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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)

SUBSEQUENT CONTINUING CONNECTED TRANSACTIONS

LEASE AGREEMENT AND GUARANTEE

On May 26, 2017, PABE-RE LLC, a wholly-owned subsidiary of Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company, purchased from GK Bluefields the MM Aoyama Building which, since 2015, has been leased by Prada Japan, an indirect wholly-owned subsidiary of the Company, for use as flagship store for the Miu Miu brand in Tokyo.

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

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 Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company.

By virtue of the purchasing of the MM Aoyama Building by PABE-RE LLC, the Lease Agreement and the Guarantee have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Lease Agreement and the Guarantee.

Introduction

On May 26, 2017, PABE-RE LLC, 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 Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company, purchased the MM Aoyama Building.

The MM Aoyama Building has been leased by Prada Japan, an indirect wholly-owned subsidiary of the Company, for use as flagship store in Tokyo for the Miu Miu brand since 2015, under a Lease Agreement entered into with GK Bluefields. In the context of the Lease Agreement, the Company granted the Guarantee in favour of GK Bluefields to secure the punctual performance by Prada Japan of its payment obligations under the Lease Agreement.

As a consequence of purchasing the MM 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 GK Bluefields.

Accordingly, the Lease Agreement and the Guarantee, which were continuing transactions of the Group, have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules, as of May 26, 2017.

Principal terms of the Lease Agreement

Signing Date: June 27, 2014

Parties: (i) PABE-RE LLC, as the lessor (automatically succeeded to GK Bluefields' contractual status on May 26, 2017) and (ii) Prada Japan, as the lessee.

Term: From April 20, 2015 until February 28, 2030.

Rent: JPY52,500,000 (excluding consumption tax) per month (equivalent to approximately HKD3,657,262)

The Rent is payable monthly in advance in cash.

The amount of Rent was determined after arm's length negotiations between Prada Japan and GK Bluefields with reference to the prevailing market rates 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 "**MM Aoyama Building**"):

Location:	385, 389-2, 405, Minami-Aoyama 3-chome, Minato-ku, Tokyo, Japan
Building Type:	Retail
Floor Space:	719.77 m ²

Permitted Use: Retail sales and ancillary purposes, including office for operations management

Principal terms of the Guarantee

Signing Date: June 27, 2014

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 GK Bluefields on May 26, 2017)

Scope: To guarantee and undertake to ensure the punctual performance by Prada Japan of its payment 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 any other payment obligation under the Lease Agreement.

Annual Caps for the subsequent continuing connected transactions

Reference is made to the Previously Disclosed CCTs as disclosed in the Company's announcement dated July 15, 2015 in relation to the lease agreement and guarantee relating to the Prada Aoyama building, to which PABE-RE LLC became the lessor and beneficiary, respectively, and constituted subsequent continuing connected transactions of the Group.

PABE-RE LLC, which was previously a wholly owned subsidiary of PA BE 1 S.r.l., became a wholly owned subsidiary of Prada Holding S.p.A. on April 28, 2017, and the Previously Disclosed CCTs remained as subsequent continuing connected transactions of the Group with no variation of their terms.

Pursuant to Rule 14A.81 of the Listing Rules, the Lease Agreement and the Guarantee in connection with the MM Aoyama Building are to be aggregated with the Previously Disclosed CCTs.

Since the relevant applicable percentage ratios (as defined in the Listing Rules) for the aggregation of the Lease Agreement and Guarantee, together with the Previously Disclosed CCTs, exceed 0.1% but are less than 5%, the aggregate transactions are only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The estimated Annual Caps in respect of the aggregation of the Lease Agreement and the Guarantee together with the Previously Disclosed CCTs up to the year ending December 31, 2035, are as follows:

Fiscal Year ending	Annual rent payable (JPY'000)	Annual rent payable (HKD'000)**	Annual Caps in accordance with "IAS 17 Leases" (JPY'000)	Annual Caps in accordance with "IAS 17 Leases" (HKD'000)**	Remarks
Jan. 31, 2016	653,084	45,495	1,113,884	77,595	pro-rata basis
Jan. 31, 2017	1,560,000	108,673	2,040,703	142,159	
Dec. 31, 2017*	1,807,661	125,925	2,248,306	156,622	pro-rata basis
Dec. 31, 2018*	2,190,000	152,560	2,670,703	186,047	
Dec. 31, 2019*	2,333,000	162,521	2,670,703	186,047	
Dec. 31, 2020*	2,346,000	163,427	2,670,703	186,047	
Dec. 31, 2021*	2,346,000	163,427	2,670,703	186,047	
Dec. 31, 2022*	2,503,300	174,385	2,670,703	186,047	
Dec. 31, 2023*	2,517,600	175,381	2,670,703	186,047	
Dec. 31, 2024*	2,517,600	175,381	2,670,703	186,047	
Dec. 31, 2025*	2,690,630	187,435	2,670,703	186,047	***
Dec. 31, 2026*	2,706,360	188,530	2,670,703	186,047	***
Dec. 31, 2027*	2,706,360	188,530	2,670,703	186,047	***
Dec. 31, 2028*	2,896,693	201,789	2,670,703	186,047	***
Dec. 31, 2029*	2,913,996	202,995	2,670,703	186,047	***
Dec. 31, 2030*	2,388,996	166,422	2,145,703	149,474	*** pro-rata basis
Dec. 31, 2031*	2,493,362	173,693	2,040,703	142,159	***
Dec. 31, 2032*	2,512,396	175,019	2,040,703	142,159	***
Dec. 31, 2033*	2,512,396	175,019	2,040,703	142,159	***
Dec. 31, 2034*	2,742,699	191,062	2,040,703	142,159	***
Dec. 31, 2035*	1,612,121	112,304	1,190,410	82,926	*** pro-rata basis
Total	48,950,253	3,409,973	48,950,253	3,409,973	

