

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

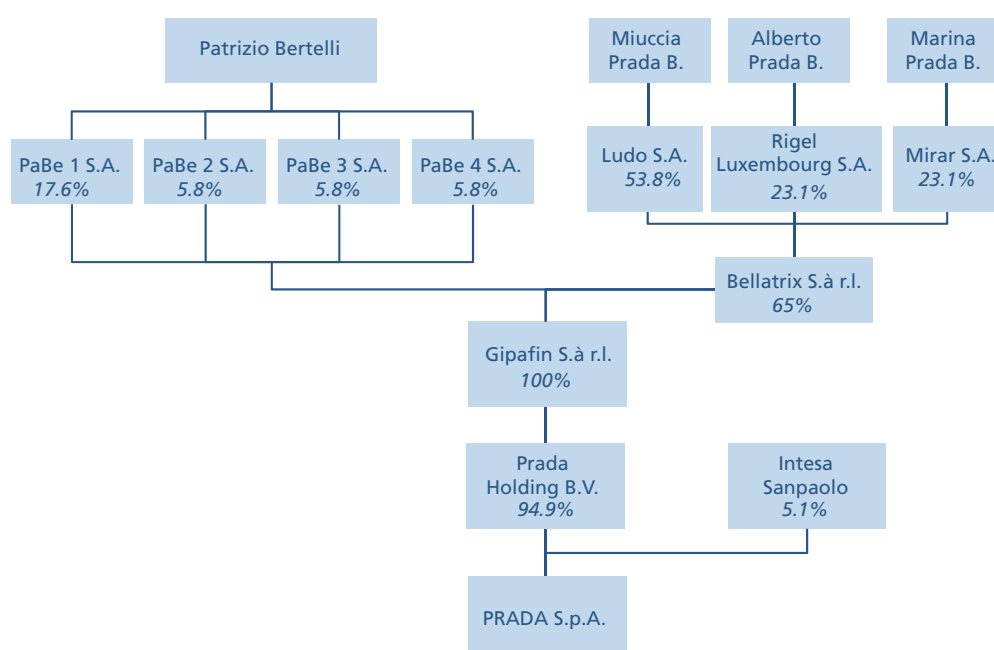
Shareholding Relationship

As at the Latest Practicable Date, Prada Holding B.V. and Intesa Sanpaolo owned 94.9% and 5.1% respectively of the issued share capital of our Company. Our Company is therefore a subsidiary of Prada Holding B.V. and, upon completion of the Global Offering, the Company will remain a subsidiary of Prada Holding B.V. and will be owned by Prada Holding B.V. as to approximately 82.5% (assuming that the Over-allotment Option will not be exercised at all) or as to approximately 80.0% (assuming that the Over-allotment Option will be exercised in full).

As at the Latest Practicable Date, the entire issued share capital of Prada Holding B.V. is held by Gipafin S.à r.l. (“**Gipafin**”). Our Chief Executive Officer, Mr. Patrizio Bertelli, owns, indirectly through PaBe1 S.A., PaBe2 S.A., PaBe3 S.A. and PaBe4 S.A., 35.0% of the capital of Gipafin, and our President, Ms. Miuccia Prada, owns, indirectly through Ludo S.A., 53.8% of the capital of Bellatrix S.à r.l. (“**Bellatrix**”), which in turn owns 65.0% of the capital of Gipafin. The remainder of the capital of Bellatrix is held indirectly by Mr. Alberto Prada Bianchi and Ms. Marina Prada Bianchi (the brother and sister of Ms. Miuccia Prada respectively) as to 23.1% each.

The shareholding relationship between our Company, Prada Holding B.V. and Intesa Sanpaolo as at the Latest Practicable Date and immediately after the completion of the Global Offering are summarized below:

