revenues	1,583,750	1,914,781
Cost of goods sold	(722,605)	(890,721)
Gross Margin	851,144	1,024,060
Selling, general and administrative expenses	(651,437)	(682,777)
Interest and other financial income (expenses), net	48,032	7,570
Income before tax	247,739	348,853
Income taxes	(64,384)	(100,432)
Net income for the year	183,355	248,421

PRADA spa Statement of comprehensive income

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Net income for the year	183,355	248,421
Items recycled to P&L:		
Change in cash flow hedge reserve	(2,236)	38,711
Tax effect	541	(10,645)
Change in Cash Flow Hedge reserve after tax effect	(1,695)	28,066
Items not recycled to P&L:		
Gains/ (losses) recognized in actuarial gains/(losses) reserve	(755)	830
Tax effect	46	-
Change in actuarial reserve after tax effect	(709)	830
Total comprehensive income	180,951	277,317

PRADA spa Statement of cash flows

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Cash flows from operating activities:		
Income before taxation	247,739	348,853
Adjustments for:		
Depreciation and amortization	47,437	41,779
Impairment of fixed assets	1,404	615
Losses/(gains) on disposal of non-current assets	112	(22)
Impairment of investments	24,328	28,793
Non-monetary financial (income) expenses	(76,698)	(47,947)
Provisions and other non-monetary expenses	11,512	24,251
Balance sheet adjustments for:		
Trade receivables, net	(126,128)	197,322
Inventories, net	114,861	(30,345)
Trade payables	157,028	(54,139)
Other current assets and liabilities	(6,705)	(36,800)
Other non-current assets and liabilities	(8,528)	(1,623)
Cash flows generated by operations	386,362	470,737
Interest paid	(9,488)	(7,862)
Income taxes paid	(54,769)	(147,325)
Net cash flows generated by operations	322,105	315,550
Cash flows generated (utilized) by investing activities:		
Purchase of property, plant and equipment	(80,022)	(174,164)
Disposal of property, plant and equipment	2,456	-
Purchase of intangible assets	(13,568)	(24,429)
Disposal of intangible assets	-	97
Investments in subsidiaries	(49,243)	(13,161)
Dividends received	80,739	42,039
Cash flows generated (used) by investing activities	(59,638)	(169,618)
Cash flows generated (utilized) by financing activities:		
Dividends paid	(281,469)	(281,470)
Change in bank borrowing - current	(148,841)	49,125
Change in intercompany loans - current	14,034	(48,629)
Loans repaid by subsidiaries	-	25,095
Loans made to subsidiaries	(15,394)	(118,700)
Long-term loans repaid by/(made to) related parties	-	38
Repayment of current portion of long term borrowings	(436)	(7,636)
New long term borrowings	95,102	265,654
Cash flows generated (used) by financing activities	(306,791)	(116,523)
Change in cash and cash equivalents net of bank overdraft	(44,324)	29,409
Exchange differences	(1)	(1)
Opening cash and cash equivalents, net of bank overdraft	157,107	127,699
Closing cash and cash equivalents, net of bank overdraft	112,783	157,107
Cash and bank balances	112,783	157,110
Bank overdraft	-	(3)
Closing cash and cash equivalents, net of bank overdraft	112,783	157,107

PRADA S.p.A. Statement of Changes in Equity (amounts in thousands of Euros, except number of shares)

(amounts in thousands of Euro)	Number of shares	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Cash flow hedge reserve	Net income	Share-holders' equity
Balance at January 31 2015	2,558,824,000	255,882	410,047	51,176	182,899	349,862	(27,973)	385,429	1,607,323
Allocation of 2014 net income	-	-	-	-	-	385,429	-	(385,429)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	28,066	248,421	276,487
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	830	-	-	830
Balance at January 31 2016	2,558,824,000	255,882	410,047	51,176	182,899	454,650	93	248,421	1,603,169
Allocation of 2015 net income	-	-	-	-	-	248,421	-	(248,421)	-
Dividends paid	-	-	-	-	-	(281,471)	-	-	(281,471)
Other Movements	-	-	-	-	-	(15,089)	-	-	(15,089)
Comprehensive income for the year (recycled to P&L)	-	-	-	-	-	-	(1,695)	183,355	181,661
Comprehensive income for the year (not recycled to P&L)	-	-	-	-	-	(709)	-	-	(709)
Balance at January 31 2017	2,558,824,000	255,882	410,047	51,176	182,899	405,803	(1,602)	183,355	1,487,560

Notes to the Consolidated Financial Statements

1. General information

PRADA spa (the "Company"), together with its subsidiaries (jointly the "Group"), is listed on the Hong Kong Stock Exchange (HKSE code: 1913). It is one of the world leaders in the luxury goods sector where it operates with the Prada, Miu Miu, Church's and Car Shoe brands in the design, production and distribution of luxury handbags, leather goods, footwear, apparel and accessories. The Group also operates in the eyewear and fragrance industries under specific licensing agreements stipulated with industry leaders, and with the recent acquisition (2014) of Pasticceria Marchesi 1824, it has made its entry into the food industry, where it is positioned at the highest levels of quality.

The Group's products are sold in 70 countries worldwide through a network that included 620 Directly Operated Stores (DOS) at January 31, 2017, and a select network of luxury department stores, independent retailers, franchise stores and on-line distributors (e-tailer).

The Company is a joint-stock company, registered and domiciled in Italy. Its registered office is in via Fogazzaro 28, Milan, Italy. At the date of these Consolidated financial statements, 79.98% of the share capital was owned by PRADA Holding spa, a company domiciled in Italy, while the remaining shares were floating on the Main Board of the Hong Kong Stock Exchange.

The Consolidated financial statements were approved and authorized for issue by the Board of Directors of PRADA spa on April 12, 2017.

2. Basis of preparation

The Consolidated financial statements of the Prada Group as at January 31, 2017, including the "Consolidated statement of financial position", the "Consolidated Statement of Profit or Loss", the "Statement of consolidated comprehensive income", the "Consolidated statement of cash flows", the "Statement of changes in consolidated shareholders' equity" and the "Notes to the consolidated financial statements" have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union.

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

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

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

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

3. New IFRS and amendments to IFRS

New standards and amendments issued by the IASB, endorsed by the European Union and applicable to the PRADA Group from February 1, 2016.

Amendments to existing standards	Effective Date for the PRADA Group	EU endorsement status
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	February 1, 2016	Endorsed on December 2015
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	February 1, 2016	Endorsed on November 2016
Disclosure Initiative: Amendments to "IAS 1 Presentation of Financial Statements"	February 1, 2016	Endorsed on December 2015
2012–2014 Cycle that impacted IFRS 5, IFRS 7, IAS 19, IAS 34	February 1, 2016	Endorsed on December 2015

These changes above did not have significant impacts on these Consolidated Financial Statements.

New standards and amendments issued by the IASB, endorsed by the European Union, but not yet applicable to the PRADA Group as effective from annual periods beginning on or after January 1, 2017.

New standards	Effective Date for the PRADA Group	Date of EU endorsement
IFRS 9 Financial instruments	February 1, 2018	Endorsed on November 2016
IFRS 15 Revenue from contracts with Customers	February 1, 2018	Endorsed on September 2016

New standards and amendments issued by the IASB, but not yet endorsed by the European Union.

New standards	Effective Date for the PRADA Group	Date of EU endorsement
IFRS 14 Regulatory Deferral Accounts	February 1, 2016	Not yet endorsed
IFRS 16 Leases	February 1, 2019	Not yet endorsed

Amendments to existing standards	Effective Date for the PRADA Group	Date of EU endorsement
IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	indefinitely deferred	Not yet endorsed
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	February 1, 2017	Not yet endorsed
IAS 7 Cash flow statement	February 1, 2017	Not yet endorsed
2014–2016 Cycle that impacted IFRS 1, IAS 28, IFRS 12	February 1, 2017	Not yet endorsed
Clarification to IFRS 15 revenue from contracts with customers	February 1, 2018	Not yet endorsed
IFRS 2 Classification and measurement of Share-based Payment	February 1, 2018	Not yet endorsed
IAS 40: Transfer of Investment Property	February 1, 2018	Not yet endorsed
IFRIC interpretation 22 Foreign Currency Transactions and Advance consideration	February 1, 2018	Not yet endorsed

As at the date of these Consolidated financial statement the Directors have not yet completed the analysis necessary to assess the impacts of the new standards, amendments and operational guides not yet applicable to the PRADA Group. However, in relation to the significance that rental contracts for commercial premises do have for the Group, it is reasonable to conclude that the impact of ''IFRS 16 Leases" will be material.

4. Scope of consolidation

The consolidated financial information comprises the accounts of PRADA spa and the Italian and foreign companies over which the Company directly or indirectly exercises control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Associated undertakings are consolidated using the equity method. Associated undertakings are those in which the Group has a significant influence but does not exercise effective control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A list of the companies included in the Consolidated financial statements is provided in Note 42.

5. Basis of consolidation

The main consolidation criteria applied to prepare these Consolidated financial statements are as follows:

- the separate financial statements of PRADA spa ("holding company") are prepared under IFRS and those of its subsidiaries are adjusted, as necessary, to comply with IFRS accounting standards and with the standards applied throughout the Group. The financial statements used to prepare the consolidated financial information are those closed at the reporting date;
- assets and liabilities, costs and revenues of controlled companies are fully included on a line-by-line basis in the Consolidated financial statements irrespective of the percentage held. The book value of equity investments, directly or indirectly owned by the holding company, is eliminated against the corresponding portion of shareholders' equity of the companies in which the interest is held;
- for companies consolidated on a line-by-line basis that are not 100% owned by the holding company, the share of the net equity and net results for the year of non-controlling interests are disclosed as "Shareholders' equity - Non-controlling interests" in the Consolidated statement of financial position and "Net income - Non-controlling interests" in the Consolidated Statement of Profit or Loss;
- on business combinations, the difference between the acquisition cost of investments acquired and the corresponding share of shareholders' equity at the date of acquisition is allocated, if positive, to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition. Any residual positive amount is accounted for as goodwill while any negative amount is charged to the profit or loss immediately. The positive difference between the acquisition cost of an additional stake in a controlled company and the value of the interest acquired is directly recognized in equity reserves; in business combinations achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss;
- the acquisition cost of an investment or an activity which does not constitute a business, and which therefore does not constitute a business combination, is

allocated to the individual assets acquired and liabilities assumed based on their fair value at the acquisition date;

- profits and losses, assets and liabilities of associated undertakings are accounted for using the equity method. According to this method, investments in associated undertakings are recorded in the statement of financial position at cost, and adjusted to account for any changes in the companies' net equity post-acquisition, less any impairment of the investment value. Losses exceeding the interest of the shareholders of the holding company are recorded only if the Group has undertaken an obligation to cover them. The excess of the acquisition cost of the investment over the interest of the holding company in the net fair value of acquired assets and liabilities assumed is recorded as goodwill. Goodwill is included in the book value of the investment and tested for impairment. If the cost is lower than the holding company's interest in the fair value of identifiable assets, liabilities and contingent liabilities, the difference is recorded in the profit or loss for the year of acquisition;

- during the consolidation process, receivables and payables, costs and revenues arising from transactions between entities included in the scope of consolidation are fully eliminated. Unrealized gains or losses generated by transactions between the Group's consolidated companies and included in inventories and fixed assets at the balance sheet date are also eliminated, if any. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. In this case, the transferred asset is adjusted for impairment;

- dividends paid by consolidated companies are also eliminated from the profit or loss and added to prior year retained earnings if, and to the extent that, they have been drawn from the latter;

- the financial statements of subsidiary companies are prepared in their respective local currency. The statement of financial position is translated into Euro using the year end exchange rate, whereas the profit or loss is translated using the average exchange rate for the year. Translation differences arising on conversion of the statement of financial position, using the exchange rate at the start of the period and the exchange rate at the end of the period, and translation differences arising on conversion of the profit or loss using the average rate for the period and the rate at the end of the period are recorded as a translation reserve in the consolidated shareholder's equity until disposal of the investment. The translation reserve in consolidated shareholder's equity represents translation differences recorded as from first time application on January 1, 2004. When preparing the Consolidated statement of cash flows, the cash flows of subsidiary companies are translated using the average rate for the period. Exchange differences arising on a monetary item qualified as a net investment in a foreign operation are initially recognized in the currency translation reserve and released to profit or loss upon disposal of the investment;

- the reporting currency used to prepare the Consolidated financial statements is the Euro. All amounts are stated in thousands of Euro unless otherwise stated.

6. Main accounting policies

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at nominal amount. Cash equivalents include all highly liquid investments with an original short term maturity.

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

Trade receivables and payables

Trade accounts receivable are carried at nominal amount less the provision for doubtful accounts, estimated based on an assessment of all disputed and doubtful balances at the reporting date. Bad debts are written off when identified.

Trade accounts payable are recorded at nominal amount.

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost or production cost, including any charges directly attributable. They are shown net of accumulated depreciation calculated on the basis of the useful lives of the assets and any impairment losses.

Ordinary maintenance expenses are charged in full to the profit or loss for the year they are incurred. Extraordinary maintenance expenses are capitalized if they increase the value or useful life of the related asset.

The costs included under leasehold improvements relate to refurbishment work carried out on premises, mainly commercial, not owned by the Group.

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

Depreciation methods, useful lives and net book values are reviewed annually. The depreciation rates representing the useful lives are listed below:

Category of Property, Plant and Machinery	Depreciation rate or period
Buildings	2.5% - 10%
Production plant and equipment	4% - 25%
Improvements to leased retail premises	Shorter of lease term (*) and useful life
Improvements to leased industrial and corporate premises	Shorter of lease term (*) and useful life
Furniture and fixture retail	Shorter of lease term (*) and useful life
Furniture and fixture corporate and industrial	7% - 25%
Other tangible fixed assets	4% - 50%

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain

When assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the financial statements and any gains or losses are recognized in the profit or loss. If a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of property, plant and equipment allocated on it is adjusted consistently.

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

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

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

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

Impairment losses are recorded immediately in the profit or loss.

Intangible assets

Only identifiable assets, controlled by the company and capable of producing future economic benefits are included in intangible assets. Intangible assets include trademarks, licenses, store lease acquisition costs, software, development costs and goodwill.

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

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

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

Store lease acquisition costs represent expenditures incurred to enter into or take over retail store lease agreements.

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

Category of intangible assets	Amortization rate or period
Trademarks	2.5% - 10%
Store lease acquisition costs	Shorter of lease term (*) and useful life
Software	10% - 33%
Development costs and other intangible assets	10% - 33%

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain

If a rental agreement is terminated in advance with respect to the original lease term, the residual useful life of store lease acquisition allocated on it is adjusted consistently.

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

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

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

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

The carrying amount of CGUs tested for impairment is represented by the net invested capital, made up of goodwill, other intangible, tangible assets, net working capital and other current and non current assets and liabilities.

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

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

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

Assets held for sale

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

Deferred tax assets

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

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

Deferred tax assets are recognized for all deductible temporary differences, tax losses carried-forward and unused tax credits only to the extent that is probable that taxable income will be available in future years against which the deductible temporary differences can be used. Recoverability is reviewed at every year end. Deferred tax assets are measured at the tax rates which are expected to apply to the period when the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are not discounted.

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

Derivative financial instruments

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

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

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

Any gain or loss on a hedging instrument (or portion thereof) which is no longer effective as a cash flow hedge is immediately recognized in the profit or loss. If the hedged transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognized in the profit or loss.

Non-current financial liabilities

Non-current financial liabilities include payables to banks for medium and long-term loans and notes.

