RISK FACTORS

An investment in our shares involves various risks. Before investing in our Company, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of the Shares, and could cause you to lose your investment. Additional risks that we currently believe are immaterial or which are currently unknown to us may arise or become material in the future and may have a material adverse effect on our Group. These risks should also be considered in connection with the reservations in the section headed "Forward-looking Statements" in this prospectus.

RISKS RELATED TO OUR BUSINESS

We are dependent on brand recognition, integrity and image

We design, manufacture, promote and sell our products for the fashion and luxury goods market through our four brands: Prada, Miu Miu, Church's and Car Shoe. Our financial performance is influenced by the success of our brands, which, in turn, depends on factors such as product design, the distinct character and the quality of our products, the image of our stores, our communication activities including advertising, public relations and marketing and our general corporate profile.

The integrity and reputation of our brands are two of our most valuable assets. An important part of our growth strategy has been the expansion of our Directly-Operated Stores ("DOS") network, growing from 211 DOS as at January 31, 2008 to 319 DOS as at January 31, 2011. If we fail to manage our growth in a way that protects the exclusivity of our brands, we risk becoming over-exposed and the value of our brands may be diluted. In addition, we license our brands to third parties for eyewear and fragrances and occasionally for a limited period of time for other products. If our licensees or the manufacturers of these products do not maintain the same standards of quality and exclusivity as we do, there is a risk that our reputation and the integrity of our brands may be damaged. If we are unable to maintain a high level of brand integrity, we may suffer brand dilution and our business and results of operations could be adversely affected.

Our success depends on our ability to anticipate trends and respond to changing consumer preferences

Our continued success depends in part on our ability to originate and define product and fashion trends, as well as to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. Our products must appeal to a customer base whose preferences cannot be predicted with certainty and are subject to increasingly rapid change. In particular, the emergence and success of fast fashion brands has accelerated the pace of fashion development. Although we attempt to stay abreast of emerging lifestyle and consumer trends affecting our products, any failure to identify and respond to such trends could have significant adverse effects on our business, financial condition and results of operations.

We attempt to lead the fashion market by stimulating the consumer markets and inspiring trends through the creative efforts of our design and product development teams. Our success depends on achieving a favorable and timely market response to our trend setting efforts. No assurance can be given that our future collections will generate the same successful levels of market response as our past collections have, or achieve sales levels sufficient to generate profits. The failure to inspire trends and stimulate consumers could adversely affect our brand image as a fashion leader as well as our results of operations.

We face intense competition

We face intense competition in all product categories and markets in which we operate. We compete with other international luxury goods groups which own and operate well-known brands of high- quality goods and may have greater financial resources and negotiation power with suppliers, wholesale accounts and landlords than we do. We believe that we compete primarily on the basis of our brand image, innovative design, use of materials, product assortment and reputation for quality. If we are unable to compete successfully, our business and results of operations could be adversely affected. Please see section headed "Industry — Competition" in this prospectus for more information.

Our business success has been driven by certain key personnel

Our performance depends significantly on the efforts and abilities of our key senior personnel, including our President, Ms. Miuccia Prada, and our Chief Executive Officer ("**CEO**"), Mr. Patrizio Bertelli. These individuals have substantial experience and expertise in the fashion and luxury goods business and have made significant contributions to the continuing growth and success of our business. Ms. Miuccia Prada and Mr. Patrizio Bertelli have been the inspirational leaders of our business both in terms of design and marketing, as well as production and industrial strategy. We also believe that some of the industry's most talented designers and business leaders have joined our team for the opportunity to work with our senior management team. Should either Ms. Miuccia Prada or Mr. Patrizio Bertelli reduce or cease her or his involvement with us, this could have an adverse effect on our business and results of operations.

We are dependent on the strength of our trademarks and other intellectual property rights

We believe that our trademarks and other intellectual property rights are fundamental to our success and position. Therefore, our business is highly dependent on our ability to protect and promote our trademarks and other intellectual property rights. Accordingly, we devote substantial efforts to the establishment and protection of our trademarks and other intellectual property rights such as registered designs and patents on a worldwide basis. We believe that our trademarks and other intellectual property rights are adequately supported by applications for registrations, existing registrations and other legal protections in our principal markets. However, we cannot exclude the possibility that our intellectual property rights may be challenged by others, or that we may be unable to register our trademarks or otherwise adequately protect them in some jurisdictions. If a third party were to register our trademarks, or similar trademarks, in a country where we have not successfully registered such trademarks, it could create a barrier to our commencing trade under those marks in that country.