* Assuming the proposed change in the financial year end to December 31 will be approved at the shareholders' general meeting of the Company on May 31, 2017.

** Exchange rates as at May 24, 2017.

*** Annual rent payable of Previously Disclosed CCTs is subject to rent review

For completeness, the estimated Annual Caps in respect of the Lease Agreement and the Guarantee up to the year ending December 31, 2030 are as follows:

Fiscal Year ending	Annual rent payable (JPY'000)	Annual rent payable (HKD'000)**	Annual Caps in accordance with "IAS 17 Leases" (JPY'000)	Annual Caps in accordance with "IAS 17 Leases" (HKD'000)**	Remarks
Dec. 31, 2017*	377,661	26,309	377,661	26,309	pro-rata basis
Dec. 31, 2018*	630,000	43,887	630,000	43,887	
Dec. 31, 2019*	630,000	43,887	630,000	43,887	
Dec. 31, 2020*	630,000	43,887	630,000	43,887	
Dec. 31, 2021*	630,000	43,887	630,000	43,887	
Dec. 31, 2022*	630,000	43,887	630,000	43,887	
Dec. 31, 2023*	630,000	43,887	630,000	43,887	
Dec. 31, 2024*	630,000	43,887	630,000	43,887	
Dec. 31, 2025*	630,000	43,887	630,000	43,887	
Dec. 31, 2026*	630,000	43,887	630,000	43,887	
Dec. 31, 2027*	630,000	43,887	630,000	43,887	
Dec. 31, 2028*	630,000	43,887	630,000	43,887	
Dec. 31, 2029*	630,000	43,887	630,000	43,887	
Dec. 31, 2030*	105,000	7,315	105,000	7,315	pro-rata basis
Total	8,042,661	560,268	8,042,661	560,268	

* Assuming the proposed change in the financial year end to December 31 will be approved at the shareholders' general meeting of the Company on May 31, 2017.

** Exchange rates as at May 24, 2017.

The estimated Annual Caps in respect of the Previously Disclosed CCTs up to the year ending December 31, 2035 are as follows:

Fiscal Year ending	Annual rent payable (JPY'000)	Annual rent payable (HKD'000)**	Annual Caps in accordance with "IAS 17 Leases" (JPY'000)	Annual Caps in accordance with "IAS 17 Leases" (HKD'000)**	Remarks
Jan. 31, 2016	653,084	45,495	1,113,884	77,595	pro-rata basis
Jan. 31, 2017	1,560,000	108,673	2,040,703	142,159	
Dec. 31, 2017*	1,430,000	99,617	1,870,644	130,313	pro-rata basis
Dec. 31, 2018*	1,560,000	108,673	2,040,703	142,159	
Dec. 31, 2019*	1,703,000	118,634	2,040,703	142,159	
Dec. 31, 2020*	1,716,000	119,540	2,040,703	142,159	
Dec. 31, 2021*	1,716,000	119,540	2,040,703	142,159	
Dec. 31, 2022*	1,873,300	130,498	2,040,703	142,159	
Dec. 31, 2023*	1,887,600	131,494	2,040,703	142,159	
Dec. 31, 2024*	1,887,600	131,494	2,040,703	142,159	
Dec. 31, 2025*	2,060,630	143,548	2,040,703	142,159	***
Dec. 31, 2026*	2,076,360	144,643	2,040,703	142,159	***
Dec. 31, 2027*	2,076,360	144,643	2,040,703	142,159	***
Dec. 31, 2028*	2,266,693	157,902	2,040,703	142,159	***
Dec. 31, 2029*	2,283,996	159,108	2,040,703	142,159	***
Dec. 31, 2030*	2,283,996	159,108	2,040,703	142,159	***
Dec. 31, 2031*	2,493,362	173,693	2,040,703	142,159	***
Dec. 31, 2032*	2,512,396	175,019	2,040,703	142,159	***
Dec. 31, 2033*	2,512,396	175,019	2,040,703	142,159	***
Dec. 31, 2034*	2,742,699	191,062	2,040,703	142,159	***
Dec. 31, 2035*	1,612,121	112,304	1,190,410	82,926	*** pro-rata basis
Total	40,907,592	2,849,705	40,907,592	2,849,705	

* Assuming the proposed change in the financial year end to December 31 will be approved at the shareholders' general meeting of the Company on May 31, 2017.