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

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

Post-employment benefits

Post-employment benefits mainly consist of Italian Trattamento Fine Rapporto, a staff leaving indemnity qualified as defined benefit plan according to "IAS 19 Employee benefits".

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

The present value of the obligations is determined by an independent actuary using the Projected Unit Credit Method.

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

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

Provisions for risks and charges and contingent assets

Provisions for risks and charges cover costs of a known nature, that were certain or probable but whose amount or due date was uncertain at year end. Provisions are recorded following a legal or constructive obligation as a result of past events and when it is probable that an outflow of resources will be required.

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

Deferred tax liabilities

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

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

Deferred tax liabilities are recognized for all taxable timing differences except when liability is generated by the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax result at the transaction date.

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

Deferred tax liabilities are not discounted.

Deferred tax liabilities are recognized through the profit or loss unless the tax amount is generated from a transaction or an event directly recognized in equity or from a business combination.

Revenue recognition and cost recognition

Revenues from the sale of goods are recognized in the profit or loss when:

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

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

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

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

Operating leases

Operating leases are recorded in the profit or loss on a straight-line basis for the whole lease term. When calculating the lease term, renewal periods are also considered if provided for by the agreement and the amount due is known.

Obligations under finance leases

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

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

Store opening costs

Costs incurred during the pre-opening period of new or refurbished retail stores are charged to the profit or loss when incurred, except for those capitalized as leasehold improvements. If a store is closed in advance with respect to the initial estimate of the lease term, the net book value of the leasehold improvements, less the expected recoverable amount, is charged to the profit or loss.

Interest expenses

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

Income taxes

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

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

Earnings per share

Earnings per share are calculated by dividing the net income attributable to the holding company by the weighted average number of ordinary shares in issue.

Changes of accounting policies, errors and changes of estimates

The accounting policies adopted change from one year to the next only if the change is required by an accounting standard or if it helps provide more reliable and meaningful information on the impact of operations on the entity's statement of financial position, profit or loss or cash flows.

Changes of accounting policy are accounted for retroactively with the effect allocated to the opening equity of the earliest of the periods presented. The other comparative amounts reported for each prior periods are also adjusted as if the new policy had been applied from the outset. A prospective approach is adopted only when it would be impracticable to restate the comparative information.

The application of a new or amended accounting standard is accounted for as requested by the standard itself. If the standard does not regulate the transition method, the change is accounted for on a retroactive basis or, if impracticable, on a prospective basis.

Material errors are treated on the same basis as changes of accounting policy as described above. Non-material errors are corrected through the profit or loss for the period in which the error was identified.

Changes of accounting estimates are accounted for prospectively in the profit or loss for the year in which the change is made if it only affects the profit or loss for that year, or in the profit or loss for the year in which the change is made and in subsequent periods if they are also affected by the change.

Use of estimates

In accordance with IFRS, preparation of these Consolidated Financial Statements requires the use of estimates and assumptions when determining certain types of assets, liabilities, revenues and costs and when assessing contingent assets and liabilities.

These assumptions refer, first of all, to operations and events not settled at the end of the period. Therefore, upon payment, the actual outcome may differ from the estimated amounts. Estimates and assumptions are reviewed periodically and the effects of each change are immediately recorded in the profit or loss.

Estimates are used also for impairment tests, when determining provisions for risks and charges, the provision for bad debts, the inventory obsolescence provision, post-employment benefits, the tax computation, measurement of derivatives and useful life of property, plant and equipment and intangible assets.

In the current year the Directors reviewed, in accordance with the applicable accounting standards, the useful lives of some depreciable fixed assets, in particular with reference to the retail area:

	Retail area	
Category of depreciable asset	**useful life used until January 31, 2016**	**useful life used from February 1, 2016**
Improvements to leased retail premises	shorter of lease term and 10 years	shorter of lease term* and useful life
Furniture and fixtures in retail leased premises	5 – 10 years	shorter of lease term* and useful life
Storelease acquisition	shorter of lease term and 10 years	shorter of lease term* and useful life

(*) the lease term includes the renewal period when the exercise of the option is deemed reasonably certain

The Prada Group has amassed experience in the development and management of retail premises under its long-term expansion plan and continuous improvements in practices and processes. The experience and information accumulated over the years and the completion of the long-term plan for the geographical expansion of the retail network, led management to consider the 10-year limit as no longer representative of the useful life of improvements made to retail premises, taking into account that a significant part of them are represented by structural works. In fact, the average life of a store exceeds ten years and the benefits from improvements made to retail space and from the furniture and fixtures installed there continue to flow to the Group until the store is closed down.

February 1, 2016 has been conventionally identified as the date on which the aforementioned accounting estimates were changed. The extension of the useful lives affected profit or loss of the current and the following four years as follows:

Value in Euro thousands	Twelve months ended January 31 2017	Twelve months ended January 31 2018	Twelve months ended January 31 2019	Twelve months ended January 31 2020	Twelve months ended January 31 2021
Higher/(Lower) depreciation	(64,009)	(39,420)	(19,779)	(2,720)	1,611

7. Mergers and acquisitions

During the fiscal year, the direct, wholly-owned subsidiary PRADA Stores srl was merged into PRADA spa with a retroactive effective date of February 1, 2016 for accounting and tax purposes.

On April 15, 2016 PRADA spa acquired a 50% stake in Hipic Prod Impex srl (Romania), a former contract manufacturer of the Group. Under the purchase agreements, the Group acquired de facto control of the company (as defined by IFRS 10, "Consolidated Financial Statements"), so the company is consolidated with the other subsidiaries also taking into consideration the group’s commitment to purchase a further 30% stake. Goodwill of Euro 3.8 million was recognized on the acquisition, against negative equity of Euro 0.5 million.

On May 20, 2016, the Group increased its ownership of subsidiary Montenapoleone 9 srl from 98% to 100%.

On November 15, 2016 the Macau branch of PRADA Asia Pacific Limited was deregistered, having previously transferred its operations to another subsidiary.

On November 30, 2016, subholding company PRADA Far East II bv was demerged from PRADA Far East bv, which remains in charge of the retail activities. The spin-off was part of a broader plan to simplify the corporate structure, which will soon include the absorption of PRADA Far East II bv into the parent PRADA spa.

On December 1, 2016 PRADA spa acquired control of Pelletteria Ennepì srl (Italy) by increasing its ownership from 40% to 80%. Goodwill of Euro 2.4 million was recognized on the acquisition, against equity of Euro 1.5 million.

8. Operating segments

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

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

The detailed information given below on net revenues by distribution channel, brand, geographical area and product, as well as non-current assets by geographical area, is also provided in the Financial Review together with additional comments.

Net revenues

(amounts in thousands of Euro)	twelve months ended January 31, 2017		twelve months ended January 31, 2016		% change
Net Sales	3,139,290	98.6%	3,504,344	98.8%	-10.4%
Royalties	44,779	1.4%	43,427	1.2%	3.1%
Net revenues	3,184,069	100%	3,547,771	100%	-10.3%

Net sales analysis

(amounts in thousands of Euro)	twelve months ended January 31, 2017		twelve months ended January 31, 2016		% change
Net Sales by geographical area					
Europe	1,190,149	37.9%	1,292,121	36.9%	-7.9%
Americas	458,925	14.6%	525,424	15.0%	-12.7%
Asia Pacific	993,214	31.6%	1,158,174	33.0%	-14.2%
Japan	388,892	12.4%	407,398	11.6%	-4.5%
Middle East	103,417	3.3%	115,444	3.3%	-10.4%
Other countries	4,693	0.1%	5,783	0.2%	-18.8%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales by brand					
Prada	2,528,129	80.5%	2,841,056	81.1%	-11.0%
Miu Miu	515,176	16.4%	564,315	16.1%	-8.7%
Church's	80,378	2.6%	82,456	2.4%	-2.5%
Other	15,607	0.5%	16,517	0.4%	-5.5%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales by product line					
Leather goods	1,803,762	57.5%	2,103,241	60.0%	-14.2%
Footwear	678,797	21.6%	725,987	20.7%	-6.5%
Clothing	599,563	19.1%	612,249	17.5%	-2.1%
Other	57,168	1.8%	62,867	1.8%	-9.1%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%
Net Sales of direct operated stores (DOS)	2,634,923	83.9%	3,059,732	87.3%	-13.9%
Sales to Independent customers and franchisees	504,367	16.1%	444,612	12.7%	13.4%
Total	3,139,290	100.0%	3,504,344	100.0%	-10.4%

Geographical information

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

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Europe	1,940,111	1,937,628
America	210,183	220,403
Asia pacific	307,035	295,089
Japan	99,559	91,264
Middle East	29,469	30,854
Africa	3,030	3,808
Total	2,589,387	2,579,046

The total of Euro 2,589.4 million (Euro 2,579 million as of January 31, 2016) covers the Group’s non-current assets with the exception of derivative financial instruments, deferred tax assets and the pension fund surplus, as required by IFRS 8.

9. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Cash on hand	42,449	46,290
Bank deposit accounts	459,965	357,159
Bank current accounts	219,800	277,152
Total	722,214	680,601

As of January 31, 2017, bank current accounts and deposits generated interest income of between 0% and 9.4% per annum (between 0.0% and 9.3% at January 31, 2016).

10. Trade receivables, net

Trade receivables are detailed below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade receivables – third parties	268,223	235,718
Allowance for bad and doubtful debts	(6,654)	(6,546)
Trade receivables – related parties	23,935	25,011
Total	285,504	254,183

Trade receivables increased by Euro 31.3 million, in line with the growth of the wholesale channel.

Trade receivables from related parties refer primarily to sales of finished products to Fratelli Prada spa, an affiliate and franchisee of the Prada Group. Further details of related party transactions are provided in Note 39.

The allowance for doubtful debts was estimated analytically, using all information available at the time the financial statements were prepared, in order to align the receivables as closely as possible to their estimated realizable value.

The changes during the fiscal year were as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Opening balance	6,546	7,784
Exchange differences	(78)	(47)
Increases	578	418
Reversals	(202)	(1,321)
Utilization	(190)	(288)
Closing balance	6,654	6,546

11. Inventories, net

Inventories can be broken down as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Raw materials	103,679	107,782
Work in progress	26,368	20,925
Finished products	444,049	614,423
Allowance for obsolete and slow moving inventories	(47,155)	(50,458)
Total	526,941	692,672

The reduction in finished products was achieved by improving the timing of manufacturing activities and revising the strategies for replenishing the stores.

Materials being processed by third parties are included in raw materials. Work in progress refers to goods being manufactured by PRADA spa, other manufacturing companies included in the scope of consolidation and contract manufacturers.

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

(amounts in thousands of Euro)	Raw materials	Finished Products	Total
Balance at January 31, 2016	26,757	23,701	50,458
Exchange differences	(4)	43	39
Increases	-	1, 659	1,659
Reversals	(1,000)	-	(1,000)
Utilization	(77)	(4,488)	(4,565)
Other movements	-	564	564
Balance at January 31, 2017	25,676	21,479	47,155

The allowance for obsolete finished products decreased due to the scrapping of items written down in prior years.

12. Derivative financial instruments: assets and liabilities

Derivative financial instruments: assets and liabilities, current and non-current portions.

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial assets regarding derivative instruments - current	7,045	11,682
Financial assets regarding derivative instruments – non-current	-	721
Total Financial Assets - Derivative financial instruments	7,045	12,403
Financial liabilities regarding derivative instruments – current	(13,634)	(11,095)
Financial liabilities regarding derivative instruments – non-current	(8,250)	(10,047)
Total Financial Liabilities - Derivative financial instruments	(21,884)	(21,142)
Net carrying amount – current and non-current portion	(14,839)	(8,739)

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

(amounts in thousands of Euro)	January 31 2017	January 31 2016	IFRS7 Category
Forward contracts	6,168	10,094	Level II
Options	876	2,309	Level II
Positive fair value	7,044	12,403	
Forward contracts	(10,865)	(5,854)	Level II
Options	(133)	(2,479)	Level II
Interest rate swaps	(10,885)	(12,809)	Level II
Negative fair value	(21,883)	(21,142)	
Net carrying amount – current and non-current	(14,839)	(8,739)	

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

The fair values of derivatives arranged to hedge interest rate risks (IRS) and of derivatives arranged to hedge exchange rate risks (forward contracts and options) have been determined according to one of the most widely used valuation platforms on the financial market and are based on the interest rate curves and on spot and forward exchange rates at the reporting date.

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

Foreign exchange transactions

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

At the reporting date, the notional amounts of the derivative contracts designated as foreign exchange risk hedges (translated at the European Central Bank exchange rate of January 31, 2017) were as listed below.

Contracts in effect as of January 31, 2017 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2017
Currency				
Swiss Franc	-	12,936	(12,370)	566
GB Pound	-	73,050	(22,537)	50,513
Hong Kong Dollar	17,978	47,581	(66,586)	(1,027)
Japanese Yen	-	95,949	(26,174)	69,775
Korean Won	-	53,906	-	53,906
Chinese Renminbi	-	96,255	(43,149)	53,106
US Dollar	63,226	111,576	(112,136)	62,666
Other	-	99,366	(38,200)	61,166
Total	81,204	590,619	(321,152)	350,671

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

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

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2017
Currency				
Swiss Franc	-	53,431	-	53,431
Brazilian Real	-	895	(895)	-
GB Pound	-	22,229	-	22,229
Japanese Yen	-	34,771	-	34,771
US Dollar	-	10,112	(59,042)	(48,930)
Other	-	9,919	-	9,919
Total	-	131,357	(59,937)	71,420

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

Contracts in effect as of January 31, 2016 to hedge projected future trade cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2016
Currency				
Hong Kong Dollar	99,881	-	(38,249)	61,633
US Dollar	145,421	21,062	(74,789)	91,695
Chinese Renminbi	11,837	121,849	(43,643)	90,043
Japanese Yen	53,611	53,875	(7,561)	99,924
GB Pound	57,322	21,463	(22,615)	56,171
Korean Won	-	46,451	-	46,451
Swiss Franc	-	15,210	(8,674)	6,536
Other currencies	14,212	86,445	(18,144)	82,514
Total	382,284	366,355	(213,675)	534,966

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

Contracts in effect as of January 31, 2016 to hedge projected future financial cash flows.

(amounts in thousands of Euro)	Options	Forward sale contracts (*)	Forward purchase contracts (*)	January 31 2016
Currency				
Swiss Franc	-	64,340	(6,910)	57,430
Brazilian Real	-	8,331	-	8,331
GB Pound	-	49,915	(6,544)	43,371
Japanese Yen	-	24,499	-	24,499
US Dollar	-	10,875	(58,150)	(47,275)
Other	-	10,258	(3,621)	6,637
Total	-	168,218	(75,225)	92,993

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

All contracts in place at January 31, 2017 will mature within 12 months, except for some forward contracts to hedge future financial cash flows which mature after January 31, 2018 and whose notional net amount is Euro 45.9 million (wholly consisting of forward sale contracts).

All contracts in place at the reporting date were entered into with major financial institutions and the Group expects none of them to default. A liquidity analysis of the derivative contracts' maturities is provided in the financial risks section of these Notes.

