PRADA S.p.A.

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

(I) CONNECTED TRANSACTION: ACQUISITION OF FRATELLI PRADA S.P.A.
(II) TERMINATION OF CONTINUING CONNECTED TRANSACTION: FRANCHISE AGREEMENT WITH FRATELLI PRADA

I. Acquisition of Fratelli Prada

The Board is pleased to announce that on October 29th, 2019, the Company entered into the Sale and Purchase Agreement with the Sellers, Ms. Miuccia Prada Bianchi and Bellatrix S.p.A., pursuant to which the Company purchased, and the Sellers sold, the Sale Shares in Fratelli Prada at an aggregate consideration of Euro 66 million subject to, and upon, the terms of the Sale and Purchase Agreement.

Ms. Miuccia Prada Bianchi is a Chief Executive Officer, an Executive Director and substantial shareholder of the Company (as defined in the Listing Rules) and is a connected person of the Company. Each of Bellatrix S.p.A. and Fratelli Prada is indirectly controlled by Ms. Miuccia Prada Bianchi and is a connected person of the Company.

As the relevant applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 0.1% but are less than 5%, the connected transaction contemplated under the Sale and Purchase 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.

II. Termination of Franchise Agreement with Fratelli Prada

Reference is made to the announcement of the Company dated January 25th, 2017 regarding the renewal of the annual caps relating to the Franchise Agreement for the three years ending January 31st, 2020.

Upon the Acquisition, Fratelli Prada has become a wholly-owned subsidiary of the Company and, accordingly, the Company has entered into the Termination

Agreement on October 29th, 2019 with Fratelli Prada to terminate the Franchise Agreement with immediate effect.

As disclosed in the Company's IPO Prospectus, the Franchise Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The termination of the Franchise Agreement pursuant to the Termination Agreement is subject to the announcement requirement under Chapter 14A of the Listing Rules.

Background

As disclosed in the Company's prospectus dated June 13th, 2011 (the "**IPO Prospectus**"), the Prada stores in Milan have historically been operated by companies that are connected to the Prada family.

Against this historical background, on January 28th, 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.

The four (4) historical Prada Milan stores operated by Fratelli Prada are based in Galleria Vittorio Emanuele II (Women), Via Montenapoleone nos. 6 (Woman) and 8 (Man) and Via Della Spiga (Accessories) (the "**Milan Stores**"). Fratelli Prada owns the real estate occupied by the Via Della Spiga store (the "**Via Della Spiga Property**") and leases the real estate of the other stores from unrelated third parties.

The Franchise Agreement would expire on January 31st, 2024 and could be automatically renewed for a further 15 years until January 31st, 2039.

I. Acquisition of Fratelli Prada

The Board is pleased to announce that on October 29th, 2019, the Company entered into the Sale and Purchase Agreement with the Sellers.

The principal terms of the Agreement are summarized below:

Date :	October 29th, 2019
Parties:	(i) PRADA S.p.A., as the Buyer (ii) Bellatrix S.p.A., as one Seller (iii) Ms. Miuccia Prada Bianchi, as another Seller and, together with Bellatrix S.p.A., the Sellers
Subject Matter:	The Buyer purchased and the Sellers sold the Sale Shares subject to, and upon, the terms of the Sale and Purchase Agreement.

Consideration: The aggregate consideration payable by the Buyer for the Sale Shares is Euro 66 million (Euro 64,784,516.98 is payable to Bellatrix S.p.A. and Euro 1,215,483.02 is payable to Ms. Miuccia Prada Bianchi) and shall be paid by the Buyer to the Sellers in cash in three tranches as follows: (i) Euro 22,670,000.00 simultaneously with the execution of the Sale and Purchase Agreement, (ii) Euro 22,670,000.00 by January 10, 2020 and (iii) Euro 20,660,000.00 by January 10, 2021.

The consideration will be funded by internal resources of the Group.

The consideration for the Sale Shares was arrived at after arm's length negotiations between the Buyer and the Sellers, taking into account the fair value of the Sale Shares as estimated by the Valuer in the Valuation Report and the adjustment based on the change in the net cash and financial receivables of Fratelli Prada (from September 30th, 2018 to September 30th, 2019).