** Exchange rates as at May 24, 2017.

*** Annual rent payable is subject to rent review.

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 tables above.

General description of the principal business activities carried out by the parties involved in the subsequent 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 real estate company and is a wholly-owned subsidiary of Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company.

Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli, Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company, are indirect substantial shareholders of Prada Holding S.p.A..

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 expected 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.

The Directors believe that the MM Aoyama Building is of great importance in maintaining the branding and presence of the Group because it is located in a prime location, close to the Prada flagship store in Aoyama and represents a distinctive work of architecture in Tokyo designed by the award winning Swiss architectural firm Herzog & de Meuron. As a consequence, the Directors believe that entering into the Lease Agreement, to set up the MM Aoyama Building as the flagship store of Miu Miu brand in Tokyo, with GK Bluefields (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 GK Bluefields (which benefit has been assigned to PABE-RE LLC) were and 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 GK Bluefields as a consequence of the Sale and Purchase Agreement becoming effective; in this context, 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 GK Bluefields.

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 GK Bluefields 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 Prada Holding S.p.A., a substantial shareholder (as defined in the Listing Rules) of the Company.

Both Ms. Miuccia Prada Bianchi and Mr. Patrizio Bertelli, Chief Executive Officers, Executive Directors and substantial shareholders (as defined in the Listing Rules) of the Company, are indirect substantial shareholders of Prada Holding S.p.A..

As such, PABE-RE LLC is a connected person (as defined in the Listing Rules) of the Group and the Lease Agreement and the Guarantee which were continuing transactions have become subsequent continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules in respect of the Lease Agreement and the Guarantee.

Moreover, Ms. Miuccia Prada Bianchi and Mr. Carlo Mazzi (the Chairman of the Board and an Executive Director of the Company) are directors of Prada Holding S.p.A., while Mr. Patrizio Bertelli (an Executive Director of the Company) is a director of PABE-RE LLC.

Therefore, Ms. Miuccia Prada Bianchi, Mr. Patrizio Bertelli and Mr. Carlo Mazzi, who all have a material interest in the above transactions, did not vote at the board meeting of the Company to approve the Announcement and the Annual Caps of these subsequent continuing connected transactions.

Pursuant to Rule 14A.81 of the Listing Rules, the Lease Agreement and the Guarantee in connection with the MM Aoyama Building are to be aggregated with the Previously Disclosed CCTs.

Since the relevant applicable percentage ratios (as defined in the Listing Rules) for the aggregation of the Lease Agreement and the Guarantee, together with the Previously Disclosed CCTs, exceed 0.1% but are less than 5%, the aggregate transactions are only 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 estimated annual cap amounts for the aggregation of the subsequent continuing connected transactions under the Lease Agreements and the Guarantee together with the Previously Disclosed CCTs, as set out in the section headed “Annual Caps for the subsequent continuing connected transactions” of this announcement and “Annual Cap” means any one of them
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“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
“GK Bluefields”	GK Bluefields, a company organised under the laws of Japan as a Japanese godo kaisha
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee provided by the Company in favour of GK Bluefields on June 27, 2014, to which PABE-RE LLC subsequently became the beneficiary on May 26, 2017, 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
“Land”	the land on which the MM Aoyama Building situates, being 385, 389-2, 405, Minami-Aoyama, 3-chome, Minato-ku, Tokyo, Japan
“Lease Agreement”	the lease agreement entered into between Prada Japan and GK Bluefields on June 27, 2014 to which PABE-RE LLC subsequently became the lessor on May 26, 2017, the principal terms of which are set out under the section headed “Principal terms of the Lease Agreement” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MM Aoyama Building”	the premises as described 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 Prada Holding S.p.A. since April 28, 2017 (previously wholly-owned by PA BE 1 S.r.l., also a substantial shareholder of the Company)
“Prada Japan”	PRADA Japan Co., Ltd., a company organised under the laws of Japan which is an indirect wholly-owned subsidiary of the Company

“Previously Disclosed CCTs”	the lease agreement of the Prada Aoyama building and guarantee to which PABE-RE LLC became the lessor and beneficiary, respectively which constituted subsequent continuing connected transactions of the Group, as previously disclosed in the Company’s announcement dated July 15, 2015.
“Sale and Purchase Agreement”	the real properties sale and purchase agreement dated May 26, 2017 and effective as of the same day between PABE-RE LLC and GK Bluefields for the sale and purchase of the MM Aoyama Building and the Land
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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=JPY14.355 as at May 24, 2017.

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

Milan (Italy), May 26, 2017

As at the date of this announcement, the Company’s executive directors are Mr. Carlo MAZZI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, and Ms. Alessandra COZZANI; the Company’s non-executive directors are Mr. Stefano SIMONTACCHI and Mr. Maurizio CEREDA and the Company’s independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI and Mr. Sing Cheong LIU.