Interest rate transactions

The Group enters into interest rate swaps (IRS) in order to hedge the risk of interest rate fluctuations in relation to various bank loans. The key features of the IRS agreements in place at January 31, 2017 and January 31, 2016 are summarized below:

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2017	Currency	Lending institution	Amount	Expiry
					(amounts in thousands of Euro)				
IRS	Euro/000	49,500	1.457%	23/05/2030	(2,563)	Euro/000	Intesa-Sanpaolo	49,500	05/2030
IRS	Euro/000	60,000	0.105%	09/03/2019	(470)	Euro/000	Unicredit	60,000	03/2019
IRS	Euro/000	90,000	0.013%	09/02/2021	(300)	Euro/000	Unicredit	90,000	02/2019
IRS	GBP/000	57,300	2.828%	31/01/2029	(7,294)	GBP/000	Unicredit	57,300	01/2029
IRS	Yen/000	250,000	1.875%	31/03/2017	(11)	Yen/000	Mizuho	250,000	03/2017
IRS	Yen/000	2,100,000	1.360%	30/03/2020	(247)	Yen/000	Mizuho	2,100,000	03/2020
Total					(10,885)				

Interest Rate Swap (IRS) Agreement						Hedged loan			
Contract	Currency	Notional amount	Interest rate	Maturity date	January 31 2016	Currency	Lending institution	Amount	Expiry
					(amounts in thousands of Euro)				
IRS	Euro/000	53,167	1.457%	23/05/2030	(3,299)	Euro/000	Intesa-Sanpaolo	53,167	05/2030
IRS	Euro/000	60,000	0.105%	09/03/2019	(653)	Euro/000	Unicredit	60,000	03/2019
IRS	GBP/000	58,880	2.828%	31/01/2029	(8,450)	GBP/000	Unicredit	58,880	01/2029
IRS	Yen/000	750,000	1.875%	31/03/2017	(57)	Yen/000	Mizuho	750,000	03/2017
IRS	Yen/000	2,700,000	1.360%	31/03/2017	(350)	Yen/000	Mizuho	2,700,000	03/2020
Total					(12,809)				

The IRS convert the variable interest rates on bank loans into fixed interest rates. They have been arranged with major financial institutions and the Group does not expect them to default.

Changes in the reserve that are charged to profit or loss are recognized as interest and other financial income/(expense) or as operating income or expenses, depending on the nature of the underlying transaction.

Information on financial risks

Capital management

The Group's capital management strategy is intended to safeguard its ability to guarantee a return to shareholders, protect the interests of other stakeholders and comply with loan covenants, while maintaining a viable and balanced capital structure.

Categories of financial assets and liabilities according to IFRS 7

Financial assets

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	722,214	-	722,214	9
Trade receivables, net	285,504	-	285,504	10
Derivative financial instruments	-	7,045	7,045	12
Investment available for sale	11,749	-	11,749	17
Total at January 31, 2017	1,019,467	7,045	1,026,512	

(amounts in thousands of Euro)	Loans, receivables and financial investments	Derivative financial instruments	Total	Note
Cash and cash equivalents	680,601	-	680,601	9
Trade receivables, net	254,183	-	254,183	10
Derivative financial instruments	-	12,403	12,403	12
Financial receivables – non-current	703	-	703	13
Investment available for sale	15,201	-	15,201	17
Total at January 31, 2016	950,688	12,403	963,091	

Financial liabilities

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	703,772	-	703,772	19, 20, 24
Trade payables	256,094	-	256,094	21
Derivative financial instruments	-	21,884	21,884	12
Total at January 31, 2017	959,866	21,884	981,750	

(amounts in thousands of Euro)	Loans and payables	Derivative financial instruments	Total	Note
Financial payables	795,445	-	795,445	19,20,24
Trade payables	281,699	-	281,699	21
Derivative financial instruments	-	21,142	21,142	12
Total at January 31, 2016	1,077,144	21,142	1,098,286	

Fair Value

The reported amount of derivative instruments, whether assets or liabilities, reflects their fair value as explained in this Note.

The carrying amount of cash and cash equivalents, financial receivables and trade receivables, as adjusted for impairment where necessary, approximates their estimated realizable value and hence their fair value.

The reported amount of investments available for sale corresponds to its fair value (Level I), as explained in Note 17.

The fair value of the bond loan at January 31, 2017 is Euro 134.3 million.

All other financial liabilities are carried at an amount that approximates their fair value.

Credit risk

Credit risk is defined as the risk of financial loss caused by the failure of a counterparty to meet its contractual obligations. The maximum risk to which an entity is exposed is represented by all the financial assets recognized in the financial statements.

Management considers its credit risk to regard primarily the trade receivables generated from the wholesale channel and its cash holdings, and mitigates the related effects through specific business and financial strategies, as explained in the section describing risk factors in the Financial Review.

Trade receivables

The table below summarizes trade receivables by due date, before the allowance for doubtful debts:

(amounts in thousands of Euro)	January 31 2017	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	292,158	226,210	22,631	16,259	5,766	3,193	18,099
Total	292,158	226,210	22,631	16,259	5,766	3,193	18,099

(amounts in thousands of Euro)	January 31 2016	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables	260,729	217,808	17,077	6,848	5,257	3,400	10,339
Total	260,729	217,808	17,077	6,848	5,257	3,400	10,339

This table summarizes trade receivables by due date after the allowance for doubtful debts:

(amounts in thousands of Euro)	January 31 2017	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	285,504	225,905	22,613	16,259	5,766	3,193	11,768
Total	285,504	225,905	22,613	16,259	5,766	3,193	11,768

(amounts in thousands of Euro)	January 31 2016	Not overdue	Overdue (in days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade receivables less allowance for doubtful accounts	254,183	217,327	17,077	6,848	5,257	3,400	4,274
Total	254,183	217,327	17,077	6,848	5,257	3,400	4,274

As of the reporting date, the expected loss on receivables is fully covered by the allowance for doubtful debts. The changes in that allowance are presented in Note 10.

Bank current accounts and deposits

Bank deposits are broken down by currency as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Renmimbi	67,960	40,532
US Dollar	34,626	36,393
Korean Won	54,629	17,443
Hong Kong Dollar	293,644	228,529
Other currencies	9,106	34,262
Total bank deposit accounts	459,965	357,159

The Group aims to reduce the default risk on bank deposits by allocating available funds to multiple accounts that differ by currency, country and bank; these investments are always short-term in nature.

Bank current accounts

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Euro	109,606	154,807
US Dollar	50,224	52,830
Korean Won	1,374	1,535
Hong Kong Dollar	6,056	4,724
GB Pound	5,947	10,103
Other currencies	46,593	53,153
Total bank current accounts	219,800	277,152

The Group considers no significant risk to exist on bank current accounts given that their use is strictly connected with operating activities and business processes and, consequently, the number of parties involved is fragmented.

Liquidity risk

Liquidity risk refers to the difficulty the Group could have in meeting its financial obligations. The Directors are responsible for managing liquidity risk, while the CFO is in charge of optimizing the management of financial resources.

Directors believe that the funds and credit lines currently available, in addition to those that will be generated by operating and financing activities, will enable the Group to meet its financial requirement arising from investing activities, working capital management, punctual loan reimbursment and dividends payments as planned.

As of January 31, 2017, undrawn cash credit lines of Euro 662 million (Euro 497.8 million as of January 31, 2016) were available at banks.

An aging analysis of the trade payables is set forth below:

(amounts in thousands of Euro)	January 31 2017	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	256,094	221,125	15,884	4,670	2,955	582	10,878
Total	256,094	221,125	15,884	4,670	2,955	582	10,878

(amounts in thousands of Euro)	January 31 2016	Not overdue	Overdue (days)				
			1 ≤ 30	31 ≤ 60	61 ≤ 90	91 ≤ 120	> 120
Trade payables	281,699	246,525	16,418	10,190	1,912	670	5,984
Total	281,699	246,525	16,418	10,190	1,912	670	5,984

The maturities of the financial liabilities according to the earliest date on which the Group could be required to pay (worst case scenario) are presented in the following tables.

Financial liabilities under derivative financial instruments (forward contracts and options)

As required by IFRS 7, the following tables show the financial liabilities under forward contracts and options where a negative cash flow is expected at the reporting date.

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2017	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Forward contracts designated as cash flow hedges							
Net cash flows (outflows/inflows)	(10,864)	(6,270)	(4,022)	(572)	-	-	-
Net amount	(10,864)	(6,270)	(4,022)	(572)	-	-	-

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Forward contracts designated as cash flow hedges							
Net cash flows (outflows/inflows)	(5,863)	(2,548)	(2,966)	(349)	-	-	-
Net amount	(5,863)	(2,548)	(2,966)	(349)	-	-	-

Financial liabilities under derivative financial instruments (Interest rate swaps)

As in the prior fiscal year, the anticipated cash flows from interest rate swaps as of January 31, 2017 were all negative.

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2017	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(12,044)	(1,554)	(1,486)	(2,522)	(1,801)	(1,207)	(3,474)
Net amount	(12,044)	(1,554)	(1,486)	(2,522)	(1,801)	(1,207)	(3,474)

(amounts in thousands of Euro)	Future contractual cash flows at Jan. 31, 2016	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Interest rate swap cash flow hedge	(13,738)	(1,407)	(1,495)	(2,702)	(2,169)	(1,630)	(4,335)
Net amount	(13,738)	(1,407)	(1,495)	(2,702)	(2,169)	(1,630)	(4,335)

Financial liabilities

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2017	Future contractual cash flows at Jan. 31, 2017	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Obligations under finance leases	2,715	3,220	-	380	161	304	323	323	1,729
Financial liabilities – third parties (without deferred costs on loans)	696,079	735,887	-	110,503	46,096	241,720	123,007	14,650	199,911
Financial liabilities – related parties	4,934	4,934	-	-	4,934	-	-	-	-
Total	703,728	744,041	-	110,883	51,191	242,024	123,330	14,973	201,640

(amounts in thousands of Euro)	Carrying amount at Jan. 31, 2016	Future contractual cash flows at Jan. 31, 2016	on demand	6 mths or less	6 to 12 mths	1 to 2 years	2 to 3 years	3 to 4 years	more than 4 years
Obligations under finance leases	654	654	-	436	218	-	-	-	-
Financial liabilities – third parties (without deferred costs on loans)	792,514	838,880	7	245,138	32,422	74,172	241,190	116,508	129,443
Financial liabilities – related parties	4,858	4,858	-	2,404	2,454	-	-	-	-
Total	798,026	844,392	7	247,978	35,094	74,172	241,190	116,508	129,443

Some of the above financial liabilities are subject to compliance with covenants, as described in Note 24.

Exchange rate risk

The exchange rate risk to which the Group is exposed is largely concentrated with PRADA spa, and results from fluctuation of foreign currencies against the Euro.

For PRADA spa, the foreign exchange risk substantially consists of the risk that cash flows from retail and distribution activities could fluctuate as a result of changes in exchange rates. In terms of exposure, the most important currencies for the Group are the U.S. Dollar, Hong Kong Dollar, Japanese Yen, GB Pound and Chinese Renminbi. The foreign exchange risk for subsidiaries is generated mostly by cash flows in currencies other than their accounting currency.

The following table shows the sensitivity of the consolidated net income and net equity to a range of hypothetical fluctuations in the main foreign currencies against the Euro, based on the statement of financial position of the Group's companies at January 31, 2017.

(amounts in thousands of Euro)	Euro strengthens by 5%		Euro weakens by 5%	
	Effect on net income	Effect on shareholders' equity	Effect on net income	Effect on shareholders' equity
GB Pound	(1,231)	1,341	1,361	(1,482)
Hong Kong Dollar	1,433	3,818	(1,665)	(4,126)
Japanese Yen	(1,075)	3,026	(909)	(5,441)
US Dollar	(4,699)	1,418	2,875	(2,049)
Chinese Renminbi	(7,062)	(3,161)	7,806	3,495
Other currencies	(9,689)	(2,734)	9,327	1,641
Total	(22,323)	3,707	18,795	(7,962)

The total impact on equity (increase of Euro 3.7 million and decrease of Euro 8.0 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical appreciation/depreciation of the Euro against the other currencies.

The effects on the financial statement items are presented above before taxes. The sensitivity analysis is based on currency exposure at the end of the period, which might not reflect the actual exposure during the year. For this reason it is purely indicative.

Interest rate risk

The Prada Group is exposed to interest rate fluctuations mainly with regard to interest expense on the medium/long-term debt of the parent company, PRADA spa, and of some of its subsidiaries. Managing this risk falls within the scope of the risk management activities carried out by the CFO.

The following table shows the sensitivity of the consolidated net result and net equity to a hypothetical shift in the interest rate curve in relation to the statement of financial position of the Group's companies at January 31, 2017.

(amounts in thousands of Euro)	Interest rate curve *shift*			
	+0.50%		-0.50%	
	Impact on net result	Impact on net equity	Impact on net result	Impact on net equity
Euro	(1,823)	(6,025)	1,762	6,049
Great Britain Pound	(96)	(2,797)	127	2,827
Hong Kong Dollar	1,499	1,499	(1,499)	(1,499)
Japanese Yen	(493)	(621)	492	621
US Dollar	375	375	(375)	(375)
Other currencies	864	864	(864)	(864)
Total	326	(6,705)	(357)	6,759

The total impact on equity (decrease of Euro 6.7 million and increase of Euro 6.8 million) is the sum of the theoretical effect on the statement of profit or loss and on the cash flow hedge reserve of a hypothetical upward/downward shift in the interest rate curve. The effects on the financial statement items are presented above before taxes.

The sensitivity analysis is based on net financial position at the end of the period, which might not reflect actual exposure to interest rate risk during the year. For this reason it is purely indicative.

Other risks

Risks factors affecting the international luxury goods market and those specific to the Prada Group other than liquidity risk, credit risk, foreign exchange rate risk and interest rate risk are disclosed in the Financial Review.

13. Receivables from, and advance payments to, related parties – current and non-current

The current portions are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Prepaid sponsorship	8,741	13,626
Other receivables and advances	6,223	6,003
Receivables from and advances to related parties - current	14,964	19,629

The non-current portions are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Prepaid sponsorship	-	3,164
Deferred rental income – long-term	-	1,632
Loans	-	703
Receivables from and advances to related parties – non-current	-	5,499

The prepaid sponsorships refer to the amount paid to Luna Rossa Challenge srl under agreements in effect as of January 31, 2017.

Additional information on related party transactions is provided in Note 39.

14. Other current assets

The other current assets are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
VAT	48,582	59,917
Income tax and other tax receivables	117,244	100,838
Other assets	27,218	12,242
Prepayments	55,676	51,863
Deposits	4,655	4,811
Total	253,375	229,671

Other assets

The other assets are detailed below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Advertising contributions under license agreements	5,072	721
Advances to suppliers	1,353	1,282
Incentives for retail investments	12,171	4,628
Advances to employees	807	694
Other receivables	7,815	4,917
Total	27,218	12,242

As of January 31, 2017 the Group had an authorized loan receivable of Euro 2 million, recognized within the Other receivables.