As of the Latest Practicable Date

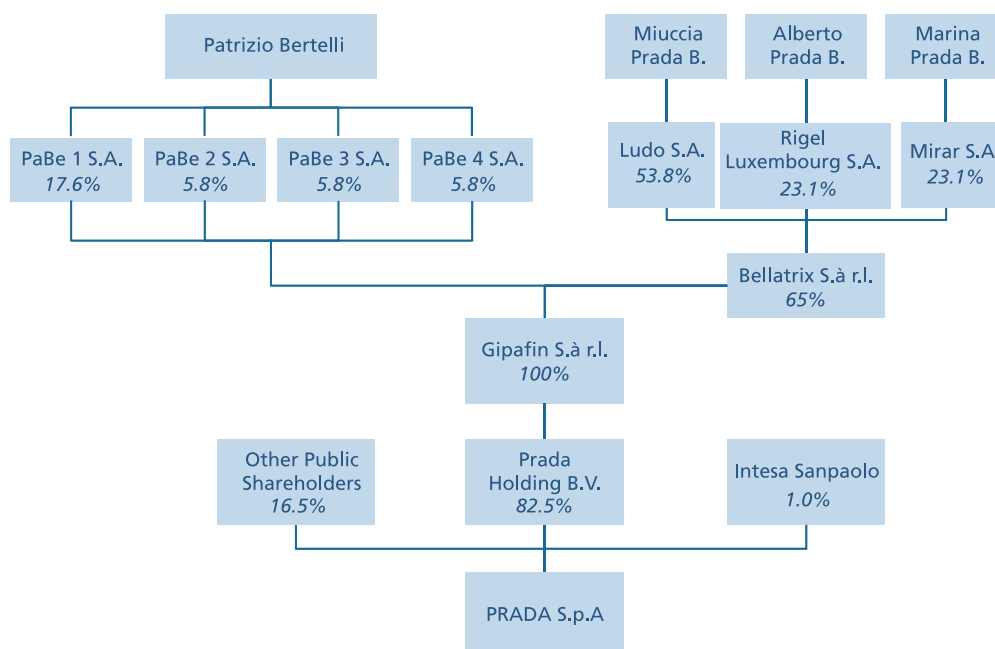


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Shareholding in PRADA S.p.A.

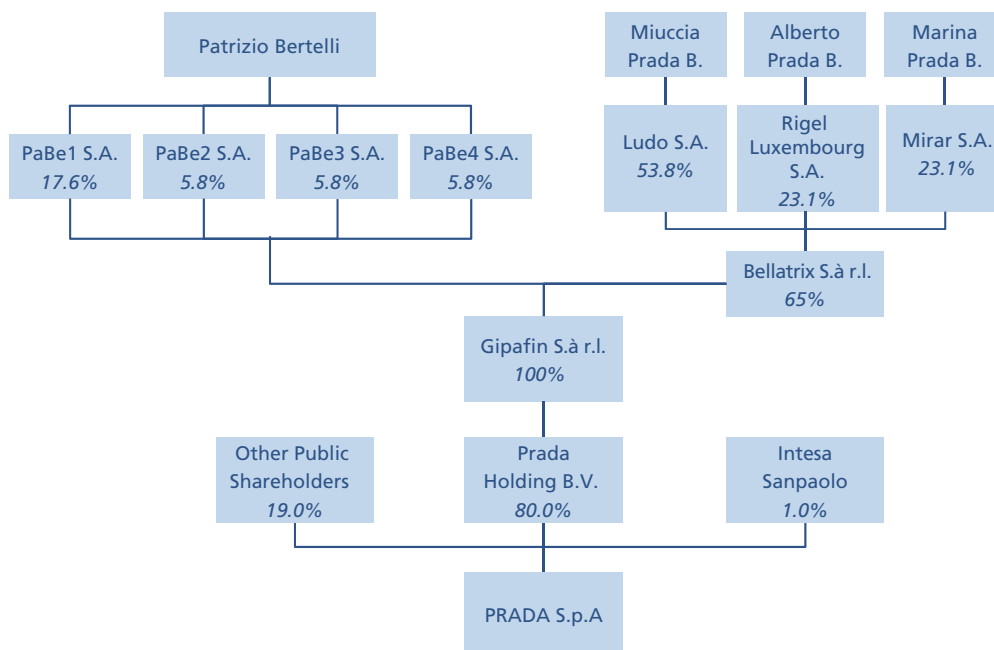
Patrizio Bertelli (indirect)	33.2%
Miuccia Prada Bianchi (indirect)	33.2%
Alberto Prada Bianchi (indirect)	14.2%
Marina Prada Bianchi (indirect)	14.2%
Total	94.9%

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option will not be exercised at all)



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Immediately after the completion of the Global Offering (assuming that the Over-Allotment Option will be exercised in full)



INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Our Board is satisfied, on the basis of the following, that our Group is capable of carrying on its business independently of Prada Holding B.V. (including any associates of Prada Holding B.V.) after the Listing.

NON-COMPETITION AND CLEAR DELINEATION OF BUSINESSES

Management Independence

Our Board consists of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. One of the non-executive Directors, namely Mr. Marco Salomoni, is also a manager (*gérant*) of Gipafin S.à r.l. and a director of Prada Holding B.V. However, as stated in the paragraph headed “Operational independence” of this section, Prada Holding B.V. is an investment holding company whose principal asset is its shareholding in our Company. Other than its shareholding in the Company, Prada Holding B.V.’s only other material asset is its 100% shareholding in Prada Arte B.V., which owns a contemporary art collection and does not currently carry on any other business.