The fair value of the Sale Shares was estimated by the Valuer to be in the range between Euro 67.4 million and Euro 72.9 million, based on a sum-of-the-parts approach made up of the following items: (i) the valuation of the Via Della Spiga Property made by the Property Valuer; (ii) the Valuation and (iii) the net cash and the financial receivables of around Euro 11.9 million, as recorded in Fratelli Prada's books as at September 30th, 2018.

The market value of the Via Della Spiga Property was estimated as at November 22nd, 2018 by the Property Valuer at around Euro 46.7 million (being Euro 33.7 million net of pro-forma taxes) adopting an income-based approach. The market value of the Via Della Spiga Property was estimated by the Property Valuer as the gross rent produced, capitalized at a specific rate of return depending on the characteristic of the property itself.

The enterprise value of the retail business was estimated as at September 30th, 2018 by the Valuer in a range between Euro 21.8 million and Euro 27.4 million and it was determined based on the discounted future estimated cash flows expected from the operation of the Milan Stores (assuming the extension of the Franchise Agreement until 2039)(the "**Valuation**"). Therefore, the use of an income approach, which involves the calculation of discounted future estimated cash flows constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**").

For the purpose of complying with Rules 14.62 of the Listing Rules, the principal assumptions upon which the Profit Forecast was based are as follows:

General assumptions:

- the information provided by the Seller with regard to the valuation are complete, accurate and reliable;

- the sources from which public and statistical information were obtained for the valuation are reputable, accurate and reliable;

- there will be no material changes in the political, legal, economic, social, financial or real estate conditions and taxation laws in Milan, Italy where the Milan Stores operate which will materially affect the cash-flows attributable to the Milan Stores;

- the market trends and conditions where the Milan Stores operate will be in line with the economic forecasts of the luxury goods sector in general.

Specific assumptions:

- the Franchise Agreement is extended until 2039;

- the Compound Annual Growth Rate of the revenues from the retail business for the financial years ending 2019 to 2025 is estimated to be approximately 4.5% and 2% for the financial years ending 2026 to 2039. The adoption of the growth rates has been made with reference to a number of factors, including but not limited to, historical results, market projections and business targets;

- the gross margin from the retail business is estimated to be approximately 45% of the revenues, based on historical average gross margin ratio of Fratelli Prada;

- the capital expenditures are estimated on the basis of the expected investments for store refurbishment, considering no changes in the stores perimeter;

- the working capital indicators are estimated to be aligned with historical average indicators;

- the income taxes are calculated considering the tax rate currently applicable in Italy;

- the residual value of the business at year-end 2039 is estimated to be equal to the value of Fratelli Prada's net assets (excluding the Via Della Spiga Property) at said date;

- the discount rate adopted to calculate the discounted future estimated projected cash flows using Capital Assets Pricing Model ("**CAPM**")-based cost of equity is approximately 9%. A number of factors have been considered in the CAPM, including but not limited to (i) risk free rate; (ii) equity risk premium; (iii) an additional size risk premium; (iv) beta, a measure of non-diversifiable risk, of a number of comparable companies; and (v) applicable cost of debt.

The Board has reviewed the principal assumptions upon which the Profit Forecast was based and is of the view that the Profit Forecast was made after due and careful enquiry.

The Company's auditors, Deloitte & Touche S.p.A. ("**Deloitte**"), have confirmed that they have reviewed the calculations of the discounted future estimated cash flows upon which the valuation of the retail business prepared by the Valuer was based and for which no accounting policies have been adopted in its preparation.

A letter from the Board and a report from Deloitte are included in the appendices to this announcement for the purpose of Rule 14.62 and Rule 14A.68(7) of the Listing Rules.

Information of the Group and the Sellers

The Group

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, MIU MIU, CAR SHOE trademarks and, through a subsidiary, of the CHURCH'S trademark.

The Sellers

Miuccia PRADA BIANCHI is a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company and is a connected person of the Company. Ms. Miuccia Prada Bianchi directly owns 16,706 ordinary shares of Fratelli Prada.

Bellatrix S.p.A. is an investment holding company which owns 890,094 ordinary shares of Fratelli Prada. Ms. Miuccia Prada Bianchi owns indirectly through Ludo S.r.l. 53.8% of the capital of Bellatrix S.p.A. which in turn, owns 65% of Prada Holding S.p.A.. Prada Holding S.p.A. owns approximately 80% of the shares of the Company. The remainder of the capital of Bellatrix S.p.A. is held indirectly by Mr. Alberto Prada Bianchi and Ms. Marina Prada Bianchi (the brother and sister of Ms. Miuccia Prada Bianchi respectively) as to 23.1% each. Bellatrix S.p.A. is a substantial shareholder (as defined in the Listing Rules) of the Company and hence is a connected person of the Company.