Our success depends on our ability to manage the expansion of our network of directly-operated stores

We have pursued a rapid growth strategy in recent years, expanding our DOS network from 211 DOS as at January 31, 2008 to 319 DOS as at January 31, 2011, and expect to continue this expansion in the coming years by adding approximately 80 DOS net of store closings in the financial year 2011 and growing at a similar pace through the financial years ending January 31, 2014. As we grow, we face challenges both in finding suitable locations and staff for our new DOS, as well as managing the on-going operations of the expanded DOS network.

The success of a new DOS depends in part on our ability to lease prime locations and hire and train appropriate staff. When choosing where to open a new DOS, we carefully evaluate market conditions and consumer trends in the area to try to ensure the success of the DOS. We lease the vast majority of our DOS in close proximity to and in competition with our key competitors. Both of these factors can lead to competition for suitable space and higher rents. In addition, particularly when we enter a new market we must find appropriate DOS managers and sales staff to ensure that we portray an image appropriate and consistent with our brands and provide customer service in-line with the quality of our products. We spend significant amounts of time and effort training new staff prior to a DOS opening, although we cannot assure you that our investment in the human capital will pay off. If we are unable to rent prime locations, or are required to pay commercially unreasonable rents then we may be unable to open new DOS as expected or the DOS may not reach our profitability targets. Similarly, if we are unable to adequately train or retain sales staff and DOS managers, the new DOS may perform below our expectations.

As we grow, managing the ongoing operations of the expanded DOS network is important to the success of our results of operations. Our expanded DOS network poses various ongoing and growing challenges related to the management of larger operations. As our sales network grows, so will the demand for our products. In order to meet the increasing demand, we will be required to expand our outsourcing of manufacturing to third parties and the associated logistics operations system to enable us to service the expanding DOS network. We believe that we have long and stable relationships with our existing third-party manufacturers and raw materials suppliers. However, as we grow, our existing partners may not be able to satisfy our increasing supply requests, and we may need to find additional suppliers or outsourcing manufacturers. Transferring product know-how to new manufacturers takes considerable effort of our teams and several months. Even after we transfer this knowledge, there is no assurance that the manufacturer will be able to continuously produce goods at the specification, quantity and quality levels that we demand. As we grow, we may exceed the capacity of an existing supplier and be forced to find other partners, possibly at less attractive prices.

If we are unable to successfully operate new DOS, or are unable to recoup the initial costs associated with opening a new DOS, then our financial condition may be adversely affected. If we are unable to manage the ongoing operations of our expanded network then our results of operations may be adversely affected.

We may be unable to control our wholesale distribution channel satisfactorily

We rely on our ability to control our wholesale distribution channel to ensure that our products are sold in environments and in a manner consistent with our brand image. During the financial year ended January 31, 2011, we generated approximately 29% of our revenues from products sold through our wholesale distribution channel. We require our wholesale clients to sell our products in agreed locations and to follow our policies on pricing and merchandising displays and sales personnel in order to maintain consistency with the brand image we deliver in our DOS and the policies of our DOS. Actions by significant wholesale clients that vary from our policies or the forms of our terms and conditions, such as presenting our products in a manner inconsistent with our preferred positioning or offering our products at unacceptable discounts, could damage our brand image. For example, during the economic crisis from 2008 to 2009, several of our wholesale clients in the US implemented significant price markdowns on our products to increase their sales and clear their inventory.

Some wholesalers may also sell our products to distributors over whom we had no direct control, resulting in parallel imports of our goods at prices lower than the price points we set for specific countries. If we are unable to control our wholesale distribution channel, our brand image may suffer, and our business, financial condition and results of operations could be adversely affected.