Prepayments

Prepayments are detailed as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Rental costs	21,038	19,391
Insurance	2,447	2,510
Design costs	13,182	13,914
Fashion shows and advances on advertising campaigns	3,888	3,416
Amortized costs on loans	1,077	1,020
Other	14,044	11,612
Total	55,676	51,863

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

Deposits

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

15. Property, plant and equipment

The changes in the historical cost and accumulated depreciation of the past three years are set forth below:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total
Historical cost	539,914	132,086	1,172,742	385,326	140,851	212,866	2,583,784
Accumulated depreciation	(61,974)	(110,910)	(659,440)	(206,665)	(70,578)	-	(1,109,566)
Net carrying amount at January 31, 2015	477,940	21,176	513,302	178,661	70,273	212,866	1,474,218
Historical cost	718,020	148,645	1,289,672	431,639	166,561	96,744	2,851,281
Accumulated depreciation	(78,189)	(119,954)	(810,955)	(243,952)	(80,452)	-	(1,333,502)
Net carrying amount at January 31, 2016	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779
Historical cost	752,702	167,863	1,380,474	433,346	172,926	75,790	2,983,101
Accumulated depreciation	(96,178)	(130,876)	(872,603)	(250,502)	(90,258)	-	(1,440,417)
Net carrying amount at January 31, 2017	656,524	36,987	507,871	182,844	82,668	75,790	1,542,684

The changes in the carrying amount for the reporting period are as follows:

(amounts in thousands of Euro)	Land and buildings	Production plant and machinery	Leasehold improve-ments	Furniture & fittings	Other tangibles	Assets under construction	Total net carrying amount
Balance at January 31, 2016	639,831	28,691	478,717	187,687	86,109	96,744	1,517,779
Change in scope of consolidation	3,819	1,279	256	110	12	-	5,476
Additions	30,155	12,720	107,451	29,251	10,969	31,313	221,859
Depreciation	(15,637)	(7,559)	(111,997)	(33,548)	(14,643)	-	(183,384)
Disposals	(1,562)	(110)	(133)	(656)	(114)	(34)	(2,609)
Exchange differences	(18,412)	(117)	10,129	618	266	(89)	(7,605)
Other movements	18,330	2,096	28,476	3,963	241	(51,734)	1,372
Impairment	-	(13)	(5,028)	(4,581)	(172)	(410)	(10,204)
Balance at January 31, 2017	656,524	36,987	507,871	182,844	82,668	75,790	1,542,684

The change in consolidation perimeter refers to the acquisition of Hipic Prod Impex srl and Pelletteria Ennepì srl.

The additions regarded mainly investments in the retail and manufacturing areas. The Group completed important enlargement and renovation projects for stores during the reporting period, including the PRADA stores in Hong Kong (Canton Road) and Shanghai (Plaza 66), within a strategy of continuing evolution of stores. The stores opened in the period were 28 and covered missing strategic location only, such as Zurich, and balanced the 26 closures incurred.

The asset impairment of Euro 10.2 million refers to stores closures for strategic purposes.

The increase in "production plant and machinery" refers mainly to purchases of equipment used in manufacturing processes.

The increases in "leasehold improvements", "furniture and fittings" and "assets under construction" result from the strategy to expand and revamp the Group's retail network.

The total capital expenditures in the retail channel for the twelve months ended January 31, 2017 are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
New stores	78,665	113,986
of which project completed during the year	*68,082*	*66,229*
of which projects next to be completed	*10,583*	*47,757*
Purchases, refurbishment and relocation of existing stores	72,553	61,033
Total Retail capital expenditure	151,218	175,019

As of January 31, 2017, all the land owned by the Group, excluding land in Hong Kong, was freehold property.

In the current year Directors reviewed the useful lives of some depreciable fixed assets, in particular with reference to the retail area. Information about this change in estimates, including the impact on profit or loss, is reported in Note 6.

16. Intangible assets

The historical cost and accumulated amortization of the past three years are set forth below:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total
Historical cost	402,604	545,054	227,813	78,775	65,011	18,813	1,338,070
Accumulated amortization	(125,372)	(31,840)	(121,321)	(67,947)	(48,286)	-	(394,766)
Net carrying amount at January 31, 2015	277,232	513,214	106,492	10,828	16,725	18,813	943,304
Historical cost	401,503	544,388	236,655	86,755	64,981	26,248	1,360,530
Accumulated amortization	(136,265)	(31,170)	(139,145)	(71,718)	(49,994)	-	(428,292)
Net carrying amount at January 31, 2016	265,238	513,218	97,510	15,037	14,987	26,248	932,238
Historical cost	392,205	547,460	216,951	100,099	63,320	27,767	1,347,802
Accumulated amortization	(143,761)	(28,863)	(127,965)	(75,000)	(50,413)	-	(426,002)
Net carrying amount at January 31, 2017	248,444	518,597	88,986	25,099	12,907	27,767	921,800

The changes in the carrying amount for the reporting period are as follows:

(amounts in thousands of Euro)	Trade-marks	Goodwill	Store Lease Acquisitions	Software	Development costs and other intangibles	Assets in progress	Total net carrying amount
Balance at January 31, 2016	265,238	513,218	97,510	15,037	14,987	26,248	932,238
Change in scope of consolidation	-	6,239	-	11	53	-	6,303
Additions	305	262	-	9,010	83	8,209	17,869
Amortization	(11,141)	-	(10,624)	(5,728)	(1,177)	-	(28,670)
Disposals	-	-	-	(3)	-	-	(3)
Exchange differences	(5,958)	(1,123)	1,787	33	-	55	(5,206)
Other movements	-	-	314	6,740	(1,038)	(6,738)	(722)
Impairment	-	1	(1)	(1)	(1)	(7)	(9)
Balance at January 31, 2017	248,444	518,597	88,986	25,099	12,907	27,767	921,800

The carrying amount of trademarks at the reporting date is broken down in the following table:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Miu Miu	148,661	154,236
Church's	87,429	97,323
Prada	3,660	3,823
Other	8,694	9,856
Total	248,444	265,238

No impairment was recognized for the Group's trademarks during the period. "Other" consists of trademark registration costs plus the Car Shoe and Luna Rossa trademarks.

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

The total capital expenditure for tangibles and intangibles in the twelve months ended January 31, 2017 was Euro 251.5 million, as broken down below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Retail	151,218	175,019
Production and logistics	54,960	57,849
Corporate	45,329	104,027
Total	251,507	336,895

In the current year Directors reviewed the useful lives of some depreciable fixed assets, in particular with reference to the retail area. Information about this change in estimates, including the impact on profit or loss, is reported in Note 6.

Impairment test

As required by IAS 36, "Impairment of Assets," intangible assets with indefinite useful lives are not amortized, but undergo impairment testing at least once per year. The Group reports no intangible assets with indefinite useful lives other than goodwill. As of January 31, 2017, goodwill amounted to Euro 518.6 million, detailed by cash generating unit (CGU) as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Italy Wholesale	78,355	78,355
Asia Pacific and Japan Retail	311,936	311,936
Italy Retail	25,850	25,850
Germany and Austria Retail	5,064	5,064
United Kingdom Retail	9,300	9,300
Spain Retail	1,400	1,400
France and Monaco Retail	11,700	11,700
North America Retail and Wholesale	48,000	48,000
Production division	10,169	3,667
Church's	8,848	9,971
Marchesi Angelo	7,975	7,975
Total	518,597	513,218

IAS 36 requires an entity to assess at each reporting date whether there are indications that any assets may be impaired. In light of the performance of certain retail businesses during the year, CGUs other than those shown above were also tested for impairment.

The method used to identify the recoverable amount (value in use) involves discounting the projected cash flows produced by the CGU to which goodwill has been allocated (the discounted cash flow or DCF method). Value in use is the sum of the present value of future cash flows expected from the business plan projections prepared for each CGU and the present value of the related operating activities at the end of the business plan period (terminal value).

The business plans cover a period of five years and have been constructed on the basis of the 2017 budget, as prepared by management. Prudently, no business development was forecast after 2018, meaning also that the projected performance of assets existing at January 31, 2017 does not significantly improve during the years of the plan. Moreover, growth assumptions for the wholesale channel were also prudent.

The rate used to discount cash flows was calculated using the weighted average cost of capital (WACC). For the year ended January 31, 2017, the WACC used for discounting purposes was in a range between 4.5% and 14.4% (between 5% and 15.5% at January 31, 2016). The WACC was calculated ad hoc for each CGU subject to impairment testing, considering parameters specific to the geographical area: market risk premium and sovereign bond yield. The "g" rate of growth used to calculate the WACC was between 0% and 11%, in light of the different inflation and growth outlooks in the various countries. However, the prevalent growth rate was 1.5%, which can be considered prudent given the general average growth expected for the luxury goods market and the specific growth rate projected for the PRADA Group at the reporting date.

Some sensitivity analyses were carried out to ensure that changes in the main assumptions did not significantly affect the impairment test results. The outcome of these simulations showed that the result obtained through the DCF method was reasonable.

When the calculation of value in use under the DCF method did not produce reasonable results, impairment testing used methods based on fair value (e.g. market multiples or royalties method).

None of the impairment tests performed at January 31, 2017 identified any impairment losses. However, since value in use is measured on the basis of estimates, the Group cannot guarantee that the value of goodwill, other intangible and material assets will not be impaired in the future.

17. Associated undertaking

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Investment in associated undertaking	-	2,138
Investment available for sale	11,749	15,201
Other investments	26	15
Total	11,775	17,354

As of January 31, 2016 the investments in associates referred to a 40% stake in Pelletteria Ennepì srl, a company specialized in the production of small leather goods. During 2016 the Group purchased an additional 40% stake therein and began to consolidate the company on a line-by-line-basis.

The investments available for sale regard a 4.88% stake in Sitoy Group Holdings ltd, a company listed on the Hong Kong Stock Exchange as of January 31, 2017. The value of the investment was restated at fair value in line with the official quoted share price (Level I of the fair value hierarchy according to IFRS 7 "Financial Instruments: Disclosures"). The fair value decrease of Euro 3.5 million compared to January 31, 2016 was recognized in a specific equity reserve, net of the related tax effect (Euro 0.9 million). In 2016, the Group accounted for net dividends from Sitoy Group Holdings totaling HKD 19 million (Euro 2.3 million).

18. Other non-current assets

Other non-current assets are detailed as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Guarantee deposits	77,007	73,974
Deferred rental income	16,807	13,716
Pension fund surplus	10,233	7,778
Other long-term assets	19,314	18,486
Total	123,361	113,954

The other non-current assets as of January 31, 2017 include Euro 10.2 million representing the actuarial valuation of the Group's pension plans in the United Kingdom (Note 25).

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

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Nature:		
Stores	71,680	68,576
Offices	3,943	4,076
Warehouses	116	180
Other	1,268	1,142
Total	77,007	73,974

(amounts in thousands of Euro)	January 31 2017
Maturity:	
By 31.01.2018	14,390
By 31.01.2019	19,556
By 31.01.2020	16,168
By 31.01.2021	3,076
After 31.01.2021	23,817
Total	77,007

19. Short-term financial payables and bank overdrafts

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Bank overdrafts and commercial lines of credit	-	7
Short-term bank loans	80,626	216,522
Current portion of long term loans	70,506	54,043
Deferred costs on loans	(364)	(460)
Financial lease	443	654
Total	151,211	270,766

The change in short-term financial payables is attributable primarily to the full repayment in the period of the debt related to the Euro 315 million revolving credit facility stipulated by PRADA spa in 2014 with a banking syndicate and drawn for Euro 125 million as of January 31, 2016. This credit facility remains virtually subject to covenants based on the results of PRADA spa's consolidated financial statements. Specifically, the net debt-to-EBITDA ratio must not exceed 3 and the EBITDA-to-interest coverage ratio must exceed 4. Both covenants were complied with as of January 31, 2017.

The short-term financial payables as of January 31, 2017 consist of a Euro 30 million loan granted to PRADA spa by Mitsubishi Bank of Tokyo, and credit lines granted to PRADA Japan co ltd, for a total equivalent value of Euro 50.4 million. Some of the credit lines contain covenants based on the results of PRADA Japan co ltd's financial statements, all of which were complied with as of January 31, 2017.

Mortgage loans

The current portion of long-term loans includes Euro 3.7 million (Euro 3.7 million as of January 31, 2016) regarding a mortgage loan stipulated by IntesaSanpaolo for PRADA spa in 2014 and disbursed in 2015. The collateral securing this loan is the building in Milan used for the Group's headquarters. The non-current portion of the loan amounts to Euro 45.8 million (Note 24).

The 2017 current portion of long-term loans includes Euro 2.1 million (Euro 2.0 million as of January 31, 2016) regarding a mortgage loan granted to Kenon Ltd by Unicredit Group in 2014 and secured by a mortgage on a building in Old Bond Street, London, used by the Group for one of the most strategically positioned Prada stores in the world. The non-current portion of the loan amounts to Euro 64.3 million (Note 24).

Short-term bank loans, current portions of long-term loans and current obligations on finance leases are broken down by currency in the table below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Euro	63,280	208,285
Japanese Yen	84,915	50,769
Other currencies	3,380	12,165
Total	151,575	271,219
Bank overdraft	-	7
Amortized costs on loans	(364)	(460)
Total	151,211	270,766

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations by using hedging agreements, as described in Note 12.

Considering the hedges in place at the reporting date, 39% of the current portion of medium/long term loans regarded fixed-rate loans (34% as of January 31, 2016), and 61% regarded variable-rate loans (66% as of January 31, 2016).

Financial payables are stated net of the related transaction costs (Euro 0.4 million for short-term payables and Euro 1.1 million for medium/long-term payables).

20. Payables to related parties – current

The current portions due to related parties are presented below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Financial payables	4,934	4,858
Other payables	608	386
Payables to related parties - current	5,542	5,244

The financial payables due to related parties regard two interest-free loans granted by the non-controlling shareholders of the Group's subsidiaries in the Middle East. The payables due to related parties are analyzed in Note 39.

21. Trade payables

Trade payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Trade payables – third parties	241,901	266,701
Trade payables – related parties	14,193	14,998
Total	256,094	281,699

22. Tax payables

The tax payables are detailed hereunder:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Current income taxes	31,990	49,700
VAT and other taxes	33,477	31,044
Total	65,467	80,744

The Group recognizes current tax liabilities of Euro 32 million as of January 31, 2017 (Euro 49.7 million as of January 31, 2016) against tax credits of Euro 117.2 million (Euro 100.8 million as of January 31, 2016), as reported in Note 14.

23. Other current liabilities

The other current liabilities are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Payables for capital expenditure	56,639	54,132
Accrued expenses and deferred income	18,636	16,379
Other payables	69,552	71,760
Total	144,827	142,271

The other payables are detailed as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Short term benefits for employees and other personnel	57,608	58,533
Customer advances	5,782	4,563
Returns from customers	4,087	5,488
Other	2,075	3,176
Total	69,552	71,760

24. Long-term financial payables

The long-term financial payables are as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Long-term bank borrowings	416,491	391,942
Bonds	130,000	130,000
Deferred costs on loans	(1,135)	(1,467)
Financial lease – non current	2,272	-
Total	547,628	520,475

In the first half of 2016 the Group took out two new medium/long-term loans of Euro 90 million and Euro 30 million from Unicredit and Banca Popolare di Milano, respectively. The loans contain covenants referring to the results of PRADA spa's consolidated financial statements; such covenants were fully complied with as of January 31, 2017.

The Group generally borrows at variable interest rates and manages the risk of interest rate fluctuations through hedging agreements, as described in Note 12.

Long-term loans are made up of fixed-rate loans for a portion equal to 78% (66% as of January 31, 2016), while the remaining 22% regard variable-rate loans (34% as of January 31, 2016).

