On July 15, 2015, PABE-RE LLC purchased the Aoyama Building under the Sale and Purchase Agreement entered into between PABE-RE LLC, as purchaser, and Veloqx Kaisha, as seller.

Prada Japan, an indirect wholly-owned subsidiary of the Company, has been leasing the Aoyama Building from Veloqx Kaisha for use as its flagship store in Tokyo since 2004.

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

As a result 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. 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.

PABE-RE LLC is a connected person of the Company, as defined in Chapter 14A of the Listing Rules, by virtue of the fact that it is a wholly-owned subsidiary of PA BE 1 S.r.l., a substantial shareholder (as defined in the Listing Rules) of the Company, which is directly controlled by Mr. Patrizio Bertelli, the Chief Executive Officer, Executive Director and substantial shareholder (as defined in the Listing Rules) of the Company.

Since the relevant applicable percentage ratios (as defined in the Listing Rules) for the above transactions exceed 0.1% but are less than 5%, the continuing transactions which have become continuing connected transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.
Introduction

On July 15, 2015, PABE-RE LLC purchased the Aoyama Building under the Sale and Purchase Agreement entered into between PABE-RE LLC, as purchaser, and Veloqx Kaisha, as seller.

Prada Japan, an indirect wholly-owned subsidiary of the Company, has been leasing the Aoyama Building from Veloqx Kaisha for use as its flagship store in Tokyo since 2004.

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

As a result 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 Veloqx Kaisha to guarantee the punctual performance by Prada Japan of all its obligations under the Lease Agreement.

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.

Principal terms of the Lease Agreement

Signing Date: May 25, 2015

Parties: (i) PABE-RE LLC, as the lessor (automatically succeeded to Veloqx Kaisha’s contractual status on July 15, 2015) and (ii) Prada Japan, as the lessee.

Term: Twenty (20) years.

Rent: (i) JPY 99,707,488 per month (equivalent to approximately HKD 6,265,788) until January 31, 2016;
(ii) JPY 130,000,000 per month (equivalent to approximately HKD 8,169,421) from February 1, 2016 and increased at the end of every three (3) years thereafter by 10% of the immediately preceding monthly rent until January 31, 2025; and
(iii) increased at the end of every three (3) years thereafter by at least 10% (subject to rent review depending on the value of the relevant Index) of the immediately preceding monthly rent from and including February 1, 2025 until the expiration of the Term;

(total amount as the “Rent”).

The Rent is payable monthly in advance in cash.
The amount of Rent was determined after arm’s length negotiations between Prada Japan and Veloqx Kaisha with reference to the prevailing market rates and the expected appreciation in the value of the land of similar premises with comparable sizes in the same district at the time when the parties entered into the Lease Agreement.

**Premises:**

The building described below (the “Aoyama Building”):

- **Location:** 348 and 349, Minami-Aoyama 5-chome, Minato-ku, Tokyo, Japan
- **Building Type:** Retail
- **Floor Space:** Total of seven (7) storeys and two (2) basement floors with a total floor area of approximately 2,839 m²

**Permitted Use:**

Retail sale of high quality apparel, including bags, shoes, accessories, watches, spectacles, jewellery and ancillary items of all brands of the Prada Group, holding exhibitions and events relating exclusively to the aforementioned products or non-commercial cultural exhibitions and operation of bar and sale of food and drinks (subject to applicable laws), and any other actions related to or incidental to the foregoing.

**Principal terms of the Guarantee**

**Signing Date:** May 25, 2015

**Parties:**

(i) The Company, as guarantor and (ii) PABE-RE LLC, as beneficiary of the guarantee (to which the benefit of the Guarantee has been assigned by Veloqx Kaisha on July 15, 2015)

**Scope:**

To guarantee and undertake to ensure the punctual performance by Prada Japan of all its obligations under the Lease Agreement.