Operations at our manufacturing, warehouse or distribution facilities are subject to disruption

We operate manufacturing, warehouse and distribution facilities in Italy and the United Kingdom, as well as other countries. These facilities are subject to operational risks, including mechanical and IT system failure, work stoppage, increase in transportation costs, natural disasters, fire and disruption to supplies of raw materials. Any interruption of activity in our production, warehouse or distribution facilities due to these or other events could result in the disruption to the operation of our activities, customers' cancellation of orders or refusal to accept deliveries or a reduction in sales, any of which could have an adverse effect on our business, financial condition and results of operations. See "— We are subject to risks associated with third-party production" below.

We are subject to risks associated with third-party production

While we develop, control and produce in-house the majority of our prototypes and our samples, we outsource to external manufacturers with appropriate expertise and capacity the production of most of our accessories and products. External manufacturers produced the vast majority of our finished products for the financial year ended January 31, 2011. We have established a rigorous inspection and quality control process for all outsourced production and contractually require all third-party manufacturers to comply with intellectual property protections and confidentiality restrictions in addition to all applicable labor, social security and health and safety laws and regulations. However, the inability of third-party manufacturers to ship orders in a timely and appropriate manner or to comply with their contractual obligations could have a negative impact on our operations and business. Likewise, if we expand beyond the production capacity of our current suppliers, we may not be able to find new suppliers with an appropriate level of expertise and capacity in a timely manner. If any of these risks were to develop, it could have an adverse effect on our business, financial condition and results of operations.

We are exposed to interest rate risks

The cost of our financial debt depends on interest rate fluctuations (in particular from Euro, Japanese Yen and US dollar interest rates) because the vast majority of our financial debt is denominated in these currencies. In order to manage the interest rate risk, we generally enter into hedging contracts (interest rate swaps and interest rate collars) to cover the risk on our medium and long term borrowings. The contracts have the effect of converting floating rates to fixed interest rates. Although we seek to manage our exposure to interest rate risk in order to minimize any negative effects from interest rates fluctuations, there can be no assurance that we will be able to do so successfully, and our financial condition and results could nevertheless be adversely affected by adverse fluctuations of the interest rates. As at January 31, 2011, our outstanding hedging contracts represented approximately 68% of our total financial debt.

We are exposed to a significant risk from exchange rate fluctuations

We incur a large portion of our cost of goods sold in Euro while we receive the majority of our revenues in currencies other than Euro. We set the sales prices for our products at periodic fixed intervals, and occasionally when reorders are made. If there is a significant weakening of the exchange rate between the local currency in which the revenue is generated prior to the sale and subsequent to our fixing of prices, then our expected margins may be reduced. In addition, foreign exchange movements might also negatively affect the relative purchasing power of foreign tourists and result in a decline in travel volumes or their willingness to purchase luxury goods while traveling, which could also have an adverse effect on our results of operations. Although we seek to manage our foreign currency risks in order to minimize any negative effects caused by exchange rate fluctuations, there can be no assurance that we will be able to do so successfully, and our business, financial condition and results of operations could nevertheless be adversely affected by fluctuations in exchange rates, particularly if any such exchange rate movements persist. Please see "— Risks Related to the International Luxury Industry — A downturn in the economy or consumer confidence may affect sales of our products".

During the financial year ended January 31, 2011, approximately 35% of our total net sales were denominated in Euro, approximately 40% in US dollars or in currencies pegged to the US dollar, and approximately 10% in Japanese Yen. On the other hand, for our total costs (cost of goods sold and operating expenses), approximately 62% were denominated in Euro, about 20% were denominated in US dollars or in currencies pegged to the US Dollars and about 9% in Japanese Yen. In addition, as at January 31, 2011, approximately 13% of our cash and cash equivalents were denominated in Euro, approximately 57% in US dollars or in currencies pegged to the US dollar and about 13% in Japanese Yen and approximately 78% of our financial debt was denominated in Euro, approximately 6% in US dollars or in currencies pegged to the US dollar and about 15% in Japanese Yen.

Our total exchange losses (net of gains) were € 2.1 million, € 8.0 million and € 4.7 million in the year ended January 31, 2009, 2010, 2011, respectively. See Note 30 of the Accountants' Report in Appendix I to this prospectus.