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

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	08/2018	2.750%
PRADA spa	60,000	Euro	Unicredit	03/2019	0.755%
PRADA spa	45,833	Euro	Intesa SanPaolo	05/2030	2.737%
PRADA spa	40,000	Euro	Intesa SanPaolo	02/2019	0.608%
PRADA spa	60,000	Euro	Monte dei Paschi di Siena	12/2018	0.377%
PRADA spa	16,667	Euro	Intesa SanPaolo	12/2018	0.600%
PRADA spa	90,000	Euro	Unicredit	02/2021	0.963%
PRADA spa	15,000	Euro	Banca Popolare di Milano	03/2019	0.710%
PRADA Japan Co. Ltd	1,968	Yen giapponese	Syndicate loan	07/2018	0.906%
PRADA Japan Co. Ltd	12,301	Yen giapponese	Mizuho Bank	03/2020	1.360%
PRADA Japan Co. Ltd	4,100	Yen giapponese	MUFG	03/2020	0.810%
PRADA Japan Co. Ltd	2,050	Yen giapponese	Sumitomo Mitsui Trust	03/2020	1.180%
PRADA Japan Co. Ltd	820	Yen giapponese	SMBC	03/2018	0.455%
Kenon Ltd	64,456	Sterlina britannica	Unicredit	01/2029	4.477%
Church & Co. ltd	581	Sterlina britannica	HSBC	05/2018	1.880%
Tannerie Limoges sas	2,500	Euro	BNP Paribas	01/2024	1.200%
Pelletteria Ennepi srl	188	Euro	Mediocredito Italiano	06/2019	2.550%
Hipic Prod Impex srl	27	Euro	BRD –Societè Generale	02/2019	4.500%
Total	546,491				

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

The long-term borrowings as of January 31, 2016, excluding financial lease obligations and amortized costs, were set forth below:

Borrower	Amount in thousands of Euro	Loan currency	Lender	Expiry date	Interest rate (1)
PRADA spa	130,000	Euro	Bonds	08/2018	2.750%
PRADA spa	60,000	Euro	Unicredit	03/2019	0.755%
PRADA spa	49,500	Euro	Intesa SanPaolo	05/2030	2.737%
PRADA spa	40,000	Euro	Intesa SanPaolo	02/2019	0.608%
PRADA spa	60,000	Euro	Monte dei Paschi di Siena	12/2018	0.558%
PRADA spa	33,334	Euro	Intesa SanPaolo	12/2018	0.600%
PRADA Fashion Commerce Ltd	20,889	Renminbi cinese	Mizuho	12/2018	3.915%
PRADA Japan Co. Ltd	1,890	Yen giapponese	Mizuho Bank	03/2017	1.875%
PRADA Japan Co. Ltd	5,444	Yen giapponese	Syndicate loan	07/2018	1.057%
PRADA Japan Co. Ltd	18,147	Yen giapponese	Syndicate loan	01/2018	1.057%
PRADA Japan Co. Ltd	15,879	Yen giapponese	Mizuho Bank	03/2020	1.360%
PRADA Japan Co. Ltd	5,293	Yen giapponese	MUFG	03/2020	0.810%
PRADA Japan Co. Ltd	2,647	Yen giapponese	Sumitomo Mitsui Trust	03/2020	1.180%
PRADA Japan Co. Ltd	1,966	Yen giapponese	SMBC	03/2018	0.455%
Kenon Ltd	74,990	Sterlina britannica	Unicredit	01/2029	4.477%
Church & Co. ltd	1,963	Sterlina britannica	HSBC	05/2018	2.026%
Total	521,942				

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

The secured and unsecured portions of the bank borrowings are set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Secured	116,046	130,119
Unsecured	581,577	662,395
Total	697,623	792,514

All loans are set forth by maturity in the section on cash flow risk in Note 12. Apart from PRADA spa, no Group company issued debt securities during the current or previous reporting period.

25. Long-term employee benefits

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Post-employment benefits	46,779	44,579
Other long term employee benefits	20,432	24,826
Total liabilities for long term benefits	67,211	69,405
Pension plan surplus (note 18)	10,233	7,778
Net liabilities for long term benefits	56,978	61,627

Post-employment benefits

The net balance of long-term employee benefits as of January 31, 2017 is Euro 57 million (Euro 61.6 million at January 31, 2016), and all the benefits are classified as defined benefit plans.

The post-employment benefits consist of Euro 24.3 million (Euro 24.1 million in 2015) in liabilities accounted for by Italian companies and Euro 22.5 million by the foreign subsidiaries (Euro 20.5 million in 2015). The Italian liabilities regard the *"Trattamento di Fine Rapporto"* ("TFR", or staff leaving indemnities), a deferred benefit for employees which is mandatory for Italian businesses and is based on the employees' length of service and pay. The present value of the liability recognized was determined by projecting the amount accrued as of January 31, 2017 under Italian law to the estimated future date of employment termination, discounting it to the present value at the same reporting date using the "Projected Unit Credit Method (PUCM)".

The following table presents the changes in long-term employee benefits in the fiscal year ended January 31, 2017.

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in other countries (including Japan)	Pension Funds in UK	Other long-term employee benefits	Total
Balance at January 31, 2016	24,106	20,473	(7,778)	24,826	61,627
Acquisitions	995	-	-	-	995
Current service cost	196	3,638	385	7,124	11,343
Interest expenses (income)	3	181	(285)	53	(48)
Actuarial (gains)/losses	827	(1,124)	(2,974)	(2,623)	(5,894)
Benefits paid	(1,876)	(2,269)	-	(9,134)	(13,279)
Contributions	-	-	(594)	-	(594)
Exchange differences	-	1,629	1,013	70	2,712
Other movements	-	-	-	116	116
Balance at January 31, 2017	24,251	22,528	(10,233)	20,432	56,978

The actuarial gains and losses are as follows:

(amounts in thousands of Euro)	Defined Benefit Plans in Italy (TFR)	Defined Benefit Plans in Other Countries (including Japan)	Pension Funds in UK
Actuarial adjustments due to			
(a) Changes in financial assumptions	*867*	*674*	*(11,806)*
(b) Changes in other assumptions (e.g. demographic assumptions, remuneration increases)	*(40)*	*(1,798)*	*8,832*
(c) Other	*-*	*-*	*-*
Actuarial (gains)/losses	827	(1,124)	(2,974)

The current service cost and interest expense/(income) are recognized in the statement of profit or loss. The actuarial differences for "other long-term employee benefits" are also recognized in the statement of profit or loss.

The TFR liability was measured on the basis of an independent appraisal by Federica Zappari, an Italian actuary, member (n. 1134) of the Ordine Nazionale degli Attuari (Italian Society of Actuaries). The technical basis was processed using statistical data, whereas the demographic assumptions used variables such as probability of death, probabilities of retirement and resignations, probability of dismissals, contract expiration, leaving indemnity advances and supplementary pension schemes.

The post-employment benefits of non-Italian companies are stated net of the pension plan surplus attributable to Group companies operating in the United Kingdom that supply pension services to their employees. As of January 31, 2017, the fair value of such pension plans is Euro 10.2 million, whereas on January 31, 2016 the plan had a net surplus of Euro 7.8 million.

The fair value of the plan assets was determined by the independent actuaries of Scottish Widows. It is detailed below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Fair value of plan assets	65,846	62,256
Fair value of plan liabilities	(55,613)	(54,478)
Pension plan surplus	10,233	7,778

The composition of the main plan assets on the reporting date was as follows:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Equities	23,565	26,829
Alternatives	9,753	7,729
Bonds	25,629	26,956
Cash	6,899	742
Total	65,846	62,256

The main actuarial assumptions used as of January 31, 2017 are as follows:

January 31, 2017	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	10.6	15.4	14.8
Average increase in remuneration	1.80%	2.32%	3.37%
Rate of inflation	1.20%	2.32%	n/a

The main actuarial assumptions used as of January 31, 2016 are as follows:

January 31, 2016	Defined Benefit Plans in Italy (TFR)	Pension Funds in UK	Defined Benefit Plans in Japan
Average duration of plan (years)	11.5	15.0	16.5
Discount rate	1.57%	3.80%	0.87%
Average increase in remuneration	1.80%	2.00%	3.01%
Rate of inflation	1.50%	1.80%	n/a

The discount rate used to measure defined benefit plans was determined on the basis of yields on bonds with an AA rating and a maturity date similar to that of the plans.

With respect to the January 31, 2017 liability, sensitivity analysis was performed on the main actuarial variables such as discount rate, salary changes and inflation rate. The analysis did not result in significant changes in the liability, except for the sensitivity analysis conducted on the interest rate curve, which showed that a 50 basis point increase or decrease would lead to a Euro 6 million (6.5% of the current liability) increase or decrease in the Group’s total defined benefit obligation ("DBO").

The following plan payments are expected in subsequent periods:

	January 31 2018	January 31 2019	January 31 2020	January 31 2021	After January 31 2021
Defined Benefit Plans in Italy (TFR)	1,683	1,285	1,249	1,269	23,171
Pension Funds UK	2,114	2,175	2,255	2,260	16,083
Defined Benefit Plans Japan	2,254	2,168	2,115	2,137	20,792
Total plan payments	6,051	5,628	5,619	5,666	60,046

The contributions expected for the 2017 fiscal year are as follows:

	twelve months ended January 31, 2018
Defined Benefit Plans in Italy (TFR)	-
Pension Funds UK	304
Defined Benefit Plans Japan	3,000
Total contributions expected	3,304

Other long-term employee benefits

The other long-term employee benefits meet the IAS 19 definition of long-term employee benefits and refer to retention and performance-based programs for employees. Their actuarial valuation as of January 31, 2017, using the Projected Unit Credit Method, resulted in Euro 20.4 million (Euro 24.8 million as at January 31, 2016), according to an independent actuarial appraisal. The decrease compared to January 31, 2016 is attributable mainly to benefits paid during the fiscal year (Euro 9.1 million), whereas the amount relating to new plans is Euro 7.1 million.

26. Provisions for risks and charges

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

(amounts in thousands of Euro)	Provision for litigation	Provision for tax disputes	Other provisions	Total
Balance at January 31, 2016	2,041	22,846	44,346	69,233
Exchange differences	(10)	(1)	522	511
Reversals	(145)	(289)	(41)	(475)
Utilized	(231)	(80)	(1,761)	(2,072)
Increases	133	2,429	12,564	15,126
Balance at January 31, 2017	1,788	24,905	55,630	82,323

The provisions for risks and charges represent management's best estimate of the maximum amount of potential liabilities. According to management based on the information available, and in the opinion of independent experts, the total amount allocated for risks and charges at the reporting date is adequate in respect of the liabilities that could arise from them.

Tax disputes

The Group's main tax disputes are described hereunder.

On December 30, 2005, PRADA spa received two VAT assessment notices for tax year 2002, regarding the sale of two business divisions reclassified as sales of trademarks. The amount assessed was approximately Euro 21 million. The Company filed the dispute and obtained successful outcomes in the first and second-instance courts. The Italian tax authorities appealed at the Court of Cassation, and the case is currently waiting to be heard at the Supreme Court.

On August 4, 2006, PRADA spa received a claim for VAT penalties of Euro 5.7 million regarding its alleged failure to issue a self-invoice for the value of a trademark acquired in 2002 with the related business division. The Company, which filed the dispute and obtained unsuccessful outcomes in the first and second-instance courts, has lodged an appeal at the Court of Cassation and the case is currently waiting to be heard at the Supreme Court.

In its previous annual reports, the Group provided exhaustive disclosure of the accounting and tax effects of the Italian tax authorities' dismissal of PRADA spa's petition to not apply the Italian Controlled Foreign Company rules to its Dutch sub-holding company, PRADA Far East bv, and of the inadmissibility of the petitions filed with the same authorities regarding other subsidiaries of the Group operating in countries with privileged tax systems ("black list" countries) for years 2010 to 2013. There were no significant developments in 2016.

In 2012 the Italian Customs Authorities launched an investigation on the tax periods from 2007 to 2011 against PRADA spa which resulted in the following years (including 2016) in notices of assessment on the 2010 tax period for a total of taxes and interest amounting to Euro 0.4 million at the reporting date. PRADA spa appealed against these findings. During the year there were no further significant developments.

According to management, supported by the opinion of tax advisers, the Euro 24.9 million provision recognized for the tax disputes reported above as of January 31, 2017 represents the best estimate of the obligations that the Group could be required to settle.

Legal disputes

The Euro 1.8 million provision for litigation as of January 31, 2017 refers to disputes with suppliers, former employees and government authorities regarding social security contributions.

Other risk provisions

The other risk provisions amount to Euro 55.6 million as of January 31, 2017 and refer primarily to contractual obligations to restore leased commercial properties to original conditions.

27. Other non-current liabilities

The other non-current liabilities amount to Euro 179.1 million (Euro 161.3 million as of January 31, 2016) and consist primarily of liabilities recognized to account for commercial lease costs on a straight-line basis.

28. Equity attributable to owners of the Group

The equity attributable to owners of the Group is set forth below:

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Share Capital	255,882	255,882
Share premium reserve	410,047	410,047
Other reserves	2,006,713	1,959,304
Actuarial reserve	(5,707)	(8,161)
Fair value reserve	(1,656)	933
Cash flow hedge reserve	(7,897)	(7,100)
Translation reserve	144,791	138,547
Net income for the period	278,329	330,888
Total	3,080,502	3,080,340

Share capital

As of January 31, 2017, approximately 80% of PRADA spa' share capital is owned by PRADA Holding spa and the remainder is listed on the Main Board of the Hong Kong Stock Exchange.

Share premium reserve

The share premium reserve of Euro 410 million did not change from that of January 31, 2016.

Translation reserve

The changes in this reserve result from the translation into Euros of the foreign currency financial statements of consolidated companies. The reserve increased from the Euro 138.5 million at January 31, 2016 to Euro 144.8 million. The Euro 6.3 million increase was largely attributable to the appreciation of the Hong Kong Dollar, U.S. Dollar and Russian Ruble against the Euro, net of the decrease due to the depreciation of the British pound sterling.

Other reserves

The other reserves amount to Euro 2,006.7 million as of January 31, 2017. They increased by Euro 47.4 million from January 31, 2016 due mainly to the allocation of the previous fiscal year's profit (Euro 330.9 million), net of the dividends distributed to PRADA spa shareholders (Euro 281.5 million).

Net income for the year

The Group's net income for the twelve months ended January 31, 2017 was Euro 278.6 million (Euro 330.9 million for the twelve months ended January 31, 2016).

Capital gains tax in Italy

Capital gains realized from the sale in an Italian company by shareholders resident in Hong Kong are no longer subject to taxation in Italy, applying as of January 1, 2016.
Further details on Italian capital gains taxation have already been reported in the Tax Booklet available on the Company's website www.pradagroup.com.

29. Equity attributable to non-controlling interests

The following table sets forth the changes in the non-controlling interests as of January 31, 2017 and January 31, 2016.

(amounts in thousands of Euro)	January 31 2017	January 31 2016
Opening balance	17,037	17,410
Translation differences	540	29
Dividends	(706)	(3,228)
Net income for the period	5,861	2,450
Actuarial reserve	2	6
Capital injection in subsidiaries	1,014	409
Transactions with non-controlling shareholders	280	(39)
Closing balance	24,028	17,037

The capital contributions to subsidiaries, Euro 1 million, refer primarily to the recapitalization of PRADA Saudi Arabia Ltd (Euro 0.9 million).

The transactions with non-controlling shareholders refer to the equity owned by third parties pursuant to Prada spa's purchase of quotas in Pelletteria Ennepì Srl and Hipic Prod Impex Srl.

30. Net revenues

The consolidated net revenues are generated primarily by sales of finished products, and are stated net of returns and discounts.

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Net sales	3,139,290	3,504,344
Royalties	44,779	43,427
Total	3,184,069	3,547,771

The Financial Review describes the net revenues by distribution channel, geographical area, brand and product.

31. Cost of goods sold

The cost of goods sold has the following composition:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Purchases of raw materials and production costs	595,256	858,481
Logistics costs, duties and insurance	130,383	180,944
Change in inventories	169,318	(59,219)
Total	894,957	980,206

The cost of goods sold increased from 27.6% of net revenues to 28.1% due to a less favorable sales mix in terms of distribution channel and product.