The Guarantee is a continuing guarantee and will extend to the ultimate balance of all sums payable by Prada Japan under the Lease Agreement and the performance by Prada Japan of all its obligations under the Lease Agreement, regardless of any intermediate payment or discharge in whole or in part.
Annual Caps for the continuing connected transactions

The estimated Annual Caps in respect of the Lease Agreement and the Guarantee are as follows:

<table>
<thead>
<tr>
<th>For (each of the year(s) ending January 31</th>
<th>Annual Caps (JPY’000)</th>
<th>Annual Caps (HKD’000)</th>
<th>Annual Caps in accordance with “IAS 17 Leases” (JPY’000)</th>
<th>Annual Caps in accordance with “IAS 17 Leases” (HKD’000)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016:</td>
<td>653,084</td>
<td>41,041</td>
<td>1,113,884</td>
<td>69,998</td>
<td>To be paid on pro-rata basis</td>
</tr>
<tr>
<td>2017-9:</td>
<td>1,560,000</td>
<td>98,033</td>
<td>2,040,703</td>
<td>128,241</td>
<td></td>
</tr>
<tr>
<td>2020-2:</td>
<td>1,716,000</td>
<td>107,836</td>
<td>2,040,703</td>
<td>128,241</td>
<td></td>
</tr>
<tr>
<td>2023-5:</td>
<td>1,887,600</td>
<td>118,620</td>
<td>2,040,703</td>
<td>128,241</td>
<td></td>
</tr>
<tr>
<td>2026-8:</td>
<td>2,076,360</td>
<td>130,482</td>
<td>2,040,703</td>
<td>128,241</td>
<td>Subject to rent review</td>
</tr>
<tr>
<td>2029-31:</td>
<td>2,283,996</td>
<td>143,530</td>
<td>2,040,703</td>
<td>128,241</td>
<td>Subject to rent review</td>
</tr>
<tr>
<td>2032-4:</td>
<td>2,512,396</td>
<td>157,883</td>
<td>2,040,703</td>
<td>128,241</td>
<td>Subject to rent review</td>
</tr>
<tr>
<td>2035:</td>
<td>2,763,635</td>
<td>173,671</td>
<td>2,040,703</td>
<td>128,241</td>
<td>Subject to rent review</td>
</tr>
<tr>
<td>2036:</td>
<td>1,381,818</td>
<td>86,836</td>
<td>1,020,351</td>
<td>64,120</td>
<td>Subject to rent review and to be paid on pro-rata basis</td>
</tr>
</tbody>
</table>

Each of the Annual Caps set out above was determined after taking into consideration the Rent, which is subject to eventual review depending on the value of the relevant Index from February 1, 2025 until the expiration of the Lease Agreement on July 31, 2035 and for which it has been assumed that the rent would increase by 10% every three (3) years. In compliance with the requirements of “IAS 17 Leases”, as the Company is required to present its consolidated financial statements in accordance with the IFRS as adopted by the European Union, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term. The Annual Cap calculated in accordance with “IAS 17 Leases” is set out in the table above.

General description of the principal business activities carried out by the parties involved in the continuing connection transactions

The Prada 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, MIU MIU, Church’s and Car Shoe trademarks.

PABE-RE LLC is a wholly-owned subsidiary of PA BE 1 S.r.l., a substantial shareholder (as defined in the Listing Rules) of the Company, which is directly controlled by Mr. Patrizio Bertelli, the Chief Executive Officer, Executive Director and substantial shareholder (as defined in the Listing Rules) of the Company. PABE-RE LLC is a real estate company.
Prada Japan is an indirect wholly-owned subsidiary of the Company and its principal business activity is the management of retail activity of all brands of the Prada Group in Japan.

**Reasons for and benefits of entering into the Lease Agreement and the Guarantee**

The Directors (including the Independent Non-executive Directors) of the Company are of the view that the transactions under the Lease Agreement and the Guarantee provided, and will continue to provide, benefits to the Group. In light of the significant appreciation in the land value in the Aoyama area in Tokyo, Japan, the Lease Agreement secures the amount of rent payable by Prada Japan in the long term and avoids increases in rent in accordance with the expected appreciation in the value of the land. The Directors believe that the Aoyama Building - which is located in a prime location, where the flagship store in Tokyo has been situated for more than 10 years and represents one of the most distinctive works of architecture in Tokyo designed by the award winning Swiss architectural firm Herzog & de Meuron - is of great importance in maintaining the branding and presence of the Group. As a consequence, the Directors believe that renewing the Lease Agreement with Veloqx Kaisha (to which PABE-RE LLC has now automatically succeeded) and granting by the Company of the Guarantee, to secure the fulfilment of the obligations by Prada Japan vis-à-vis Veloqx Kaisha (which benefit has been assigned to PABE-RE LLC) are in the best interests of the Group. The Lease Agreement and the Guarantee have not been amended since the succession of PABE-RE LLC to Veloqx Kaisha; as a consequence, the Lease Agreement and the Guarantee will continue to bind Prada Japan and the Company respectively on the same terms and conditions that were negotiated with Veloqx Kaisha.