We are exposed to foreign exchange hedging risk

We are a company with international operations, and are therefore exposed to exchange rate risk which can affect revenues, costs, margins and profits. In order to hedge the exchange rate risk, we enter into derivative hedging contracts to ensure the value in Euro (or in our other operating currencies) of identified expected cash flows. Such expected future cash flows mainly consist of the collection of trade receivables and the payment of trade payables. As at January 31, 2009, 2010, and 2011 the total net amounts of the nominal value of our hedging contracts regarding future trade cash flows were € 328.1 million, € 148.5 million, and € 394.1 million, respectively. See Note 8 of the Accountants' Report in Appendix I to this prospectus.

As a matter of policy we do not use derivative hedging contracts for speculative purposes, nevertheless we cannot ensure that all our derivatives contracts will maintain during their entire life effectiveness as instrument of hedging. Failure to manage foreign exchange hedging contracts effectively could have a material adverse effect on our business, financial condition and results of operations. In the financial year ended January 31, 2009 we entered gain from hedge ineffectiveness on cash flow hedges for foreign exchange risk of € 2.4 million, in the financial year ended January 31, 2010 we entered loss of € 4.3 million and in the financial year ended January 31, 2011 we recorded loss of € 4.2 million.

We are subject to tax risks related to our multinational operations

We operate in many different jurisdictions throughout the world, both through other companies in which we have a direct or indirect shareholding, and through permanent establishments of such companies.

Over recent years, tax laws and practice applicable in various countries have become increasingly complex and sophisticated, particularly with respect to cross-border tax transactions. Tax authorities are increasingly scrutinizing the allocation of income between associated enterprises belonging to multinational groups (and thus between the different jurisdictions in which such groups operate).

The combination of the above factors means for our Group companies an increased likelihood of tax audits, possibly leading to challenges and consequential litigation in respect, *inter alia*, to: (a) tax residence; (b) permanent establishment; and (c) transfer pricing. In any such case, depending on the specific circumstances, tax audits could result in tax liabilities and fines and penalties of significant amount, far in excess of amounts we provide for in our financial statements for tax liabilities. We are subject to periodic routine audits by various tax authorities in the various countries in which we operate. The current status of the routine audits during the course of the Track Record Period is that (x) either no further audit activities have been undertaken or express positive comments were received from the tax authorities in Canada, United States, Thailand, Taiwan and Korea; (y) we are in the process of providing the information requested by the tax authorities for audits in Hong Kong, China and Belgium; and (z) audit activities are currently being undertaken by the tax authorities in Germany and Japan. In addition to these routine audits, during the Track Record Period, our Group was involved in two tax disputes in each of France, Korea and Italy, and one tax dispute in each of Japan and Germany, which we consider to be material or potentially material. In aggregate, we were involved in a total of 18 tax disputes over the Track Record Period. For each of the three years ended January 31, 2009, 2010 and 2011, we paid € 5.8 million, € 3.9 million and € 2.4 million in tax penalties, respectively. As of each of the three years ended January 31, 2009, 2010 and 2011, we made provisions for tax disputes for the amount of € 6.9 million, € 7.3 million and € 40.1 million, respectively. These disputes have arisen because of differences in the interpretation of how intercompany pricing for goods and services are calculated, or in some instances because differences of opinion as to whether a business combination is subject to VAT rather than to stamp duty.

Although we maintain a regime of transfer pricing which we believe complies with applicable laws and practices, we may be penalized by tax authorities if they adjust our related-party prices. Likewise, we are currently subject to tax audits and requests for information by the tax authorities in a number of countries where we operate, mainly with regard to transfer pricing issues (please see "Appendix I — Notes to the Financial Information — Note 23 (Provisions)", and "Business — Taxation Controls" in this prospectus). We cannot predict with any certainty whether these tax audits or requests for information will result in tax assessments or tax litigation.