32. Operating expenses

The operating costs are detailed below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	% of net revenues	twelve months ended January 31 2016	% of net revenues
Product design and development costs	125,258	3.9%	134,272	3.8%
Advertising and communications costs	172,549	5.4%	191,695	5.4%
Selling costs	1,383,337	43.4%	1,517,443	42.8%
General and administrative costs	176,787	5.7%	221,262	6.2%
Total	1,857,931	58.4%	2,064,672	58.2%

The operating expenses of 2016 were lower than those of 2015 by Euro 206.7 million, or 10%. This reflects measures to optimize key processes, a decline in variable costs, and lower depreciation and amortization as explained in greater detail below. In particular, advertising and communication costs fell, although they remained 5.4% of net revenues, as a result of less spending in the traditional media, as well as lower sponsorship costs.

The following table set forth depreciation, amortization and impairment, the cost of labor and rent expense classified as operating expenses.

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Depreciation, amortization and impairment	209,018	268,165
Labor cost	567,944	599,865
Variable rent	343,393	359,093
Fixed rent	302,200	301,189
Total	1,422,555	1,528,312

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

Interest and other financial income/(expenses), net is presented below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Interest expenses on borrowings	(14,282)	(14,779)
Interest income / (expenses) IAS 19	48	(44)
Interest income	4,575	3,816
Exchange gains / (losses) – realized	9,783	3,221
Exchange gains / (losses) – unrealized	(15,068)	(17,489)
Other financial income / (expenses)	(3,059)	(4,597)
Total	(18,003)	(29,872)

Finance charges decreased from Euro 29.9 million in 2015 to Euro 18 million. The decrease was influenced by lower exchange losses on financial items and, to a minor degree, the combination of higher interest income thanks to the more efficient use of cash and lower interest expense due to lower average debt and interest rates.

34. Dividends from investments

As of January 31, 2017, the Group owns a 4.88% stake (unchanged from prior fiscal year) in Sitoy Group Holdings ltd, a company listed on the Hong Kong Stock Exchange (HK: 1023). In 2016, the Group accounted for dividends of Euro 2,252 thousand from that company (Euro 2,311 thousand in 2015).

35. Taxation

Income taxes have the following composition:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Current taxation	95,647	158,157
Deferred taxation	35,593	(16,163)
Total	131,240	141,994

The reconciliation between the Group's theoretical tax rate and its effective tax rate is presented in the table below:

(amounts in thousands of Euro)	twelve months ended January 31 2017
Weighted average tax rate of the Group	27.1%
Costs and revenues not taxable/deductible	0.4%
Effect of utilization of tax loss carryforwards	0.8%
Prior year taxes	2.0%
Withholdings	1.3%
Effective tax rate of Group	31.6%

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

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Opening balance	243,690	239,349
Exchange differences	5,746	528
Deferred tax on acquisitions	463	-
Deferred taxes on derivative instruments recorded in equity (cash flow hedges)	117	(10,684)
Deferred taxes on post-employment benefits recorded in equity (reserve for actuarial differences)	(821)	(1,200)
Other movements	2,524	(466)
Deferred taxes for the period in profit or loss	(35,593)	16,163
Closing balance	216,126	243,690

Deferred tax assets and liabilities are classified by type hereunder:

(amounts in thousands of Euro)	January 31, 2017		January 31, 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventories	108,560	-	140,922	-
Receivables and other assets	462	1,417	386	1,616
Useful life of non-current assets	55,124	8,712	60,255	9,848
Deferred taxes due to acquisitions	-	16,957	-	20,725
Provision for risks / accrued expenses	54,945	816	49,611	2,561
Non-deductible / taxable charges/income	11,096	448	12,653	446
Tax loss carryforwards	3,561	-	3,809	-
Derivative financial instruments	1,885	-	1,800	35
Long term employee benefits	9,395	1,740	9,268	1,401
Other	2,238	1,050	1,868	250
Total	247,266	31,140	280,572	36,882

Tax loss carryforwards as of January 31, 2017, including those already recognized in the Group's financial statements, are detailed below:

(amounts in thousands of Euro)	January 31, 2017
Expiring within 5 years	8,689
Expiring after 5 years	30,090
Available for carryforward with no time limit	84,558
Total tax loss carryforwards	123,337

The Group's management updated the deferred tax assets recognized on tax loss carryforwards taking into consideration the macroeconomic scenario and the business developments of each of the Group’s company.

36. Earnings and Dividends per share

Earnings per share basic and diluted

Earnings per share are calculated by dividing the net income attributable to the shareholders of the Parent company by the weighted average number of ordinary shares outstanding.

	twelve months ended January 31 2017	twelve months ended January 31 2016
Group net income in Euro	278,328,814	330,888,425
Weighted average number of ordinary shares in issue	2,558,824,000	2,558,824,000
Basic and Diluted rarnings per share in Euro, calculated on weighted average number of shares	0.109	0.129

Dividends per share

The Board of Directors of PRADA spa has proposed a final dividend of Euro 307,058,880 (or Euro 0.12 per share) for the twelve months ended January 31, 2017.

During the year ended January 31, 2017, the Company distributed dividends of Euro 281,470,640, as approved by Shareholders at the General Meeting held on May 24, 2016 to approve the financial statements for the year ended January 31, 2016.

The dividends and the related Italian withholding tax (Euro 14.6 million), determined by applying the ordinary Italian tax rate to the entire amount of the dividends distributed to the beneficial owners of the Company's shares held through the Hong Kong Central Clearing and Settlement System, were paid by January 31, 2017.

The dividends paid in the past three years are detailed hereunder:

	Financial statements ended January 31, 2016	Financial statements ended January 31, 2015	Financial statements ended January 31, 2014
Total dividends paid (Euro)	281,470,640	281,470,640	281,470,640
Dividends per Share (Euro)	0.11	0.11	0.11
Date of approval by Shareholders' Meeting	24/05/2016	26/05/2015	22/05/2014
Date of payment	June 2016	June 2015	June 2014

37. Additional information

The average number of employees by business division for the twelve months ended January 31, 2017 and January 31, 2016 is presented below:

(number of employees)	twelve months ended January 31 2017	twelve months ended January 31 2016
Production	2,544	2,114
Product design and development	989	1,038
Advertising and Communications	117	119
Selling	7,690	8,129
General and administrative services	986	1,014
Total	12,326	12,414

Employee remuneration

The employee remuneration by business division for the twelve months ended January 31, 2017 and January 31, 2016 is presented below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Production	109,200	102,714
Product design and development	81,660	67,608
Advertising and Communications	14,468	13,157
Selling	396,217	418,931
General and administrative services	75,599	100,133
Total	677,144	702,543

The types of employee remuneration for the twelve months ended January 31, 2017 and January 31, 2016 are presented below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Wages and salaries	510,317	527,975
Post-employment benefits and other long-term benefits	29,574	32,985
Social contributions	107,031	109,191
Other	30,222	32,392
Total	677,144	702,543

Distributable reserves of the Parent company, PRADA spa

(amounts in thousands of Euro)	January 31 2017	Possible utilization	Distributable amount	Summary of utilization in the last three years	
				Coverage of losses	Distribution of dividends
Share Capital	255,882				
Share premium reserve	410,047	A, B, C	410,047	-	-
Legal reserve	51,176	B	-	-	-
Other reserves	182,899	A, B, C	182,899	-	-
Retained earnings	405,803	A, B, C	383,684	-	793,235
Cash flow hedge reserve	(1,602)		-	-	-
Distributable amount			976,630	-	793,235

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

Under Italian Civil Code Article 2431, the share premium reserve is fully distributable since the amount of the legal reserve is equal to or exceeds 20% of share capital. Under Italian Legislative Decree 38/2005, Article 7, Euro 22.2 million of the retained earnings is not distributable.

Exchange rates

The exchange rates against the Euro used to consolidate statements of financial position and Statement of Profit or Loss prepared in other currencies as at January 31, 2017 and January 31, 2016 are shown below:

Currency	Average rate	Average rate in prior year	Closing rate	Opening rate
US Dollar	1.105	1.103	1.076	1.092
Canadian Dollar	1.455	1.429	1.406	1.536
GB Pound	0.827	0.725	0.861	0.764
Swiss Franc	1.088	1.067	1.067	1.114
Australian Dollar	1.478	1.486	1.420	1.539
Korean Won	1,280.125	1,259.326	1,244.760	1,318.600
Japanese Yen	119.817	133.531	121.940	132.250
Hong Kong Dollar	8.574	8.557	8.344	8.510
Singapore Dollar	1.525	1.525	1.520	1.555
Thai Baht	38.915	38.100	37.793	38.973
Taiwan Dollar	35.491	35.201	33.666	36.572
Russian Ruble	72.627	68.752	64.430	82.847
Czech Koruna	27.034	27.213	27.021	27.026
Macau Pataca	8.831	8.813	8.594	8.764
Chinese Renminbi	7.365	6.966	7.397	7.181
New Zealand Dollar	1.575	1.603	1.471	1.679
Malaysian Ringgit	4.587	4.378	4.761	4.530
Turkish Lira	3.403	3.070	4.063	3.237
Brazilian Real	3.782	3.799	3.354	4.429
Mexican Peso	20.924	17.811	22.286	20.005
UAE Dirham	4.058	4.053	3.950	4.011
Ukrainian Hryvna	28.488	24.920	28.828	27.423
Moroccan Dirham	10.850	10.811	10.761	10.767
Kuwait Dinar	0.334	0.333	0.328	0.332
Danish Kronor	7.443	7.460	7.437	7.463
Swedish Kronor	9.489	9.341	9.451	9.348
Kazakhstani Tenge	375.115	262.094	347.200	397.880
Qatari Riyal	4.024	4.019	3.931	3.952
Indian Rupee	74.307	71.274	72.801	74.104
Saudi Riyal	4.144	4.139	4.034	4.095
South African Rand	16.019	14.509	14.444	17.493
Vietnamese Dong	24,251.317	23,961.811	23,807.500	23,922.500
Indonesian Rupiah	14,650.814	14,901.001	14,363.560	14,967.640

Independent auditor fees

The total fees and expenses accrued for Deloitte & Touche spa and its network for auditing the financial statements of the fiscal years ending January 31, 2017 and January 31, 2016, and for other non-audit services, are presented below:

Type of service	Audit Firm	Provided to	twelve months ended January 31, 2017	twelve months ended January 31, 2016
Audit services	Deloitte & Touche spa	PRADA spa	514	485
Audit services	Deloitte & Touche spa	Subsidiaries	173	162
Audit services	Deloitte Network	Subsidiaries	1,194	1,294
Total audit fees accruing			1,881	1,941
Other advisory services	Deloitte Network	PRADA spa	1,045	880
Other advisory services	Deloitte Network	Subsidiaries	216	247
Total non-audit fees accruing			1,261	1,127
Out of pocket expenses			81	99
Total independent auditor’s compensation accruing			3,223	3,167

Other advisory services for Prada spa mainly relate to services to assist the Company with the production of a new website, with processes aimed at creating a data warehouse and in developing its customer cluster analysis.

38. Remuneration of Board of Directors, five highest paid individuals and Senior Managers

Remuneration of PRADA spa Board of Directors for fiscal year ended January 31, 2017

(amounts in thousands of Euro)	Directors’ fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	January 31, 2017
Carlo Mazzi	1,020	-	-	74	22	1,116
Miuccia Prada Bianchi	12,368	-	-	-	22	12,390
Patrizio Bertelli	12,368	-	-	-	22	12,390
Alessandra Cozzani	50	215	110	13	90	478
Stefano Simontacchi	42	-	-	-	-	42
Maurizio Cereda	33	-	-	-	-	33
Gian Franco Oliviero Mattei	150	-	-	-	13	163
Giancarlo Forestieri	70	-	-	-	11	81
Sing Cheong Liu	70	-	-	-	15	85
Total	26,171	215	110	87	195	27,778

Mr. Donatello Galli resigned with effect on Feb. 19, 2016, and received during the year ended Jan. 31, 2017 a total remuneration of Euro 1.9 million. Mr. Gaetano Miccichè resigned with effect on Apr. 15, 2016, and received during the year ended Jan. 31, 2017 a total remuneration of Euro 9 thousands.

Remuneration of PRADA spa Board of Directors for fiscal year ended January 31, 2016

(amounts in thousands of Euro)	Directors' fees	Remuneration and other benefits	Bonuses and other incentives	Benefits in kind	Pension, healthcare and TFR contributions	January 31, 2016
Carlo Mazzi	1,020	-	-	83	16	1,119
Miuccia Prada Bianchi	10,561	2,675	-	-	21	13,257
Patrizio Bertelli	10,561	1,500	1,250	-	21	13,332
Donatello Galli	50	407	208	40	186	891
Alessandra Cozzani	50	190	97	13	94	444
Gaetano Micciché	46	-	-	-	-	46
Gian Franco Oliviero Mattei	147	-	-	-	13	160
Giancarlo Forestieri	70	-	-	-	11	81
Sing Cheong Liu	70	-	-	-	15	85
Total	22,575	4,772	1,555	136	377	29,415

Remuneration of five highest paid individuals

The Group's five highest paid individuals included three Directors for 2016 and two Directors for 2015. The total remuneration of the remaining two highest paid individuals in the twelve months ended January 31, 2017, and the remaining three highest paid individuals in the twelve months ended January 31, 2016, is set forth below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Remuneration and other benefits	9,972	10,644
Bonuses and other incentives	2,093	1,607
Non-monetary benefits	230	218
Pension/social security, healthcare and TFR contributions	23	397
Total	12,318	12,866

The remuneration range of the five highest paid individuals is as follows:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2017	twelve months ended January 31 2016
Less than HKD 8,000,000	-	-
Between HKD 8,000,000 and HKD 20,000,000	1	2
More than HKD 50,000,000	1	1
Total individuals	2	3

Senior Manager remuneration

The remuneration of the Senior Managers is as follows:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Remuneration and other benefits	16,878	19,872
Bonuses and other incentives	4,812	5,207
Non-monetary benefits	2,067	1,458
Pension/social security, healthcare and TFR contributions	1,935	3,159
Total	25,692	29,696

There were 25 Senior Managers as of January 31, 2017, and 31 Senior Managers as of January 31, 2016.