Our daily management and operations are carried out by a senior management team. None of the senior management team as described in the section entitled “Directors, Senior Management and Employees” of this prospectus holds any positions in Prada Holding B.V. or Prada Arte B.V. Under the Italian Civil Code,

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any Director having an interest in a transaction presented to the Board for consideration and approval which conflicts with that of our Company must disclose such interest to the Board and the Board of Statutory Auditors. The By-laws have strengthened this requirement by specifying that a Director has a duty to abstain from voting in these circumstances. Finally, following the Listing, our Board will be required to comply with the Listing Rules, including provisions thereunder relating to corporate governance, which require (among other things) that a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum for the meeting. Please see the section headed "Conflicts of Interest" in paragraph B6 of Appendix IV to this prospectus for further details.

Mr. Marco Salomoni is also a non-executive director of GIVI Holding S.p.A. GIVI Holding S.p.A. is the holding company of Gianni Versace S.p.A. and has an interest in Verimm S.p.A., a real estate company.

Gianni Versace S.p.A. engages in the design, manufacture, distribution and retail of fashion and lifestyle products and its business may compete with that of our Group. However, there is no other relationship between our Company and the Gianni Versace group.

Mr. Marco Salomoni was appointed on April 21, 2011 as an independent non-executive director of Aeffe S.p.A., a company listed on the Italian Stock Exchange that operates in the fashion goods sector and is active in the design, production and distribution of products including ready to wear, footwear and leather goods. Based on its most recent annual report, the total sales for Aeffe S.p.A. for the financial year ended December 31, 2010 were approximately € 219 million. Like all Directors, Mr. Marco Salomoni will abstain from voting on any conflicting matter at a board meeting of our Company.

Apart from Mr. Marco Salomoni, none of Prada Holding B.V., the ultimate shareholders of Prada Holding B.V. and their associates, and the Directors is engaged in any business that competes with our Group under Rule 8.10 of the Listing Rules.

Operational Independence

Prada Holding B.V. is an investment holding company and does not actively carry on any business activities. None of Prada Holding B.V., Mr. Patrizio Bertelli and Ms. Miuccia Prada has any interest in any of our suppliers of raw materials and other supplies required for our operations. We independently manage and have independent access to our customers. None of Prada Holding B.V., Mr. Patrizio Bertelli and Ms. Miuccia Prada has any interest in any of our corporate

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customers, save for Ms. Miuccia Prada's indirect interest under the Franchise Agreement in relation to certain Prada shops in Milan as disclosed in the paragraph headed "Franchise Agreement — Prada Milan Stores" of this section.

Financial Independence

Our Group is able to operate financially independently of Prada Holding B.V.

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS OF THE LISTING RULES

Non-exempt continuing connected transactions with companies controlled by Prada Family

The following transactions will be continuing connected transactions of our Company subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Franchise Agreement — Prada Milan Stores

As disclosed in the section headed "Our History and Corporate Structure" of this prospectus, our Company originated as a family business in 1913 in Milan and has continued since the Prada Family and Mr. Patrizio Bertelli began their cooperation. Therefore the Prada stores in Milan have historically been operated by companies that are connected to the Prada Family.

Our Company's subsidiary, Prada S.A., currently owns the rights to the Prada trademark and, as a licensor, licenses the use of the Prada trademark to our Company as a licensee.

Against such historical background, on January 28, 2009 our Company entered into a franchise agreement in relation to five Prada stores based in Milan (the "**Franchise Agreement**"). This agreement was entered into with the five companies that operate the five stores and their controlling entity (collectively, the "**Franchisees**"), which is a company controlled by the Prada Family. Under the Franchise Agreement, the Franchisees were granted a sub-license to use the Prada trademark in the five stores. Under the terms of the Franchise Agreement:

- (a) the Franchisees:
 - (i) have the exclusive right to operate the five Prada stores based in Milan;
 - (ii) undertake not to sell, or participate in any other activity directed to the sale of, leather goods, ready-to-wear and footwear in the luxury sector except for Prada products;

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- (iii) undertake to purchase from our Company every year a minimum amount of products at a price equal to the sell-in price which is the same as the sell-in price payable to our Company by other independent third parties located in Italy (the “**Minimum Annual Budget**”). The selection of the products is made in accordance with our Company’s instructions and must be consistent with the image of our Company and the brand;
 - (iv) undertake to operate the shops in a manner consistent with the reputation of the Prada brand;
 - (v) undertake to sell the products bought from our Company only in the shops authorized by our Company;
 - (vi) undertake to fit out the shops and the windows in accordance with the guidelines provided by our Company;
 - (vii) undertake not to open or operate any other store in Milan without our Company’s consent;
 - (viii) undertake not to carry out promotional activities without our Company’s consent;
 - (ix) may sell certain Prada products to our DOS.
- (b) our Company:
- (i) is restricted from operating any Prada mono-brand stores in Milan. This restriction on our Company only applies to the stores operated by our Company under the Prada brand and not to any other brands owned by our Group;
 - (ii) undertakes to supply the Franchisees with at least the Minimum Annual Budget;
 - (iii) undertakes to support the Franchisees in the selection and training of the personnel who will work in the shops;
 - (iv) undertakes to accept returns of inventory on non-continuable products^(*) from the five Milan stores at a discount of 20% on the sell-in price.