Information of Fratelli Prada

Fratelli Prada operates the four historical Milan Stores, following a merger with the individual companies that previously operated the Milan Stores. Since its incorporation, Fratelli Prada has been a company that has been owned by the Prada family.

Fratelli Prada is a company indirectly controlled by Ms. Miuccia Prada Bianchi, a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company.

Set out below is the summary of the audited financial information of Fratelli Prada for the 12-month period ended December 31, 2018 and the 11-month period ended December 31, 2017 and the unaudited financial information for the 9-month period ended September 30, 2019:

	9 months ended September 30, 2019 (Euro)	12 months ended December 31, 2018 (Euro)	11 months ended December 31, 2017 (Euro)
Net Profit / (loss) before taxation and extraordinary items	(1,742,776)	(1,482,865)	(1,786,848)
Net Profit / (loss) after taxation and extraordinary items	(1,312,776)	(1,199,097)	(1,466,394)

As at December 31, 2018 the statutory audited net book value of the equity of Fratelli Prada was Euro 18,640,726.00.

II. Termination of the Franchise Agreement

Reference is made to the announcement of the Company dated January 25, 2017 regarding the renewal of annual caps relating to the Franchise Agreement for the three years ending January 31, 2020.

Upon the Acquisition, Fratelli Prada has become a wholly-owned subsidiary of the Company and the financial results of Fratelli Prada will be consolidated into the Group's financial statements.

Accordingly, on October 29th, 2019, the Company and Fratelli Prada entered into the Termination Agreement to terminate the Franchise Agreement with immediate effect. Neither party is required to pay any penalty or compensation to the other party in respect of the early termination of the Franchise Agreement.

As a consequence of the Acquisition and of the Termination Agreement, the commercial retail activity of the Milan Stores will be operated and managed by the Company through its subsidiary Fratelli Prada.

Reasons for and Benefits of the Acquisition and Termination Agreement

The Directors (including the independent non-executive directors) are of the view that the Milan Stores are essential to the global presence and brand image of the Group. The Acquisition and the Termination Agreement will present a new opportunity for the Group to directly manage and operate the commercial retail activity of all Prada stores in Milan where it is a key part of the commercial, financial, tourism and cultural center in Italy. The direct management of the Prada-branded stores in Milan, including the first ever Prada store located in Galleria Vittorio Emanuele II which has been opened since 1913, will be an important step in further developing and extending the Group's brand identity. The Acquisition and the Termination Agreement are important to the Group's continuing success and image.

The Directors (including the Independent Non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the subsequent Termination Agreement (together, the "**Agreements**") have been entered into in the ordinary and usual course of business of the Group and that the Agreements were negotiated 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

Ms. Miuccia Prada Bianchi is a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company and is a connected person of the Company. Bellatrix S.p.A. is a company indirectly controlled by Ms. Miuccia Prada Bianchi and as such, is a connected person of the Company. The Sale and Purchase Agreement therefore constitutes a connected transaction (as defined in the Listing Rules) of the Company under Chapter 14A of the Listing Rules. Since the relevant applicable percentage ratios (as defined in the Listing Rules) for the Acquisition exceed 0.1% but are less than 5%, the connected transaction contemplated under the Sale and Purchase 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.

Fratelli Prada is also a company indirectly controlled by Ms Miuccia Prada Bianchi and is a connected person of the Company. As disclosed in the Company's IPO Prospectus, the Franchise Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The termination of the Franchise Agreement pursuant to the Termination Agreement is subject to the announcement requirement under Chapter 14A of the Listing Rules.

Mr. Carlo Mazzi (the Chairman of the Board and an executive director of the Company) is also a director of Fratelli Prada and Bellatrix S.p.A.