We have had net current liabilities at times during the Track Record Period

Our net current liabilities increased to € 142.6 million as at January 31, 2010 from € 6.5 million as at January 31, 2009, primarily due to the reclassification of a syndicated term loan of € 129 million repayable in July 2010 as short-term debt for the financial year ended January 31, 2010 from long term debt for the financial year ended January 31, 2009. In July 2010, we refinanced the € 129 million term loan and a revolving loan of € 80 million with a new term loan and revolving credit facility of € 360 million. As a result of the refinancing, our long-term debt increased from € 111.4 million as at January 31, 2010 to € 303.4 million as at January 31, 2011, and our bank overdrafts and short-term loans decreased from € 459.3 million as at January 31 2010 to € 194.2 million as at January 31, 2011. As a result, we had net current assets of € 110.9 million as at January 31, 2011. Please see the section headed "Financial Information — Liquidity and Capital Resources — Credit Facilities — July 12, 2010 Term Loan and Revolving Facility — € 360 Million" in this prospectus for further details.

We cannot assure you that we will not experience periods of net current liabilities in the future. A net current liabilities position would expose us to liquidity risks if we were unable to refinance certain loans when they come due. There can be no assurance that we will always be able to obtain the necessary funding to refinance our short-term borrowings upon maturity and finance our capital commitments. If we were unable to refinance such borrowings when due, and we were not otherwise able to repay such amounts at maturity, we may be in default of such loans, which may result in cross-defaults. In such circumstances, our business operations, liquidity, financial position and prospects could be materially and adversely affected.

We are restricted from operating any Prada mono-brand stores in Milan

We have entered into a Franchise Agreement in relation to five Prada stores based in Milan with the five companies that operate the five stores and their controlling entity, which is a company controlled by the Prada Family. Under the Franchise Agreement, which has an initial 15-year term expiring on January 31, 2024, we are restricted from operating Prada mono-brand stores in Milan. This arrangement may limit our revenue generated from sales of Prada brand products in Milan. The restriction only applies to the stores operated by our Group under the Prada brand and not any other brands owned by our Group. For further details, please refer to the paragraph headed "Franchise Agreement — Prada Milan Stores" under the section headed "Relationship with Our Controlling Shareholders and Connected Transactions" of this prospectus.

We may be exposed to claims or disputes in our ordinary course of business, and media speculation concerning these claims and disputes

We are involved in certain claims, disputes and legal proceedings from time to time in the usual and ordinary course of business. Some of these claims may involve disputes between us and our past employees concerning alleged matters arising from their employment. Due to the high profile of our brand reputation, in the past and recently, we have attracted attention from the media concerning certain of these claims and disputes. We believe it is not uncommon for multinational corporations of our profile to attract media speculation and attention concerning their business operations. We believe that all of our operations comply with applicable laws and regulations in all material respects and are of the view that any current disputes and claims otherwise are unfounded. We also believe that such media reports often involve editorial commentary, which oftentimes does not correctly represent the matters that have been reported on. Adverse media speculation and commentary may, in serious cases, unjustifiably harm our brand image and reputation, and if necessary we have in the past been, and in the future may be, required to take legal action to protect our brand image and reputation, which results in legal expenses we otherwise may not have incurred.

RISKS RELATED TO THE INTERNATIONAL LUXURY INDUSTRY

A downturn in the economy or consumer confidence may affect sales of our products

Many factors affect the level of consumer spending in the luxury goods industry, including the state of the economy as a whole, stock market performance, interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, unemployment and other matters that influence consumer confidence. In general, sales of fashion and luxury products tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low.

Our like-for-like performance for the retail channel was negatively affected by the global economic downturn during the second half of the financial year ended January 31, 2009 and the first half of the financial year ended January 31, 2010. As a result, our like-for-like performance declined by 1% in the financial year ended January 31, 2009 and grew by 2% in the year ended January 31, 2010. On an overall basis, net sales from our retail channel grew by approximately 5% and 14% for the full financial years ended January 31, 2009 and January 31, 2010, respectively, largely due to the expansion of our retail network. On the other hand, because our wholesale clients typically place their product orders 4 to 6 months prior to taking delivery, there tends to be a delayed reaction to market events. As a result, our wholesale business was mainly affected by the economic downturn during the financial year ended January 31, 2010 with a decline of approximately 26%.