(*) Non-continuable products are products which will not be included in our Company’s product list in the following season, which can either be (i) discounted during a markdown and transferred to the outlets after markdown; or (ii) not discounted during a markdown and left in the stores for sale, although they will not be available for re-order after the stock runs out.

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The Franchise Agreement will expire on January 31, 2024 and will be automatically extended for a further 15-year term provided that (i) the Franchisees have met the Minimum Annual Budget for the initial 15-year term; or (ii) the cumulative amount of the purchases made by the Franchisees for the entire initial 15-year term is at least equal to the sum of the Minimum Annual Budget for each of the 15 years.

Our Company can terminate the Franchise Agreement if (i) there is a change in control of any of the Franchisees, or (ii) if the Franchisees meet less than 80% of the Minimum Annual Budget for three consecutive years.

Our Company is entitled to terminate the Franchise Agreement in the case of a material breach by any of the Franchisees, and the Franchisees are entitled to terminate in the case of a material breach by our Company.

Pursuant to the Franchise Agreement, the Franchisees pay our Company (i) royalties in exchange for the right to use the Prada trademark in respect of the five Milan stores and (ii) consideration in respect of products purchased at a sell-in price (which is the same as the sell-in price payable by other independent third parties located in Italy) for sale in the five Milan stores. Conversely, our Company pays the Franchisees (i) where in the ordinary course of business our Company purchases from time to time a limited number of products from the Franchisees at the sell-in price to transfer them to other locations outside Milan, where there may be a shortage of those products; and (ii) for the return of inventory on non-continuable products.

The table below sets out the amounts paid by the Franchisees to our Company — and by our Company to the Franchisees — in relation to the Prada shops in Milan and the proposed annual caps on amounts that will be paid by both parties under the Franchise Agreement for the periods indicated.^(•)

Transaction	Historical Figures			Estimated Amount		
	Year Ended January 31,		Year Ending January 31,			
	2009	2010	2011	2012	2013	2014
	(€ in millions)					
Revenues from sales of goods	32.9	31.5	34.5	44.6	52.3	58.1
Revenues from services ^(*)	2.6	2.5	2.8	3.3	3.8	4.3
Royalties received	0.9	0.8	0.9	1.2	1.4	1.6
Purchase of goods by our Company ⁽⁺⁾	(2.1)	(3.3)	(2.4)	(3.1)	(3.6)	(4.0)
Net transaction amount	34.3	31.5	35.8	46.0	54.0	60.0

- (•) The annual caps for the three years ending January 31, 2014 were calculated based on the sales budget agreed between our Company and the Franchisees, which takes into consideration primarily the expected product mix and projected margins from the revenues from sale of goods to the Franchisees, and also an estimate of the revenue for services and costs of purchase of goods by our Company from the Franchisees in case there is a shortage of products at our shops outside of Milan, based on historical figures.

The proposed annual cap for the year ending January 31, 2012 takes into consideration a revised forecast based on the volume of current trading and sales pattern, which has been consistently higher than the original budget for the year ended January 31, 2011.

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The increase in annual caps for the years ending January 31, 2013 and 2014 reflects the Group's expectation for the growth in the retail luxury goods market in Milan.

The annual caps on the revenue from sales of goods for the years ending January 31, 2012, 2013 and 2014 have been arrived at based on internal projections. If, due to a growth in sales, the caps may be exceeded, the Company will apply to the Hong Kong Stock Exchange for a revision of the caps.

The annual caps for the revenue from services, royalties received from the Franchisees, and purchase of goods by our Company from the Franchisees for the three years ending January 31, 2014 were calculated on the original budget of our Company.

- (*) Includes € 1.7 million, € 1.8 million and € 1.8 million for the financial years ended January 31, 2009, 2010 and 2011, respectively relating to the rent of business assets under a lease of a business as a going concern (*Ramo d'Azienda*, which refers to a business unit under Italian law having a separate organization of assets that can carry out an entrepreneurial activity autonomously and can be an object of transfer) by Prada Stores S.r.l., as lessor, to one of the Franchisees, as lessee, in respect of the Prada shop in Corso Venezia 3 Milano which it operates, for a term of 10 years ending on September 12, 2016 (the "**Corso Venezia Lease Agreement**").
- (+) Includes (i) goods that our Group buys at the sell-in price from the Franchisees to sell in our shops outside of Milan and (ii) the return of inventory at a discount of 20% on the sell-in price.