The Directors (including the Independent Non-executive Directors) consider that the Lease Agreement and the Guarantee have been entered into in the ordinary course of business of the Group and that the Lease Agreement and the Guarantee were negotiated with Veloqx Kaisha on an arm’s length basis, on normal commercial terms or better, which are fair and reasonable, and in the interests of the Group and the Company’s shareholders as a whole.

**Listing Rules implications**

PABE-RE LLC is a wholly-owned subsidiary of PA BE 1 S.r.l., a substantial shareholder (as defined in the Listing Rules) of the Company, which is directly controlled by Mr. Patrizio Bertelli, the Chief Executive Officer, Executive Director and substantial shareholder (as defined in the Listing Rules) of the Company. As such, PABE-RE LLC is a connected person (as defined in the Listing Rules) of the Company and the Lease Agreement and the Guarantee which were continuing transactions have become continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Mr. Patrizio Bertelli, who has a material interest in the above transactions, did not vote at the meeting of the Company to approve these continuing connected transactions while his spouse Ms. Miuccia Prada Bianchi, did not attend the meeting of the Company to approve these continuing connected transactions.

Since the relevant applicable percentage ratios for the above transactions exceed 0.1% but are less than 5%, the continuing transactions, which have become continuing connected transactions, contemplated under the Lease Agreement and the Guarantee are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.
Definitions

Unless the context otherwise requires, capitalised terms used in this announcement have the following meanings:

“Annual Caps” the proposed annual cap amounts for the continuing connected transactions under the Lease Agreements and the Guarantee as set out in the section headed “Annual Caps for the continuing connected transactions” of this announcement and “Annual Cap” means any one of them.

“Aoyama Building” the premises as described under the section headed “Principal Terms of the Lease Agreement” of this announcement.

“Company” PRADA S.p.A., a company incorporated under the laws of Italy as a joint-stock company, the shares of which are listed on the Stock Exchange.

“Director(s)” the director(s) of the Company.

“Guarantee” the guarantee provided by the Company in favour of Veloqx Kaisha on May 25, 2015, to which PABE-RE LLC subsequently became the beneficiary on July 15, 2015, the principal terms of which are set out under the section headed “Principal Terms of the Guarantee” of this announcement.

“IFRS” International Financial Reporting Standards.

“Index” the rosenka index published by the National Tax Administration Agency, or if the government of Japan no longer publishes the rosenka index, the Official Land Value, published by the Ministry of Finance for the relevant land.

“Land” the land on which the Aoyama Building situates, being 348 and 349, Minami-Aoyama, 5-chome, Minato-ku, Tokyo, Japan.

“Lease Agreement” the new lease agreement entered into between Prada Japan and Veloqx Kaisha on May 25, 2015, to which PABE-RE LLC subsequently became the lessor on July 15, 2015, the principal terms of which are set out under the section headed “Principal Terms of the Lease Agreement” of this announcement.


“PABE-RE LLC” a corporation organised under the laws of Japan as a Japanese Godo Kaisha and a wholly-owned subsidiary of PA BE 1 S.r.l.
“Prada Group” the Company and its subsidiaries

“Prada Japan” PRADA Japan Co., Ltd., a company organised under the laws of Japan and an indirect wholly-owned subsidiary of the Company

“Sale and Purchase Agreement” the real properties sale and purchase agreement dated June 30, 2015 and effective as of July 15, 2015 between PABE-RE LLC and Veloqx Kaisha for the sale and purchase of the Aoyama Building and the Land

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Veloqx Kaisha” Veloqx Miyuki Dori Tokutei Mokuteki Kaisha, a company organised under the laws of Japan as a Japanese Tokutei Mokuteki Kaisha

Unless otherwise stated, all references in this announcement to HKD are for information only and are referenced to Hong Kong dollars based on an approximate exchange rate of HKD1=JPY 15.913.

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

Milan (Italy), July 15, 2015

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.