We distribute our products internationally and will be affected by downturns in general economic conditions or uncertainties regarding future economic prospects that may impact the countries where we sell a significant portion of our products. A significant decline in the global economy or in consumers' confidence could have a material adverse effect on our business.

Our business is dependent on tourist traffic and demand

A substantial amount of our sales is generated by customers who purchase our products while traveling abroad. Consequently, adverse economic conditions (like the global financial crisis in 2008 and 2009), global political developments (such as the war in Iraq in the Spring of 2003), other social and geo-political sources of unrest, instability, disorders, riots, civil wars or military conflicts (such as the potentially severe situations currently underway in North Africa and the Middle East), natural disasters such as fire, floods, blizzards and earthquakes or other events (such as the events in the United States on September 11, 2001 or travel advisories issued by the World Health Organization in connection with Severe Acute Respiratory Syndrome—SARS in 2003) that result in a shift in travel patterns or a decline in travel volumes in the past have had, and in the future could have, an adverse effect on our business and results of operations.

In addition, a prolonged economic downturn will result in a decline in the disposable income and willingness of tourists to purchase luxury goods while traveling, which would likely have an adverse effect on our results of operations.

The sale of counterfeit products may affect our reputation and profitability

The luxury goods market is subject to numerous instances of product counterfeiting. As the brands of our Group enjoy worldwide consumer recognition, premium positioning and superior pricing power, we encounter counterfeiting of our products, such as unauthorized imitation or replication of our designs, trademarks or labeling by third parties from time to time. Although we are and have been actively taking actions on a global scale to combat against counterfeiting of our products, there can be no assurance that such actions will be successful in prevention of counterfeiting. A significant presence of counterfeit products in the market could have a negative impact on the value and image of our brands, result in a loss of consumer confidence in our brands, and as a consequence, adversely affect our business and results of operations.

We are subject to risks associated with international markets

As a company that markets and sells its products in many countries, our business is subject to various risks beyond our control, such as changes in laws and policies affecting trade and investment (including trademark protection) and the instability of foreign economies and governments. The uncertainty of the legal environment in some regions could limit our ability to enforce our rights and grow our business. We expect that sales to fast growing economies will continue to be an increasing portion of total sales, as developing nations and regions around the world increase their demand for our products. Our operations in countries with less developed legal systems present several risks, including legal uncertainty, civil disturbances, economic and governmental instability, and the imposition of exchange controls. We have taken applicable laws and regulations into account in seeking to structure our business on a global basis, including to achieve operational efficiencies. Changes in the laws or regulations of the jurisdictions in which we operate, including with respect to taxation, could have an adverse effect on our results of operations.

The March 2011 earthquake and tsunami in Japan may adversely affect our business in Japan, which may negatively affect our operating results

In March 2011, an earthquake measuring 9.0 on the Richter scale hit Tohoku in northern Honshu, Japan, which also triggered a tsunami along the Pacific coast of Japan, and to a lesser extent North America and South America, causing thousands of casualties and severe damage to roads, buildings and infrastructure. Moreover, certain nuclear reactors in the Fukushima nuclear power plant in northeastern Japan were damaged, resulting in multiple explosions and radiation emission.

As at January 31, 2011, we had 56 DOS and one main regional warehouse in Japan. Our Japanese assets accounted for 7.4% of our total net assets, and our sales in Japan accounted for approximately 11% of our total net sales for the financial year ended January 31, 2011. During the two-week period following the earthquake and the tsunami, our operations in Japan were temporarily disrupted with some DOS closing temporarily or operating under limited hours. Otherwise, the earthquake had no effect on our assets and no material effect on our results of operations, and our business has returned to normal. However, we cannot assure you that we will not suffer from the long-term impact of the earthquake and the tsunami. The catastrophic loss of lives, businesses and infrastructure may have an indirect impact on us by affecting our employees, customers, and the overall economy in Japan, and may reduce the demand for our products from both local customers and tourists. In addition, further earthquakes, aftershocks or other disasters in Japan or affecting any regions in which we have a significant DOS network may cause a decline in our sales. Any of the above events or developments may have a material adverse effect on our business, results of operations and financial condition.

