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# **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**

### **Sponsorship of *Luna Rossa* yacht for its participation in the XXXV America's Cup**

The Board of Directors of PRADA S.p.A. is pleased to announce that on 27 February 2014 (European time) the Company, entered into a sponsorship agreement with Luna Rossa Challenge S.r.l. for the participation of *Luna Rossa* sailing team in the XXXV edition of the America's Cup.

Luna Rossa Challenge S.r.l. is a company indirectly controlled by Mr. Patrizio Bertelli, who is a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company. Therefore Luna Rossa Challenge S.r.l. is a connected person (as defined in the Listing Rules) of the Company. As such, the sponsorship agreement with Luna Rossa Challenge S.r.l. constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the sponsorship agreement with Luna Rossa Challenge S.r.l. are more than 0.1% but less than 5%, the continuing connected transaction contemplated under the sponsorship agreement with Luna Rossa Challenge S.r.l. is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.35(1) of the Listing Rules, Somerley Capital Limited has been engaged as independent financial adviser by the Company and has opined that the duration of the sponsorship agreement with Luna Rossa Challenge S.r.l., being longer than three years, is required and it is the normal business practice for contracts of this type to be of such duration.

## **Introduction**

The Board of Directors of PRADA S.p.A. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that on 27 February 2014 (European time), the Company entered into a sponsorship agreement (the “**Sponsorship Agreement**”) with Luna Rossa Challenge S.r.l. (“**Luna Rossa Challenge**”) for the participation of *Luna Rossa* sailing team in the XXXV edition of the America’s Cup (the “**Competition**”).

## **Principal terms of the Sponsorship Agreement**

**Date:** 27 February 2014;

**Grantor:** the Company;

**Grantee:** Luna Rossa Challenge S.r.l., a company directly and wholly owned by PaBe 1 S.A., which is in turn directly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, an Executive Director and a substantial shareholder of the Company (as defined in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”));

**Term:** Takes effect from 27 February 2014 to 31 October 2017;

**Sponsorship Contribution to be paid by the Company:** Euro 50 million (equal to approximately HK\$ 532.49 million) to be paid in installments over the period from February 2014 to October 2017 (the “**Sponsorship Contribution**”).

The Sponsorship Contribution has been determined on the basis of the budget for the preparation and participation of the *Luna Rossa* sailing team in all the prestigious international regattas, both preliminary and final races, of the Competition, including moving its operations to various destinations in which the races are held.

**Sponsorship benefits to the Company:** In consideration of the Sponsorship Contribution, the Company and, in general, the Group shall have the right to (i) benefit from the title of “Main Sponsor” of *Luna Rossa* sailing team during the Competition, (ii) promote Prada’s name and trademark jointly with Luna Rossa’s name and trademark, (iii) exhibit the PRADA trademark for advertising purpose within specified events including any international regattas and sporting activities that take place in the United States, Asia and Europe during the term of the Sponsorship Agreement and, in particular, the preliminary and final races of the Competition, (iv) exhibit the PRADA trademark on, among other things, (a) the hull, boom, drifts and sails of *Luna Rossa* yachts, (b) the clothing of the *Luna Rossa* crew, and (c) the backdrop and any communication support, for advertising purposes. The Company and, in general, the Group shall also have the right to use images of the *Luna Rossa* yachts and its crew for advertising purposes.

### **Annual Caps for the continuing connected transaction**

The maximum amount of Sponsorship Contribution to be paid to Luna Rossa Challenge for each of the years ending 31 January 2015, 2016, 2017 and 2018 (the “**Annual Caps**”) is as follows:

	Annual Cap for the year ending <u>31.01. 2015</u>	Annual Cap for the year ending <u>31.01. 2016</u>	Annual Cap for the year ending <u>31.01. 2017</u>	Annual Cap for the year ending <u>31.01. 2018</u>
<b>Sponsorship Agreement</b>	Euro 25 million	Euro 24 million	Euro 9 million	Euro 4.5 million

Each of the Annual Caps set out above was determined after taking into consideration the budget for the preparation and participation of the *Luna Rossa* sailing team in all of the prestigious international regattas, both preliminary and final races, of the Competition, including moving its operations to various destinations in which the races are held. The proposed Annual Caps have also taken into account the possibility of any advance payments to Luna Rossa Challenge which may need to be made depending on the timing of the actual races, hence why the aggregate of the annual caps equals Euro 62.5 million. However, the total amount of Sponsorship Contribution over the Term will not exceed Euro 50 million.

The Annual Caps represent the maximum amount to be paid by the Company to Luna Rossa Challenge each financial year. Under the Sponsorship Agreement, it is not expected that Luna Rossa Challenge will be making payments to the Company.