The remuneration range of the Senior Mangers is as follows:

(amounts in Hong Kong Dollars)	twelve months ended January 31 2017	twelve months ended January 31 2016
Less than HKD 4,000,000	6	6
fra HKD 4,000,000 e HKD 8,000,000	16	21
fra HKD 8,000,000 e HKD 16,000,000	1	3
fra HKD 16,000,000 e HKD 50,000,000	1	-
maggiore di HKD 50,000,000	1	1
Total individuals	25	31

39. Related party transactions

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

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

Statement of financial position balances as of January 31, 2017

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Receivables from, and advances to, related parties – non current	Trade payables	Payables to related parties - current	Payables to related parties – non current	Other Liabilities
STICHTING Prada (ex Stiching Fondazione Prada)	(1)	-	-	-	-	-	-
Progetto Prada Arte Srl	-	-	-	(3)	-	-	-
Al Tayer Group LLC	-	-	-	1	-	-	-
Al Tayer Insignia LLC	-	-	-	20	2,492	-	-
Danzas LLC - UAE	-	-	-	11	20	-	-
DFS Hawaii	-	-	-	618	-	-	-
DFS New Zealand Limited	-	-	-	25	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	53	-	-	-
Luna Rossa Challenge 2013 Srl	129	8,741	-	11	55	-	-
Chora Srl	-	5,848	-	2,203	-	-	-
DFS DFS Cotai limitada	11	-	-	313	526	-	-
Al Tayer Trends	14	-	-	-	-	-	-
Al Sanam Rent a Car LLC	-	-	-	2	-	-	-
Peschiera Immobiliare srl	-	88	-	-	-	-	-
Premiata Srl	10	-	-	423	-	-	-
Le Mazza srl	134	-	-	412	-	-	-
Friuli 64 srl	-	-	-	152	-	-	-
SPELM SA	-	78	-	-	-	-	-
Conceria Superior S.p.A.	32	-	-	8,290	-	-	-
PRADA HOLDING S.P.A.	788	-	-	-	-	-	-
Fratelli Prada SpA	22,770	118	-	1,184	8	-	-
PRA 1 S.r.l.	-	91	-	95	-	-	-
Perseo srl	48	-	-	384	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	-	-	-	(1)	2,441	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	3,433
Relatives of members of the Board of Directors	-	-	-	-	-	-	340
Total at January 31, 2017	23,935	14,964	-	14,193	5,542	-	3,773

Statement of financial position balances as of January 31, 2016

(amounts in thousands of Euro)	Trade receivables	Receivables from, and advances to, related parties – current	Receivables from, and advances to, related parties – non current	Trade payables	Payables to related parties - current	Payables to related parties – non current	Other Liabilities
STICHTING Prada (ex Stiching Fondazione Prada)	(1)	-	-	-	-	-	-
Progetto Prada Arte Srl	(12)	-	703	(503)	-	-	-
Progetto Prada Arte Srl (Galleria) (*)			1,632				
HMP Srl	8	-	-	-	-	-	-
Al Tayer Group LLC	-	-	-	4	-	-	-
Al Tayer Insignia LLC	-	-	-	21	2,455	-	-
Danzas LLC - UAE	-	-	-	-	37	-	-
DFS Hawaii	-	-	-	660	-	-	-
DFS New Zealand Limited	-	-	-	35	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	-	44	-	-	-
Luna Rossa Challenge 2013 Srl	56	13,626	3,164	7	26	-	-
Al Tayer Motors	-	-	-	1	-	-	-
Chora Srl	-	5,848	-	4,279	-	-	-
DFS DFS Cotai limitada	54	-	-	905	-	-	-
Al Tayer Trends	14	-	-	-	-	-	-
Al Sanam Rent a Car LLC	-	-	-	2	-	-	-
Peschiera Immobiliare srl	-	-	-	64	-	-	-
Premiata Srl	63	-	-	476	-	-	-
La Mazza srl	63	-	-	823	-	-	-
Friuli 64 srl	-	-	-	152	-	-	-
SPELM SA	-	75	-	-	-	-	-
Conceria Superior S.p.A.	2	-	-	3,083	-	-	-
PRADA HOLDING S.P.A.	502	-	-	-	-	-	-
Fratelli Prada SpA	24,118	-	-	1,496	322	-	-
PRA 1 S.r.l.	-	80	-	144	-	-	-
Perseo srl	21	-	-	1,222	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	123	-	-	2,083	2,404	-	-
Members of the Board of Directors of PRADA spa	-	-	-	-	-	-	2,652
Relatives of members of the Board of Directors	-	-	-	-	-	-	72
Total at January 31, 2016	25,011	19,629	5,499	14,998	5,244	-	2,724

(*) The non-current receivable of Euro 1,632 thousand due from Progetto Prada Arte srl represented the deferred rent income recognized pursuant to the application of IAS 17, "Leases" to the temporary business partnership of PRADA spa and Progetto Prada Arte srl.

Statement of profit or loss transactions for the twelve months ended January 31, 2017

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
Progetto Prada Arte Srl	-	-	(193)	-	-	-
Progetto Prada Arte Srl (*)			1,632			
HMP Srl	-	-	(1)	-	-	-
Al Tayer Group LLC	-	-	33	-	-	-
Al Tayer Insignia LLC	-	-	256	-	-	-
Danzas LLC - UAE	-	510	63	-	-	-
DFS Hawaii	-	-	4,461	-	-	-
DFS New Zealand Limited	-	-	214	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	286	-	-	-
Luna Rossa Challenge 2013 Srl	2	-	11,683	-	-	-
Al Tayer Motors	-	-	9	-	-	-
Chora Srl	-	-	2,508	-	-	32
DFS DFS Cotai limitada	-	-	4,504	-	-	-
Al Sanam Rent a Car LLC	-	-	11	-	-	-
Peschiera Immobiliare srl	-	-	540	-	-	-
Premiata Srl	-	1,137	-	-	-	-
Le Mazza srl	-	925	-	-	-	-
Friuli 64 srl	-	-	677	-	-	-
SPELM SA	-	-	459	-	-	-
Conceria Superior S.p.A.	313	13,409	70	-	-	-
PRADA HOLDING S.P.A.	-	-	(232)	-	-	-
Fratelli Prada SpA	21,015	477	529	635	-	-
PRA 1 S.r.l.	-	-	1,139	-	-	-
Petranera S.r.l.- equity	-	-	(2)	-	-	-
PABE-RE LLC.	-	-	17,032	-	-	-
Perseo srl	-	2,596	-	-	-	-
Pelletteria Ennepì S.r.l.	-	-	-	-	-	-
Relative of PRADA spa Director	-	-	776	-	-	-
Total at January 31, 2017	21,330	19,054	46,454	635	-	32

(*) Pursuant to the application of IAS 17, "Leases", the amount contains a non-monetary cost for the derecognition of deferred rent of Euro 1,632 thousand with Progetto Prada Arte srl recognized pursuant to the termination dated April 8, 2016 of the temporary business partnership agreement between PRADA spa and Progetto Prada Arte.

Statement of profit or loss transactions for the twelve months ended January 31, 2016

(amounts in thousands of Euro)	Net revenues	Cost of goods sold	General, admin. & selling costs (income)	Royalties income	Interest income	Interest expense
STICHTING Prada (ex Stiching Fondazione Prada)	16	-	(152)	-	-	-
Progetto Prada Arte Srl	-	459	(242)	-	19	-
Progetto Prada Arte Srl (galleria) (**)			(1,318)			
HMP Srl	-	-	13	-	-	-
Al Tayer Group LLC	-	-	48	-	-	-
Al Tayer Insignia LLC	-	43	359	-	-	-
Danzas LLC - UAE	-	981	125	-	-	-
Al Tayer Travels	-	6	42	-	-	-
DFS Hawaii	(2)	-	4,436	-	-	-
DFS New Zealand Limited	-	-	300	-	-	-
DFS Venture Singapore (Pte) Limited	-	-	316	-	-	-
Luna Rossa Challenge 2013 Srl	18	-	13,544	-	-	-
Al Tayer Motors	-	-	8	-	-	-
Chora Srl	-	-	2,605	-	-	1
DFS DFS Cotai limitada	-	-	6,170	-	-	-
Al Sanam Rent a Car LLC	-	-	11	-	-	-
Peschiera Immobiliare srl	-	-	522	-	-	-
Premiata Srl	-	3,156	1	-	-	-
La Mazza srl	-	2,032	16	-	-	-
Fin_Reta Srl	-	-	125	-	-	-
Pelletteria Reta srl	-	17	51	-	-	-
Friuli 64 srl	-	-	718	-	-	-
SPELM SA	-	-	468	-	-	-
Gran Caffè snc	-	7	1	-	-	-
Rubaiyat Modern Lux. Prod. Ltd	-	-	(858)	212	-	-
Conceria Superior S.p.A.	-	22,750	130	-	-	-
PRADA HOLDING S.P.A.	-	-	(347)	-	-	-
Fratelli Prada SpA (franchising)	30,349	125	(558)	908	-	-
Fratelli Prada (galleria) (*)	-		2,677			
PRA 1 S.r.l.	-	-	1,187	-	-	-
PABE-RE LLC.	-	-	8,342	-	-	-
Perseo srl	-	1,154	-	-	-	-
Rubaiyat Modern Lux.Pr.Co.Ltd	6,621	6,443	(23)	-	-	-
Relative of PRADA spa Director	-	-	742	-	-	-
Total at January 31, 2016	37,002	37,173	39,459	1,120	19	1

(*)This amount contains non-monetary income in the form of deferred rental income of Euro 3,174 thousand recognized in relation to Fratelli Prada spa in application of "IAS 17 Leases" to the business management agreement between PRADA spa and Fratelli Prada spa.
(**)This amount includes non-monetary income in the form of deferred rental income of Euro 387 thousand recognized in relation to Progetto Prada Arte srl in application of "IAS 17 Leases" to the temporary business partnership contract between PRADA spa and Progetto Prada Arte srl.

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

The transactions with related party “PABE-RE LLC” refer to the transaction between PABE-RE LLC and Prada Japan in relation to the lease for the Aoyama Building in Tokyo. The transactions reported for the twelve months ended January 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated July 15, 2015.

The transactions with related party “Fratelli Prada spa – franchising” refer to transactions between the Company and Fratelli Prada spa in relation to the franchising agreement for the Prada stores in Milan. The transactions reported for the twelve months ended January 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated January 29, 2014.

The transactions with related party “Progetto Prada Arte srl - Galleria” refer to the transactions between the Company and Progetto Prada Arte srl in relation to the temporary business partnership agreement for Progetto Prada Arte srl's use of part of the Galleria Vittorio Emanuele II property in Milan to hold cultural events. The transactions regard the period from February 1, 2016 to April 8, 2016 pursuant to the termination agreement signed by the parties on the same date, the details of which are reported in PRADA spa's Announcement dated April 8, 2016.

The transactions with related party Luna Rossa Challenge srl for the twelve months ended January 31, 2017 are regulated by Chapter 14A of the Listing Rules because they are considered continuing connected transactions subject to disclosure, but they are exempt from the independent shareholders' approval requirement. As required by the Listing Rules, comprehensive disclosure of those continuing connected transactions is contained in PRADA spa's Announcement dated February 27, 2014.

Apart from the non-exempt continuing connected transactions and non-exempt connected transactions reported in Note 38, no transaction reported in the 2016 consolidated financial statements meets the definition of “connected transaction” or “continuing connected transaction” contained in Chapter 14A of the Hong Kong Stock Exchange Listing Rules or, if it does meet the definition of “connected transaction” or “continuing connected transaction” according to Chapter 14A, it is exempt from the announcement, disclosure and independent shareholders’ approval requirements laid down in Chapter 14A.

40. Commitments

Operating leases

The operating leases in effect as of January 31, 2017 and January 31, 2016 are set forth below by maturity:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Within a year	459,520	435,241
After between one year and five years	1,268,394	1,218,665
After more than five years	1,274,402	1,053,674
Total	3,002,316	2,707,580

The operating lease commitments for fiscal year 2016 include Euro 2,736 million regarding leases for retail premises (Euro 2,636 million for 2015).

The difference is due mainly to the increase in commitments in countries whose currency differs from the Euro.

The lease amounts recognized in the statement of profit or loss for the twelve months ended January 31, 2017 and January 31, 2016 are presented below:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Fixed minimum lease expenses	304,490	303,451
Variable lease expenses	343,393	359,093
Total	647,883	662,544

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

The future rental incomes under the operating leases are set forth below by maturity:

(amounts in thousands of Euro)	twelve months ended January 31 2017	twelve months ended January 31 2016
Within a year	4,739	6,776
After between one year and five years	16,479	23,709
After more than five years	2,071	19,286
Total	23,289	49,771

The decrease in future rental income is mainly due to the termination of lease contracts with related parties.

Other commitments

The Group had no significant binding purchase commitments as of January 31, 2017.

41. Financial trend

(amounts in thousands of Euro)	January 31 2017	January 31 2016	January 31 2015	January 31 2014	January 31 2013
Net revenues	3,184,069	3,547,771	3,551,696	3,587,347	3,297,219
Gross margin	2,289,112	2,567,565	2,550,579	2,648,649	2,376,541
Operating income (EBIT)	431,181	502,893	701,551	939,237	889,781
Group net income	278,329	330,888	450,730	627,785	625,681
Total assets	4,656,929	4,756,555	4,738,877	3,888,292	3,385,279
Total liabilities	1,552,399	1,659,178	1,720,730	1,186,752	1,054,787
Total Group shareholders' equity	3,080,502	3,080,340	3,000,737	2,687,554	2,320,022