Non-exempt continuing connected transactions with Directors (collectively, the "Directors Agreements")

Consulting Agreement with Ms. Miuccia Prada

Ms. Miuccia Prada, the President of our Company, has entered into a consultancy agreement with effect from February 1, 2007 for a term of five years ending on January 31, 2012 with our Company as a strategic consultant for (i) identifying and elaborating creative design concepts and styles; (ii) coordinating and supervising collections development and all of the dedicated structures and functions; (iii) defining concepts for fashion shows and supervising their execution; and (iv) setting guidelines for brands communication and advertising campaigns and supervising related activities. Ms. Miuccia Prada is, pursuant to the terms of the agreement, prohibited, for the duration of the agreement, from providing any services to any party, other than our Company, which are similar to those she provides under her agreement with our Company. Furthermore, she is restricted from competing with our Group in the fields of production, commercialization and distribution of luxury goods, including clothes, shoes, leather goods and accessories within the following geographical areas of Italy: Lombardia, Piemonte, Veneto, Emilia-Romagna, Marche, Toscana and Lazio, as well as France, Germany, Great Britain, Switzerland and New York state. The non-compete obligation is binding on Ms. Miuccia Prada for the duration of her agreement with our Company and for 24 months after the end of the agreement. The agreement will be renewed for a further three-year term upon terms and conditions to be renegotiated between the parties. The annual amount of remuneration paid to

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Ms. Miuccia Prada for each of the three years ended January 31, 2009, 2010 and 2011 was € 8,700,000. The maximum amount of remuneration payable to Ms. Miuccia Prada for each of the three years ending January 31, 2012, 2013 and 2014 will not exceed € 9,000,000, € 10,000,000 and € 10,000,000 respectively.

The proposed annual caps for the remuneration payable to Ms. Miuccia Prada for each of the three years ending January 31, 2012, 2013 and 2014 have been determined in relation to the aggregate remuneration paid to Ms. Miuccia Prada in the past three years, to which a potential increase of 10% to 11% of her most recent remuneration has been added to provide flexibility for the possible adjustment in Ms. Miuccia Prada's annual remuneration pursuant to negotiations between Ms. Miuccia Prada and the Company.

Consulting Agreement with Mr. Patrizio Bertelli

Mr. Patrizio Bertelli, the Chief Executive Officer of our Company, has entered into a consultancy agreement on February 1, 2007 with our Company as a strategic consultant for a term of five years ending on January 31, 2012 to provide assistance to our Company with, among other things, for (i) defining the collections development and industrialization processes; (ii) developing the leather goods and shoes collection concept and supervising the related structures; and (iii) selecting locations for new DOS and refurbishment of existing stores, conceiving store concepts and defining the guidelines and coordination of related project development activities. Mr. Patrizio Bertelli is, pursuant to the terms of the agreement, restricted from competing with our Group by carrying out activities or providing any similar services to any party other than our Company and from entering into any agreement with any other third parties which are likely to compete with our Group throughout the duration of his agreement with our Company. The amount of remuneration paid to Mr. Patrizio Bertelli for each of the three years ended January 31, 2009, 2010 and 2011 was € 5,000,000, € 11,000,000 and € 9,000,000 respectively. The agreement will be renewed for a further three-year term upon terms and conditions to be renegotiated between the parties. The maximum amount of remuneration payable to Mr. Patrizio Bertelli for each of the three years ending January 31, 2012, 2013 and 2014 will not exceed € 9,000,000, € 10,000,000 and € 10,000,000 respectively.

The proposed annual caps for the remuneration payable to Mr. Patrizio Bertelli for each of the three years ending January 31, 2012, 2013 and 2014 have been determined by reference to the aggregate remuneration paid to Mr. Patrizio Bertelli in the past three years, to which a potential increase of 10% to 11% of his most recent remuneration has been added to provide flexibility for the possible adjustment in Mr. Patrizio Bertelli's annual remuneration pursuant to any negotiations between the Company and Mr. Patrizio Bertelli at the time the consulting agreement is renewed, taking into account the rise in living costs at the time.

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Waiver from the Hong Kong Stock Exchange

In respect of the Franchise Agreement with the Franchisees in relation to the Prada shops in Milan and the Directors Agreements, since the highest applicable ratio as set out in Rule 14.07 of the Listing Rules, is in each case on an annual basis expected to be more than 0.1% but less than 5%, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Accordingly we have requested the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement requirements otherwise applicable to continuing connected transactions under the Listing Rules in respect of the above non-exempt continuing connected transactions. In respect of the above non-exempt continuing connected transactions and the renewal of the above non-exempt continuing connected transactions, we will comply with the applicable provisions under Rules 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Rules. In respect of the renewal of the Directors Agreement described above, we will also comply with the applicable provisions under Rule 14A.35(1).