Ms Miuccia Prada Bianchi and Mr Carlo Mazzi have a material interest in the above transactions. Accordingly, Ms Miuccia Prada Bianchi, her husband, Mr Patrizio Bertelli and Mr. Carlo Mazzi are required to abstain from voting in accordance with the Listing Rules. Mr Patrizio Bertelli did not attend the board meeting approving such transaction and therefore did not vote on the relevant resolution; Ms Miuccia Prada Bianchi and Mr Mazzi attended the board meeting but did not vote on the relevant resolution.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
"Board" or "Director(s)"	the board of Directors of the Company
"Buyer" or "Company"	PRADA S.p.A., a company incorporated under the laws of Italy as a joint-stock company with limited liability and the shares of which are listed on the Stock Exchange
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Fratelli Prada" or "the	Fratelli Prada S.p.A., a joint-stock company

Franchisee"	with limited liability incorporated under the laws of Italy
"Group"	the Company and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Property Valuer"	Mr. Arch. Giuseppe Romeo, an independent Italian qualified property valuer
"Sale and Purchase Agreement"	the agreement for the sale and purchase of the Sale Shares dated October 29th, 2019 entered into between the Buyer and the Sellers in relation to the Acquisition
"Sale Shares"	906,800 ordinary shares, representing the total number of issued ordinary shares in the capital of Fratelli Prada (excluding the treasury shares owned by Fratelli Prada itself which cannot be transferred)
"Seller(s)"	(i) Bellatrix S.p.A., which owns 890,094 ordinary shares in Fratelli Prada; and (ii) Ms. Miuccia Prada Bianchi, who owns 16,706 ordinary shares in Fratelli Prada
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Termination Agreement"	the termination agreement between the Company and Fratelli Prada dated October 29th, 2019 for the termination of the Franchise Agreement
"Valuation Report"	the valuation report dated December 27th, 2018 issued by the Valuer regarding the valuation of Fratelli Prada as at 30 September 2018
"Valuer"	KPMG Advisory S.p.A.
"%"	per cent

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

Milan (Italy), October 29th, 2019

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 director is Mr. Stefano SIMONTACCHI and the Company's independent non-executive directors are Mr. Gian Franco Oliviero MATTEI, Mr. Giancarlo FORESTIERI, Mr. Sing Cheong LIU and Mr. Maurizio CEREDA.

APPENDIX I – LETTER FROM THE BOARD

October 29th, 2019

Listing Department
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs,

RE: (I) Connected Transaction: Acquisition of Fratelli Prada S.p.A. (II) Termination of Continuing Connected Transaction: Franchise Agreement

We refer to the announcement of PRADA S.p.A. (the "Company") dated October 29th, 2019 relating to the captioned transaction (the "Announcement"). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

We refer to the Valuation Report dated December 27th, 2018 issued by KPMG Advisory S.p.A. regarding the valuation of Fratelli Prada as at 30 September 2018, which includes a valuation of Fratelli Prada's retail business. The Valuation was determined using the income approach, which involves the calculation of discounted future estimated cash flows and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our auditors, Deloitte, regarding the review of the calculations of the discounted future estimated cash flows upon which the Valuation prepared by the Valuer is based.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company is of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
By Order of the Board
PRADA S.p.A.
Carlo Mazzi
Chairman

APPENDIX II – INDEPENDENT AUDITOR'S REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF FRATELLI PRADA S.P.A.

To the Directors of Prada S.p.A.

We have examined the calculations of the discounted future estimated cash flows of the retail business (the "Future Estimated Cash Flows") on which the valuation prepared by KPMG Advisory S.p.A. dated December 27, 2018, of the company Fratelli Prada S.p.A. ("Fratelli Prada") as at September 30, 2018 (the "Valuation") is based.

The Future Estimated Cash Flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and reference to it is included in the announcement dated October 29, 2019 (the "Announcement") issued by Prada S.p.A. (the "Company") in connection with the acquisition of the whole equity interest in Fratelli Prada.

Directors' Responsibility for the Future Estimated Cash Flows

The Directors of the Company are responsible for the preparation of the Future Estimated Cash Flows in accordance with the assumptions set out in the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Future Estimated Cash Flows for the Valuation, applying an appropriate basis of preparation and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Future Estimated Cash Flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board for reasonable assurance engagements. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the Future Estimated Cash Flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions.

Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the Future Estimated Cash Flows are based and checking the arithmetic accuracy of the compilation of the Future Estimated Cash Flows.

Our work does not constitute any valuation of Fratelli Prada. Because the Valuation relates to Future Estimated Cash Flows, no accounting policies have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the Future Estimated Cash Flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Limitation on Use

Our report is intended solely for the purposes set out under Rule 14.62(2) of the Listing Rules and should not be used for any other purpose.

Deloitte & Touche S.p.A.

Milan, Italy, October 29, 2019