42. Consolidated companies

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
Italy						
PRADA Spa	EUR	255,882		Milan, IT		Group Holding / Production/ Distribution
Artisans Shoes Srl (*)	EUR	1,000	66.70	Montegranaro, IT	09/02/1977	Production
IPI Logistica Srl (*)	EUR	600	100.00	Milan, IT	26/01/1999	Services
Pelletteria Ennepì Srl (*)	EUR	93	80.00	Figline e Incisa Valdarno, IT	01/12/2016	Production
Church Italia Srl	EUR	51	100.00	Milan, IT	31/01/1992	Services/Retail
Marchesi Angelo Srl (*)	EUR	23	80.00	Milan, IT	10/07/2013	Confectionary
Montenapoleone 9 Srl (*)	EUR	1,000	100.00	Milan, IT	22/04/2015	Confectionary
Europe						
PRADA Retail UK Ltd	GBP	5,000	100.00	London, UK	07/01/1997	Retail
PRADA Germany Gmbh	EUR	215	100.00	Munich, GE	20/03/1995	Retail/Services
PRADA Austria Gmbh	EUR	40	100.00	Vienna, AT	14/03/1996	Retail
PRADA Spain Sl	EUR	240	100.00	Madrid, ES	14/05/1986	Retail
PRADA Retail France Sas	EUR	4,000	100.00	Paris, FR	10/10/1984	Retail
PRADA Hellas Sole Partner Llc (*)	EUR	2,850	100.00	Athens, GR	19/12/2007	Retail
PRADA Monte-Carlo Sam	EUR	2,000	100.00	Monte-Carlo, FR	25/05/1999	Retail
PRADA Sa (*)	EUR	31	100.00	Luxembourg, LU	29/07/1994	Trademark Owner/ Services
PRADA Company Sa	EUR	3,204	100.00	Luxembourg, LU	12/04/1999	Services
PRADA Far East Bv (*)	EUR	20	100.00	Amsterdam, NL	27/03/2000	Retail
PRADA Far East Bv II (*)	EUR	10	100.00	Amsterdam, NL	27/03/2000	Sub-Holding
Church Denmark Aps	DKK	50	100.00	Copenhagen, DK	13/03/2014	Retail
Church Holding UK Ltd (*)	GBP	78,126	100.00	Northampton, UK	22/07/1999	Sub-Holding
Church France Sas	EUR	241	100.00	Paris, FR	01/06/1955	Retail
Church UK Retail Ltd	GBP	1,021	100.00	Northampton, UK	16/07/1987	Retail
Church's English Shoes Switzerland Sa	CHF	100	100.00	Lugano, CH	29/12/2000	Retail
Church & Co. Ltd	GBP	2,811	100.00	Northampton, UK	16/01/1926	Sub-Holding / Production / Distribution
Church & Co. (Footwear) Ltd	GBP	44	100.00	Northampton, UK	06/03/1954	Trademark Owner
Church English Shoes Sa	EUR	75	100.00	Brussels, BE	25/02/1963	Retail
PRADA Czech Republic Sro (*)	CZK	2,500	100.00	Prague, CZ	25/06/2008	Retail
PRADA Portugal Unipessoal Lda (*)	EUR	5	100.00	Lisbon, PT	07/08/2008	Retail
PRADA Rus Llc (*)	RUB	250	100.00	Moscow, RU	07/11/2008	Retail
Church Spain Sl	EUR	3	100.00	Madrid, ES	06/05/2009	Retail
PRADA Bosphorus Deri Mamuller Ltd Sirketi (*)	TRY	73,000	100.00	Istanbul, TR	26/02/2009	Retail
PRADA Ukraine Llc (*)	UAH	30,000	100.00	Kiev, UA	14/10/2011	Retail
Church Netherlands Bv	EUR	18	100.00	Amsterdam, NL	07/07/2011	Retail
Church Ireland Retail Ltd	EUR	50	100.00	Dublin, IE	20/11/2011	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
Europe						
Church Austria Gmbh	EUR	35	100.00	Vienna, AT	17/01/2012	Retail
Prada Sweden Ab	SEK	500	100.00	Stockholm, SE	18/12/2012	Retail
Church Footwear Ab	SEK	100	100.00	Stockholm, SE	18/12/2012	Retail
Prada Switzerland Sa (*)	CHF	24,000	100.00	Lugano, CH	28/09/2012	Retail
Prada Kazakhstan Llp (*)	KZT	500,000	100.00	Almaty, KZ	24/06/2013	Retail
Kenon Ltd	GBP	84,000	100.00	London, UK	07/02/2013	Real Estate
Tannerie Limoges Sas (*)	EUR	873	60.00	Isle, FR	19/08/2014	Production
Prada Denmark Aps (*)	DKK	20,412	100.00	Copenhagen, DK	19/05/2015	Retail
Prada Finnish Oy (*)	EUR	2.5	100.00	Helsinki, FI	09/11/2015	Retail
Prada Belgium Sprl (*)	EUR	800	100.00	Brussels, BE	04/12/2015	Retail
Hipic Prod Impex Srl (**)	RON	200	50.00	Sibiu, RO	15/04/2016	Production
Americas						
PRADA USA Corp. (*)	USD	152,211	100.00	New York, US	25/10/1993	Services/Distribution/ Retail
TRS Hawaii Llc	USD	400	55.00	Honolulu, US	17/11/1999	Duty-free stores
PRADA Canada Corp. (*)	CAD	300	100.00	Toronto, CA	01/05/1998	Distribution/Retail
Church & Co. (USA) Ltd	USD	85	100.00	New York, US	08/09/1930	Retail
Post Development Corp (*)	USD	45,138	100.00	New York, US	18/02/1997	Real estate
PRADA Retail Mexico, S. de R.L. de C.V. (*)	MXN	269,058	100.00	Mexico City, MX	12/07/2011	Retail
PRADA Brasil Importação e Comércio de Artigos de Luxo Ltda (*)	BRL	210,000	100.00	Sao Paulo, BR	12/04/2011	Retail
PRM Services S. de R.L. de C.V. (*)	MXN	7,203	100.00	Mexico City, MX	27/02/2014	Service company
PRADA Panama Sa (*)	PAB	30	100.00	Panama, PA	15/09/2014	Retail
PRADA Retail Aruba Nv (*)	USD	2,012	100.00	Oranjestad, AW	25/09/2014	Retail
PRADA St. Barthelemy Sarl (*)	EUR	1,220	100.00	Gustavia, BL	01/04/2016	Retail
Asia-Pacific and Japan						
PRADA Asia Pacific Ltd	HKD	3,000	100.00	Hong Kong, HK	12/09/1997	Retail/Services
PRADA Taiwan Ltd	TWD	3,800	100.00	Hong Kong, HK	16/09/1993	Retail
PRADA Retail Malaysia Sdn. Bnd.	MYR	1,000	100.00	Kuala Lumpur, MY	23/01/2002	Retail
TRS Hong Kong Ltd	HKD	500	55.00	Hong Kong, HK	23/02/2001	Duty-free stores
PRADA Singapore Pte Ltd	SGD	1,000	100.00	Singapore, SG	31/10/1992	Retail
TRS Singapore Pte Ltd	SGD	500	55.00	Singapore, SG	08/08/2002	Duty-free stores
PRADA Korea Llc	KRW	8,125,000	100.00	Seoul, KR	27/11/1995	Retail
PRADA (Thailand) co Ltd	THB	372,000	100.00	Bangkok, TH	19/06/1997	Retail
PRADA Japan co Ltd	JPY	1,200,000	100.00	Tokyo, JP	01/03/1991	Retail
TRS Guam Partnership	USD	1,095	55.00	Guam, GU	01/07/1999	Duty-free stores
TRS Saipan Partnership	USD	1,405	55.00	Saipan, MP	01/07/1999	Duty-free stores
TRS New Zealand ltd	NZD	100	55.00	Wellington, NZ	04/11/1999	Duty-free stores
PRADA Australia Pty Ltd	AUD	13,500	100.00	Sydney, AU	21/04/1997	Retail
PRADA Trading (Shanghai) co Ltd	RMB	1,653	100.00	Shanghai, CN Limited Liability Company	09/02/2004	Retail
TRS Okinawa KK	JPY	10,000	55.00	Tokyo, JP	21/01/2005	Duty-free stores
PRADA Fashion Commerce (Shanghai) co Ltd	RMB	474,950	100.00	Shanghai,CN Limited Liability Company	31/10/2005	Retail
Church Japan Company Ltd	JPY	31,525	100.00	Tokyo, JP	17/04/1992	Retail

Company	Local currency	Share capital (000s of local currency)	% interest	Registered office and principal country of operations	Date of incorporation/ establishment	Main business
Asia-Pacific and Japan						
Church Hong Kong Retail Ltd	HKD	1,000	100.00	Hong Kong, HK	04/06/2004	Retail
Church Singapore Pte. Ltd	SGD	500	100.00	Singapore, SG	18/08/2009	Retail
PRADA Hong Kong P.D. Ltd (*)	HKD	11,000	100.00	Hong Kong, HK	15/12/2011	Service company
Prada Dongguan Trading Co., Ltd	RMB	8,500	100.00	Dongguan, CN Limited Liability Company	28/11/2012	Service company
Church Footwear (Shanghai) Co., Ltd	RMB	21,900	100.00	Shanghai, CN Limited Liability Company	05/12/2012	Retail
Prada New Zealand Ltd	NZD	3,500	100.00	Wellington, NZ	05/07/2013	Retail
PRADA India Fashion Private Ltd	INR	100	100.00	Mumbai, IN	30/09/2013	Retail
PRADA Vietnam Limited Liability Company	VND	66,606,570	100.00	Hanoi City, VN	09/09/2014	Retail
PT PRADA Indonesia	IDR	3,023,844	100.00	Jakarta, ID	15/10/2014	Dormant/Distribution
PRADA Macau Co Ltd	MOP	25	100.00	Macau, MO	22/01/2015	Retail
Middle East						
PRADA Middle East Fzco (*)	AED	18,000	60.00	Jebel Ali Free Zone, AE	25/05/2011	Distribution/Services
PRADA Emirates Llc (**)	AED	300	49.00	Dubai, AE	04/08/2011	Retail
PRADA Kuwait Wll (**)	KWD	50	49.00	Kuwait city, KW	18/09/2012	Retail
PRADA Retail Spc (*)	QAR	15,000	100.00	Doha, QA	03/02/2013	Retail
PRADA Saudi Arabia Ltd (*)	SAR	26,666	75.00	Jeddah, SA	02/07/2014	Retail
Other countries						
PRADA Maroc Sarlau (*)	MAD	95,000	100.00	Casablanca, MA	11/11/2011	Retail
PRADA Retail South Africa pty Ltd (*)	ZAR	50,000	100.00	Sandton, ZA	06/09/2014	Retail

(*) Company owned directly by PRADA spa
(**) Company consolidated based on definition of control per IFRS 10

Unconsolidated companies

Company	Percentage direct interest at January 31, 2017	Percentage direct interest at January 31, 2016	Note	Consolidation method
PAC Srl (in liquidation)	49.00	49.00	Associate	Equity method

43. Disclosures regarding non-controlling interests

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

Financial statements for fiscal year ended January 31, 2017:

Company	Percentage interest held	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss) for year	Dividends paid to non-controlling shareholders (amounts in Euro thousands)
Artisans Shoes Srl	66.70	EUR	25,728	8,318	51,034	1,368	369
TRS Hawaii Llc	55.00	USD	6,288	4,109	16,898	(303)	-
TRS Hong Kong	55.00	HKD	674	598	-	(127)	-
TRS Singapore	55.00	SGD	3,347	2,824	3,320	508	-
TRS Guam Partnership	55.00	USD	7,848	6,775	12,906	2,078	-
TRS Saipan Partnership	55.00	USD	3,421	3,021	3,985	697	-
TRS New Zealand Ltd	55.00	NZD	3,292	2,359	2,301	234	-
TRS Okinawa KK	55.00	JPY	814,110	653,268	1,222,107	137,782	337
TRS Hong Kong branch in Macau	55.00	MOP	163,842	91,979	215,538	34,067	-
PRADA Emirates Llc	49.00	AED	158,897	(41,388)	190,807	(25,943)	-
PRADA Middle East fzco	60.00	AED	276,994	192,653	202,910	27,675	-
Prada Kuwait Wll	49.00	KWD	6,052	175	7,946	92	-
PRADA Saudi Arabia Ltd	75.00	SAR	75,102	22,858	57,574	(8,713)	-
Marchesi Angelo Srl	80.00	EUR	2,445	636	3,091	(284)	-
Tannerie Limoges Sas	60.00	EUR	8,305	290	2,914	(581)	-
Hipic Prod Impex Srl	50.00	RON	6,753	(4,997)	-	(2,762)	-
Pelletteria Ennepì S.r.l.	80.00	EUR	6,406	1,931	-	29	-

Financial statements for fiscal year ended January 31, 2016:

Company	Percentage interest held	Local currency	Total assets	Total equity	Net revenues	Net income/ (loss) for year	Dividends paid to non-controlling shareholders (amounts in Euro thousands)
Artisans Shoes Srl	66.70	EUR	27,556	8,059	56,980	1,126	1,018
TRS Hawaii Llc	55.00	USD	8,486	4,413	17,153	(581)	-
TRS Hong Kong	55.00	HKD	978	797	-	(91)	22,500
TRS Singapore	55.00	SGD	3,012	2,315	3,669	498	-
TRS Guam Partnership	55.00	USD	6,000	4,697	12,536	(1,069)	-
TRS Saipan Partnership	55.00	USD	2,982	2,324	5,925	681	-
TRS New Zealand Ltd	55.00	NZD	2,625	2,125	3,407	466	-
TRS Okinawa KK	55.00	JPY	928,706	611,917	1,615,184	226,390	-
TRS Hong Kong branch in Macau	55.00	MOP	104,465	57,987	325,079	45,175	-
PRADA Emirates Llc	49.00	AED	175,547	(15,445)	224,236	(35,096)	-
PRADA Middle East fzco	60.00	AED	319,288	170,885	289,841	55,846	-
Prada Kuwait Wll	49.00	KWD	6,031	(403)	8,537	(486)	-
PRADA Saudi Arabia Ltd	75.00	SAR	110,618	16,672	21,011	(6,762)	-
Marchesi Angelo Srl	80.00	EUR	1,865	920	3,380	175	-
Montenapoleone 9 Srl	98.00	EUR	2,584	(1,149)	1,533	(2,149)	-
Tannerie Limoges Sas	60.00	EUR	5,281	108	610	(666)	-

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

In 2011, PRADA spa and Al Tayer Insignia llc stipulated an agreement to develop the PRADA and MIU MIU brands in the Middle East retail business. The agreement gives PRADA spa a call option exercisable on up to 20% of PRADA Middle East Fzco's share capital. PRADA spa's management was not reasonably certain that it could estimate the likelihood that the option will be exercised, hence the economic value of the option as of the reporting date cannot be measured.

44. Subsequent events

No significant events occurred after the reporting period.

Independent Auditors’ Reports

The Independent Auditors' Reports included in this Annual Report are in two different formats taking in account that the new auditing standards on the audit report included in International Standards on Auditing (ISAs) have not yet been adopted in the Italian jurisdiction. Specifically, in Italy, where the Company is domiciled, the Independent Auditors' report is issued for statutory purposes in accordance with ISA Italia pursuant to art. 14 of Italian Legislative Decree no39 of January 27, 2010, while in accordance to the regulations applicable in Hong Kong, where the Company's shares are listed on the Main Board of the Hong Kong Stock Exchange, the Independent Auditors' report is issued in accordance with International Standards on Auditing (ISAs).

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PRADA S.p.A.

Opinion

We have audited the consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at January 31, 2017, and the consolidated statement of profit or loss, the statement of consolidated comprehensive income, the consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Key Audit Matters

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

Key Audit Matter – Impairment test	How the matter was addressed in the audit
As described in Note 16 to the consolidated financial statements, the Group has recognised goodwill of € 518.6 million allocated to the various "cash generating units" (CGUs) identified by Management. In accordance with IAS 36, *Impairment of assets*, goodwill is not amortised, but tested for impairment at least annually by comparing the recoverable amount of the CGUs, determined using the "value-in-use" method, and their carrying amount, which includes goodwill and other tangible and intangible assets allocated to the CGUs. The determination of the recoverable amount of each CGU is based on estimates and assumptions made by Management using, among other things, projected cash flows of the CGUs, the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate). Given the materiality of the value of goodwill and the complexity of the assessment process for the determination of the cash flows of the CGUs and the other estimates and assumptions used in the impairment model, we considered the impairment test as a key audit matter.	For our audit we evaluated the methods used by Management to determine the value-in-use of the CGUs and analysed methods and assumptions used by Management in the impairment test. Our audit procedures included, amongst others, the following with the support of our internal valuation specialists: • Evaluation of the reasonableness of the discount rate (WACC) and long-term growth (g-rate) used by Management. • Analysis of the reasonableness of the main assumptions used to develop cash flow forecasts through a sector data analysis and obtaining supporting information from Management. • Verification of the correct determination of the carrying amount of the CGUs. • Verification of the mathematical accuracy of the model used to determine the value-in-use of each CGU. • Evaluation of the sensitivity analysis prepared by Management. • Verification of conformity of the methodology used and the required disclosures in accordance with IAS 36.

Deloitte.

Key Audit Matter – Change of the useful life of retail fixed assets	How the matter was addressed in the audit
As reported in Note 6 – "Use of estimates", Management of the Group, through the significant experience gained from the development and management of its stores, and considering the completion of the plan for the geographical expansion of the retail network, deemed it appropriate to re-assess and revise the useful life of retail fixed assets. Management provided information regarding the financial statement impact of this change for the year ended January 31, 2017 and subsequent years in the Note. The change in estimate of the useful life of fixed assets is based on an updated assessment performed by Management regarding, among other things: • Legal limitations on the use of the assets, such as the expiration date of the lease agreements for stores operated by the Group. • Assessment of the reasonable certainty in the renewal of lease agreements. • Expected usage of the assets and their wear, based on historical experience. Given the significance of this change in estimate and its impact on understanding the consolidated financial statements, we have considered this as a key audit matter.	In order to assess the reasonableness of the change in estimate and its impact on the consolidated financial statements, we have obtained an understanding of the methods and assumptions adopted by Management and we have performed, among others, the following procedures: • Analysis to evaluate the reasonableness of the assumptions used in the determination of the new useful lives. • Verification of the completeness and accuracy of the data used by Management to determine the new useful life. We made a selection of leases and verified the duration, maturity and renewal options. • Benchmarking analysis comparing the revised useful life to those adopted by comparable companies. • Recalculation of the consolidated financial statement impact of the change in estimate for completeness and accuracy. • Verification of the accounting for a change in estimate and the related disclosures in accordance with IAS 8.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2016 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

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

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

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Arienti.

DELOITTE & TOUCHE S.p.A.

Patrizia Arienti

Patrizia Arienti
Partner

Milan, Italy
April 12, 2017

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

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prada S.p.A. and its subsidiaries (the "Prada Group"), which comprise the consolidated statement of financial position as of January 31, 2017, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

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

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations with the Consolidated Financial Statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations, which is the responsibility of the Directors of Prada S.p.A., with the Consolidated Financial Statements of the Prada Group as at January 31, 2017. In our opinion the report on operations is consistent with the consolidated financial statements of Prada Group as at January 31, 2017.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
April 12, 2017

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