In addition, each of the duration of the Franchise Agreement and the Corso Venezia Lease Agreement from the date of Listing until its expiration is of a term exceeding three years. Given the historical importance of the five Prada stores based in Milan to which the Franchise Agreement relates, one of which is located at Corso Venezia 3, Milan, Italy, to which the Corso Venezia Lease Agreement relates, these stores are essential to the global presence and brand image of our Company and cannot be substituted by other franchise stores of our Company. Given these special circumstances, our Company is of the view that it is normal business practice for agreements such as the Franchise Agreement and the related Corso Venezia Lease Agreement to be of relatively long duration and that a duration of 15 years with an automatic extension of 15 years (in the case of the Franchise Agreement) and a duration of ten years (in the case of the Corso Venezia Lease Agreement) are within normal business practice. Considering the heritage of the Prada brand and its historical linkage with the Prada Family and based on the information provided by our Company as to the arrangements under the Franchise Agreement and the reasons and historical circumstances for putting in place such arrangements, the Joint Sponsors are not aware of any matter which indicates that the longer terms provided for under the Franchise Agreement and the related Corso Venezia Lease Agreement are unreasonable. Further, the Joint Sponsors note that our Company has also entered into franchising agreements with various other independent franchisees which are of a duration longer than three years. Based on the information and reasoning above and in light of the particular special circumstances of our Company, the Joint Sponsors are of the view that it is

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normal business practice for the Franchise Agreement including the Corso Venezia Lease Agreement contemplated thereunder as aggregated with the Franchise Agreement and considered as a whole to be of a duration of longer than three years.

The duration of each of the Directors Agreements from the date of Listing until their original expiration date (i.e. January 31, 2012) is approximately seven months. However, from the original expiration date, each of the Directors Agreements will be renewed for a further three-year term. Given that the involvement of Ms. Miuccia Prada and Mr. Patrizio Bertelli with our Company have been a key to our Group's success, it is essential for the Directors Agreements to be of a duration longer than three years in order to secure the management continuity and success of our Company. The Directors Agreements were also entered in 2007 before our Company was contemplating a listing on the Hong Kong Stock Exchange and the corresponding need to comply with the Listing Rules, including Rule 14A.35(1). Given these special circumstances, and taking into account: (i) the strategic role of and contributions made by Ms. Prada and Mr. Bertelli in respect of our Group's business and operations in the past and on a continuing basis; (ii) the importance of Ms. Prada and Mr. Bertelli's management and leadership as the President and Chief Executive Officer that have contributed to building our Group's financial performance and track record; and (iii) that it would be in the best interest of our Company and its shareholders to put in place measures to ensure a certain degree of management continuity and stability of engagement of key managers such as Ms. Prada and Mr. Bertelli, the Joint Sponsors are not aware of any matter which indicates that the longer term under each of the Directors Agreements is unreasonable. Based on the information and reasoning noted above and in light of the particular special circumstances of our Company, the Joint Sponsors are of the view that it is normal business practice for the Directors Agreements to be of a duration of longer than three years.

Confirmation of the Directors and the Joint Sponsors

The Directors are of the view that the continuing connected transactions referred to above have been or will be entered into in the ordinary and usual course of business of our Company and are on normal commercial terms, fair and reasonable and in the interests of the shareholders of our Company as a whole and that the proposed annual caps for the transactions are fair and reasonable and in the interests of the shareholders of our Company as a whole.

Based on the documents, information and historical figures provided by our Company and the Joint Sponsors' participation in due diligence and discussions with our Company, the Joint Sponsors confirm that they are of the view that the continuing connected transactions referred to above are in the ordinary and usual course of business of our Company and are on normal commercial

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terms, fair and reasonable and in the interests of the shareholders of our Company as a whole and that the proposed annual caps for the transactions are fair and reasonable and in the interests of the shareholders of our Company as a whole.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

After the Listing, the following transactions will constitute continuing connected transactions of our Company which are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

De minimis Continuing Connected Transactions

Our Company has entered into the following transactions with connected persons:

- (i) a consultancy agreement with Mr. Marco Salomoni, a non-executive Director of our Company, under which Mr. Salomoni provides our Company with consultancy services on local and international fiscal matters and the remuneration paid to Mr. Marco Salomoni for each of the three years ended January 31, 2009, 2010 and 2011 was € 800,000;
- (ii) a consultancy agreement with Ms. Patrizia Albano, the wife of Mr. Carlo Mazzi, the Deputy Chairman of our Company, under which Ms. Patrizia Albano is engaged as the Group Head of Corporate Affairs of our Company to manage the corporate, legal and compliance matters for our Group. The remuneration paid to Ms. Patrizia Albano for each of the three years ended January 31, 2009, 2010 and 2011 was € 245,000, € 268,000 and € 262,000 respectively;
- (iii) a consultancy agreement with Mrs. Marina Prada Bianchi, the sister of our President, Ms. Miuccia Prada Bianchi, under which Mrs. Marina Prada Bianchi provides strategic consulting services to our Company through public relations activities with clients and suppliers. The remuneration paid to Mrs. Marina Prada Bianchi for the three years ended January 31, 2009, 2010 and 2011 was € 300,000, € 300,000 and € 308,000 respectively;
- (iv) a consultancy agreement with Mr. Alberto Prada Bianchi, the brother of our President, Ms. Miuccia Prada, under which Mr. Alberto Prada Bianchi provides strategic consulting services to our Company through scouting appropriate DOS locations and monitoring our Group's distribution strategies. The remuneration paid to Mr. Alberto Prada Bianchi for the three years ended January 31, 2009, 2010 and 2011 was € 300,000, € 300,000 and € 308,000 respectively.

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Consulting Agreement with Secva s.r.l.

On January 1, 2011, our Company entered into a consultancy agreement for a maximum term of three years ending on December 31, 2013 with Secva s.r.l. in which Mr. Carlo Mazzi, Deputy Chairman of our Company, is the President and substantial shareholder. Under the agreement, Secva s.r.l. provides us with strategic advisory services on corporate finance and general governance of the Group's operations and on the analysis and development of our Group corporate structure. On the basis of the current agreement, the amount of remuneration payable by us to Secva s.r.l. for each of the three years ending January 31, 2012, 2013 and 2014 will not exceed € 1,000,000 per year. Secva s.r.l.'s principal business activity is provision of strategic advisory services to corporates.

Based on the net sales, total assets and projected market capitalization of our Group, in respect of each of the consultancy agreements above, each of the applicable percentage ratios on an annual basis falls below 0.1%. Therefore, such transactions will be exempt from the reporting, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules as they fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules.

Lease Agreement with HMP S.r.l.

On September 18, 2006, our Company entered into a lease agreement with HMP S.r.l., a company connected to Ms. Miuccia Prada. In accordance with such agreement, HMP S.r.l. leased to our Company the building located in Milan, Via Melzi d'Eril no. 30, to be used for commercial and office purposes. The annual rent is equal to € 450,000, subject to an annual adjustment upon the request of HMP S.r.l up to a maximum amount equal to the 75% of the variation of the Italian consumer price index for families of workers and employees. The lease agreement has a duration of six years effective as of September 18, 2006. After the first six-year term, it will be automatically renewed for a further six years. Our Company has the right to terminate the lease agreement upon six months' prior notice.

The amount paid by our Company to HMP S.r.l for the three years ended January 31, 2009, 2010 and 2011 were € 461,000, € 469,000 and € 471,000 respectively. HMP S.r.l's principal business activity is to hold the building located at Via Melzi d'Eril no. 30, Milan, Italy. Our Company has entered into the lease with HMP S.r.l as the leased property is the historical headquarters of our Company in Milan which is now used as Miu Miu's commercial offices.

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Based on the performance, total assets and projected market capitalization of our Group, in respect of the lease agreement with HMP S.r.l., each of the applicable percentage ratios on an annual basis falls below 0.1%. Therefore, such transaction will be exempt from the reporting, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules, as they fall within the de minimis threshold under Rule 14A.33(3) of the Listing Rules.

Sub-leases with Progetto PRADA Arte S.r.l.

Our Company has entered into two sub-leases with Progetto PRADA Arte S.r.l. in our Group's premises in order to optimize the sharing of common services.

On July 15, 2010, our Company, as a sub-lessor, entered into a sub-lease agreement with Progetto PRADA Arte S.r.l., a company controlled by the Prada Family, as a sub-lessee, in relation to a portion of a property for office use located at Via Spartaco no. 8, Milan, Italy (the "**Office Sub-lease**"). The Office Sub-lease is for a term of six years ending July 14, 2016. After the first six-year term, it will be automatically renewed for a further six years, unless terminated by either party by 12 months' advance written notice. The amounts paid by Progetto PRADA Arte S.r.l. to our Company under the Office Sub-lease during year ended January 31, 2011 was € 8,000.

On April 11, 2008, our Company, as a sub-lessor, entered into a sub-lease agreement with Progetto PRADA Arte S.r.l., in relation to a portion of a property for office and warehouse use located at Largo Isarco no. 2, Milan, Italy. (the "**Office Warehouse and Exhibition Sub-lease**"). The Office Warehouse and Exhibition Sub-lease was for a term of 3 years and 5 months ending on August 26, 2011. After such term, it will not be automatically renewed. On May 18, 2009 and on July 15, 2010 the agreement was modified in order to reduce the portion of the property rented and the relevant rent. The amounts paid by Progetto PRADA Arte S.r.l. to our Company under the Office Warehouse and Exhibition Sub-lease for the three years ended January 31, 2009, 2010 and 2011 were € 436,000, € 342,000 and € 244,000, respectively.