Our operating results are subject to seasonal fluctuations

As is typical in the fashion industry, we have experienced, and expect to continue to experience, seasonal fluctuations in sales and operating results, particularly in our wholesale distribution sales. Our sales to wholesale clients tend to peak between June and July tracking the delivery timing for our fall/winter collection and between December and January tracking the delivery timing for our spring/summer collection, whereas our DOS sales tends to peak mainly in December in line with general consumer spending patterns. In each of the three financial years ended January 31, 2009, 2010 and 2011, the fourth quarter (i.e. November 1 through January 31) recorded the highest sales contribution to the whole year and represented 30.7%, 32.7% and 32.4% of our total net sales (excluding royalties income) for the relevant financial year, respectively. As a result of these seasonal fluctuations, comparisons of sales and operating results between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Since our purchases of materials and contracting of production are made in advance of the corresponding sales, our working capital and cash flows are also subject to seasonal fluctuations. If sales for a particular season do not meet our expectations, our financial condition may be adversely affected.

RISKS RELATED TO THE GLOBAL OFFERING

The interests of Prada Holding B.V., our controlling shareholder, or its shareholders, may differ from the interests of other shareholders

Upon completion of the Global Offering, and assuming the Over-allotment Option is exercised in full, Prada Holding B.V., which is indirectly held by Mr. Patrizio Bertelli and the Prada Family as to 35% and 65%, respectively, will continue to own approximately 80.0% of our outstanding shares and an equivalent portion of voting rights. As a result, Prada Holding B.V. will have a controlling influence in matters submitted to a vote of our shareholders, including matters such as approval of the annual financial statements, declarations of annual dividends, the election and removal of the members of our Board of Statutory Auditors and the Board, capital increases and amendments to our By-laws. The interests of our controlling shareholder or its shareholders may in certain cases differ from those of our minority shareholders. In addition, the sale of substantial amounts of the Shares in the public market (following the expiration of a 12-month lock-up period) by Prada Holding B.V. or the perception that such sale could occur could adversely affect the prevailing market price of the Shares or our ability to raise capital through a public offering of equity securities.

The price for our Shares may differ significantly from the initial offer price, and the liquidity of any trading market that may develop could be limited

Prior to the Global Offering there has been no trading market for the Shares and there can be no assurance that an active market will emerge or can be sustained after the Global Offering. Accordingly, there can be no assurance as to the liquidity of any market for the Shares. The initial offer price of the Shares will be determined by negotiations among us, Prada Holding B.V. and the Underwriters and may bear no relationship to the price at which the Shares will trade upon completion of the Global Offering. The market price of the Shares after the Global Offering could be subject to fluctuations in response to factors such as actual or anticipated variations in our operating results, announcements of innovations or introductions of new products or services by either us or other market participants, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

Payment of dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors

The amount of any future dividend payments that we may make, if any, will depend upon a number of factors, which may include our strategy, future earnings, financial condition, cash flows, working capital requirements, capital expenditures and other factors, including applicable provisions of Italian law requiring us to maintain certain statutory reserves. There can be no assurance that we will have sufficient distributable reserves or decide to pay dividends in the future.

US shareholders may not be able to exercise preemptive rights, and as a result may experience substantial dilution upon future issuances of shares

US holders of the Shares may not be able to exercise any preemptive or preferential rights in respect of the Shares held by them unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements thereunder is available. We currently have no intention of filing such a registration statement. As a result, in the future we may sell the Shares or other securities to persons other than our existing shareholders at a lower price than the Shares being sold in the Global Offering, and as a result US shareholders may experience substantial dilution of their interest in our Company.

There is doubt as to the enforceability of civil liability provisions of US federal or state securities laws

We are organized under the laws of Italy. All of our Directors and executive officers and certain of the experts named herein are neither citizens nor residents of the United States. All or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to bring action against us or such persons in US courts, or to enforce US courts judgments against us or such persons or to seek the enforcement against them of civil liability provisions of the federal or state securities laws of the United States.