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

The Group is 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, *inter alia*, the trademarks PRADA and MIU MIU.

Prada S.A. (“**Prada SA**”) is the legal owner of the PRADA, MIU MIU, LUNA ROSSA and CAR SHOE trademarks. Prada SA has granted the Company the right to make sponsorship contributions to entities worldwide in the fields of sport and art.

Luna Rossa Challenge is the company that manages the *Luna Rossa* sailing team and its participation in international regattas, including the Competition, the international match racing events as well as the Competition challenger selection series.

### **Reasons for and benefits of the continuing connected transaction**

The Directors of the Company are of the view that the effects of the Sponsorship Agreement, as demonstrated by the previous sponsorship of *Luna Rossa* yachts in previous editions of the America's Cup, were very successful in terms of media impact and in raising the Group's profile and promoting the Group's brand name and Prada's trademark. The sponsorship of *Luna Rossa's* participation in the Competition is also in line with the Company's communication strategy to promote Prada's brand name and trademark.

The Directors (including the independent non-executive Directors) consider that entering into the Sponsorship Agreement for promoting Prada's brand name and trademark is in the ordinary course of business of the Group and that the Sponsorship Agreement was entered on arm's length basis, on normal commercial terms, which are fair and reasonable, and in the interests of the Group and the Company's shareholders as a whole.

### **Listing Rules implications**

The entire share capital of Luna Rossa Challenge is indirectly owned by Mr. Patrizio Bertelli, who is a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company. Therefore, Luna Rossa Challenge is a connected person (as defined in the Listing Rules) of the Company and the Sponsorship Agreement constitutes a continuing connected transaction of the Company (as defined in the Listing Rules).

Mr Patrizio Bertelli, who has a material interest in the Sponsorship Agreement, and his spouse Ms Miuccia Prada Bianchi did not vote at any meeting of the Company to approve the Sponsorship Agreement.

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

Since the duration of the Sponsorship Agreement is longer than three years, pursuant to Rule 14A.35(1) of the Listing Rules, an independent financial adviser is required to explain why such longer period for the Sponsorship Agreement is required and that it is normal business practice for contracts of this type to be of such duration. For this purpose, the Company has engaged Somerley Capital Limited ("**Somerley**") as its independent financial adviser.

In assessing the reasons for the duration of the Sponsorship Agreement to be longer than three years, Somerley has considered, based on the information provided by the management of the Company and Luna Rossa Challenge, the following factors:

- The *Luna Rossa* sailing team is expected to start training from March 2014 to the end of 2016 or the beginning of 2017. As part of the training programs and prior to the commencement of the Competition, the team will also travel overseas to participate in international regattas. In view of the success of the America's Cup in promoting the Group's brand image in previous years and to strive for a better result in the coming Competition, the team will start the preparatory work earlier than before. As a result, financial support from the Company is needed during the entire preparatory stage until the time when the Competition takes place. Somerley is therefore of the view that it is reasonable for the Sponsorship Agreement to cover a period of more than three years from February 2014 soon after the completion of the XXXIV edition of the America's Cup in 2013, to October 2017 by which the Competition is expected to be completed; and
- The Group have been implementing a strategy of promoting its brand by sponsoring Luna Rossa's team in the America's Cup over a number of years. The sponsorship provided by the Company to Luna Rossa Challenge in the America's Cup provides the Group with an opportunity to build its brand awareness, given that the event creates immense media visibility. The directors of the Company expect that, with a longer duration of the Sponsorship Agreement, the Group will be able to reach a greater audience and receive greater visibility for its brand and products. From the marketing point of view, a sponsorship agreement with a longer duration will have greater penetration. Given the benefits to be brought about by the sponsorship of the Luna Ross sailing team in the America's Cup in terms of media coverage, Somerley considers the duration of Sponsorship Agreement of longer than a three-year term, coinciding with the completion of the Competition, is required.

As a general principle, Somerley considers the Sponsorship Agreement is similar to targeted promotional and advertising activities for the purpose of increasing brand awareness. In considering whether it is normal business practice for agreements of a similar nature to the Sponsorship Agreement to have a term of such duration, Somerley has reviewed the terms of sponsorship agreements with identifiable durations entered into by companies (other than the Company) listed on the Stock Exchange involving marketing of the sponsor's brand, as disclosed during the period from 1 January 2011 to 25 February 2014 on the Stock Exchange's website, all of which had a duration of over three years. On this basis, Somerley is of the view that the duration of the Sponsorship Agreement can be considered in accordance with normal business practice for contracts involving brand promotion through sports activities.

Having considered the above, Somerley is of the opinion that the duration of the Sponsorship Agreement, being longer than a three-year term, is required and is in accordance with normal business practice for contracts of this type.

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

Milan, Italy, 27 February 2014

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