PRADA S.p.A.

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

CONTINUING CONNECTED TRANSACTION: RENEWAL OF ANNUAL CAPS FOR FRANCHISE AGREEMENT

Background Information

The three-year annual caps relating to the Franchise Agreement (as defined below), which were disclosed in the section headed "Continuing Connected Transactions subject to the Reporting and Announcement Requirements of the Listing Rules" of the prospectus dated June 13, 2011 (the "**Prospectus**"), will expire on January 31, 2014.

On December 20, 2013, the Board of Directors (the "**Board**") of PRADA S.p.A. (the "**Company**", together with its subsidiaries, the "**Group**") reviewed and approved the annual caps relating to the Franchise Agreement for the next three financial years ending January 31, 2017 (the "**Renewed Annual Caps**").

As disclosed in the Prospectus, the Franchise Agreement constitutes a continuing connected transaction for the Group which is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Franchise Agreement – Prada Milan Stores

As disclosed in the Prospectus, the Company originated as a family business in 1913 in Milan and has continued as such since Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli began their cooperation in the late 1970s. 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, which all subsequently merged with Fratelli Prada S.p.A. (the "**Franchisee**"). The Franchisee is a company indirectly controlled by Ms Miuccia Prada Bianchi, the Chairperson, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company.

The Franchise Agreement will expire on January 31, 2024 but 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 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. As disclosed in the Prospectus, the Company is of the view that it is normal business practice for agreements such as the Franchise Agreement to be of a relatively long duration and that a term of 15 years with an automatic extension of 15 years for the Franchise Agreement is within normal business practice.

Pursuant to the Franchise Agreement, the Franchisee pays the Company (i) royalties in exchange for the right to use the Prada trademark in respect of the five Milan stores and (ii) consideration in respect of products purchased at a sell-in price (which is the same as the sell-in price payable by other independent third parties located in Italy) for sale in the five Milan stores. Conversely, the Company pays the Franchisee (i) where in the ordinary course of business the Company purchases from time to time a limited number of products from the Franchisee at the sell-in price to transfer them to other Group shops, where there may be a shortage of those products, and (ii) for the return of inventory on non-continuable products.

Historical Figures

The table below sets out the actual amounts paid by the Franchisee to the Company, and by the Company to the Franchisee, in relation to the Franchise Agreement for each of the two years ended January 31, 2012 and 2013 and nine months ended October 31, 2013 and the annual caps as disclosed in the Prospectus for the three years ending January 31, 2014:

Transaction	Year ended January 31, 2012	Year ended January 31, 2013	Nine months ended October 31, 2013
	(in € million)		
Revenues from sales of goods (Annual Cap)	39.3 44.6	45.3 52.3	35.1 58.1
Revenues from services (Annual Cap)	2.4 3.3	2.8 3.8	3.3 4.3
Royalties received (Annual Cap)	1.1 1.2	1.3 1.4	1.0 1.6
Purchase of goods by the Company (Annual Cap)	(2.8) (3.1)	(2.2) (3.6)	(1.0) (4.0)
Net transaction amount (Annual Cap)	40.0 46.0	47.2 54.0	38.4 60.0

Renewed Annual Caps for the Next Three Years ending January 31, 2017

The table below sets out the annual caps on amounts that will be paid by both parties under the Franchise Agreement for the periods indicated (1):

Transaction	Year ending January 31, 2015	Year ending January 31, 2016	Year ending January 31, 2017
	(in € million)		
Revenues from sales of goods	53.7	61.5	59.7
Revenues from services (*)	6.0	5.0	5.0
Royalties received	1.5	1.7	1.7
Purchase of goods by the Company	(1.0)	(1.0)	(1.0)
Net transaction amount	60.2	67.2	65.4

(1) The Renewed Annual Caps were calculated based on the sales budget agreed between the Company and the Franchisee, which takes into consideration the expected product mix and projected margins from the revenues from sales of goods to the Franchisee, an estimate of the revenue for services, royalties received and costs of purchase of goods by the Company from the Franchisee in case there is a shortage of products at the Group shops, based on historical figures.

The increase in the Renewed Annual Caps reflects the Group's expectation for growth in the retail luxury goods market in Milan, taking into account that Milan will host the 2015 International Universal Exposition and that the Milan stores have been expanded in the past years. If the caps may be exceeded, for example due to a growth in sales, the Company will apply to the Hong Kong Stock Exchange for a revision of the caps.

(*) Includes the expenses budgeted for three years ending January 31, 2017 for the revamping and/or refurbishment of the Milan shops.

Reasons for and benefits of renewal of annual caps

The Directors believe these stores in Milan are essential to the global presence and brand image of the Group. In light of these special circumstances, the Company is of the view that the Franchise Agreement is important to the Group's continuing success and image.

The Directors (including the Independent Non-executive Directors) consider that the renewal of the annual caps is in the ordinary course of business of the Company and that the Renewed Annual Caps are on normal commercial terms, which are fair and reasonable, and in the interests of the Group and the Company's shareholders as a whole.

General description of the principal business activities carried out by the parties involved in the continuing connected transaction

The Group forms one of the world's most prestigious fashion luxury goods groups and the Company is the worldwide exclusive licensee of the design, development, manufacture, advertising, promotion and distribution of the PRADA and MIU MIU trademarks.

The Franchisee is a company indirectly controlled by Ms. Miuccia Prada Bianchi. It operates all the Prada-branded stores based in Milan, in accordance with the terms of the Franchise Agreement.

Listing Rules Implications

The Franchisee is a company indirectly controlled by Ms. Miuccia Prada Bianchi who is the Chairperson, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company. As such, the Franchisee is a connected person (as defined in the Listing Rules) of the Company and the Franchise Agreement with the Renewed Annual Caps constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Ms. Miuccia Prada Bianchi, who has a material interest in the Renewed Annual Caps and her husband, Mr. Patrizio Bertelli, have abstained from voting on the board resolution approving the transaction.

Since the relevant applicable percentage ratios for the Renewed Annual Caps exceed 0.1% but are less than 5%, the continuing connected transaction contemplated under the Franchise Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

Milan (Italy), January 29, 2014

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