Shareholders are subject to exchange rate risk

The Shares being sold in the Global Offering are priced in Hong Kong dollars and, assuming that a trading market for our Shares develops on the Hong Kong Stock Exchange, will be quoted and traded in Hong Kong dollars. Since we report our consolidated accounts in Euro and our stock price will be quoted in Hong Kong dollars, shareholders will be exposed to exchange rate risk between the Euro and the Hong Kong dollar and, because the Hong Kong dollar is pegged to the US dollar, the US dollar. In addition, any dividends we may pay will be declared in Euro and we will make arrangements to effect payment of the dividends in Hong Kong dollars for shareholders resident in Hong Kong. Accordingly, shareholders are subject to risks arising from adverse movements in the value of the US dollar and the Hong Kong dollar against the Euro, which may reduce the value of the Shares, as well as that of any dividends we pay, in Hong Kong dollars.

Italian legal, regulatory and corporate governance requirements may differ from requirements in other jurisdictions

Our Company is incorporated in Italy and our Shares will be listed on the Hong Kong Stock Exchange. We are subject to corporate governance and disclosure requirements under Italian and Hong Kong laws and regulations, which may be considerably different from the standards applicable in other jurisdictions. The corporate governance and disclosure measures we adopt pursuant to relevant laws and regulations of Italy and Hong Kong may not be deemed sufficient by authorities in other jurisdictions. In addition, there may be less publicly available information about Hong Kong listed companies than is regularly made available by public companies in other jurisdictions. As a result, our prospective investors may have access to less information about our business, financial condition and results of operations on an ongoing basis than investors may have in connection with companies that are subject to disclosure requirements of other countries.

As an Italian company, shareholders in our Company will have the rights, obligations and protections ordinarily afforded to shareholders under Italian law (which may differ from those afforded to shareholders of Hong Kong companies), as well as duties under the Italian taxation regime. A summary of certain provisions of Italian law and taxation applicable to an Italian company whose shares are listed on the Hong Kong Stock Exchange is set out in Paragraph B of Appendix IV of this prospectus. Prospective investors should be aware, *inter alia*, that there are Italian withholding tax and capital gains tax implications that may arise for shareholders in our Company.

Holders of physical shares in our Company may be required to take further actions or incur further costs if our Shares are required to be dematerialized under Italian law

Under Italian law, financial instruments of an Italian company which are, or are to be, traded on Italian regulated markets must be fully dematerialized. In addition, the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**"), the Italian stock exchange regulator, has been granted the power to extend, under secondary legislation and in agreement with the Bank of Italy, this requirement to other financial instruments, taking into consideration their level of distribution among the public.

Based on an interpretation of the relevant Italian regulations by our Italian legal advisors, we have concluded that the obligation to dematerialize will not apply to us as a result of our Shares being listed on the Hong Kong Stock Exchange. However, we may be required to dematerialize our Shares to comply with Italian requirements if the Italian regulators adopt a different interpretation of the relevant Italian regulations.

Upon dematerialization, our Company will cease to issue share certificates and any existing share certificates issued in respect of our Shares will also cease to have effect as instruments of title. If our Company is required to dematerialize our Shares, shareholders who hold Shares in physical form would be required to undertake further action and to incur extra costs.

If we are required to dematerialize our Shares, we will publish an announcement on the Hong Kong Stock Exchange's website in accordance with the Listing Rules and on the Company's website and will dispatch a circular to inform shareholders about the actions required to be taken by them and the last date by which such actions must be taken.

For details on how the dematerialization of our Shares will be implemented and the further actions to be undertaken by physical holders if our Company is required to dematerialize our Shares, please refer to the section headed "Potential Requirement to Dematerialize our Shares" of this prospectus.

Due to a gap of up to four business days between pricing and trading of the Offer Shares, the initial trading price of the Offer Shares could be lower than the Offer Price

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until the day they are delivered, which is expected to be four business days after the Price Determination Date. As a result, you may not be able to sell or otherwise deal in our Shares during such period, and thus will be subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments occurring during such period.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding us and/or the Global Offering, such as regarding our profit forecast and our Shareholders' exposure to capital gains tax in Italy. Such press and media coverage may include references to certain events or information that does not appear in this prospectus, including certain financial information, financial projections, and valuations. We have not authorized any disclosure of any such information in the press or other media and we make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in the prospectus only and not rely on any other information, reports or publications.