Based on the performance, total assets and projected market capitalization of our Group, in respect of the Office Sub-lease and the Office Warehouse and Exhibition Sub-lease, each of the percentage ratios on an annual basis falls below 0.1%. Therefore, such transactions will be exempt from the reporting, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules, as it falls within the de minimis threshold under Rule 14A.33(3) of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Other administrative services

Our Company provides services to certain connected persons, including providing:

- (i) administrative services to dormant companies held by Prada Holding B.V., which were part of the former Helmut Lang group that has been disposed of by our controlling entities at the time. The principal business activity of these dormant companies was to operate the fashion brand “Helmut Lang” created by the Austrian fashion designer, Helmut Lang. However, since the Helmut Lang brand has been disposed of, these former Helmut Lang group companies are now dormant. Our Company provides such services because only the Helmut Lang brand has been disposed of and not the Helmut Lang group companies, which are still held by Prada Holding B.V. such that certain administrative services for the maintenance of such companies are still necessary; and
- (ii) services related to the setting up, coordination, supervision and inspection of activities carried out by contractors engaged in the construction, refurbishment and maintenance of the real estate assets of Progetto PRADA Arte S.r.l., a company connected with the Prada Family, that are located in Italy as disclosed in the section headed “Our History and Corporate Structure — Prada Foundation” of this prospectus. The principal business activity of Progetto Prada Arte S.r.l. is to publish books and catalogues related to contemporary art and to manage cultural and art events.

In addition, Prada S.A., a subsidiary of our Company, also provides administrative and accounting services to Prada Holding B.V. and to Prada Arte B.V., which is owned by Prada Holding B.V. The principal business activity of Prada Arte B.V. is the ownership of a contemporary art collection.

Based on the performance, total assets and projected market capitalization of our Group, in respect of all of the services provided by our Company or Prada S.A. to the connected persons mentioned above, each of the applicable percentage ratios on an annual basis falls below 0.1%. In addition, provision of such services constitutes sharing of administrative services as defined under Rule 14A.31(8) of the Listing Rules. Therefore, such services will be exempt from the reporting, announcement and independent shareholders’ approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules, as they fall within the de minimis threshold under Rule 14A.33(3) and the exemption for the sharing of administrative services under Rule 14A.33(2) of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Other transactions

Sponsorship Agreement with Luna Rossa

One of the ways in which our Group has sought to maintain its image and develop brand awareness is through selective sponsorship of sporting events. On March 22, 2011, Prada S.A., a subsidiary of our Company, entered into a sponsorship agreement with Luna Rossa Challenge 2007 (“**Luna Rossa**”), a company indirectly owned by Mr. Bertelli and the Prada Family, for the sponsorship of the Luna Rossa team by Prada S.A. in several international sailing races which take place in different parts of the world during the year (the “**Luna Rossa Agreement**”). Since Mr. Bertelli and the members of the Prada Family are connected persons of the Company and Luna Rossa is indirectly owned by Mr. Bertelli and the Prada Family, Luna Rossa is also a connected person of our Company.

The Luna Rossa Agreement regulates, *inter alia*, (i) the right of Prada to benefit from the title of “Sponsor” of the Luna Rossa team; (ii) the granting to Prada S.A. of the right to promote Prada’s name and trademark jointly with Luna Rossa’s name; and (iii) the right of Prada to exhibit Prada’s trademarks (a) on the clothing of the crew, (b) on the backdrops used in press conferences and related events, and (c) on any communication support.

Under the Luna Rossa Agreement, Luna Rossa has undertaken not to grant the same rights to any of Prada’s competitors. If the agreement expires, terminates or is withdrawn, Prada S.A. shall remove its trademarks from the yacht, clothing and promotional materials.

The Luna Rossa Agreement had a one-year term from February 1, 2011 to January 31, 2012. There is no automatic right of extension, although Prada S.A. has the right to be preferred in the negotiations with Luna Rossa for entering into a new sponsorship agreement on terms and conditions to be negotiated in good faith by the parties. If agreed, a new sponsorship agreement would then be entered into. Based on the above, it is submitted that the Luna Rossa Agreement should be regarded as a one-off connected transaction entered into by our Company prior to the Listing rather than a continuing connected transaction under Rule 14A.14 of the Listing Rules.

Prada has undertaken to pay, in consideration of the benefits granted to the brand visibility under the Luna Rossa Agreement, the total amount of € 3,400,000 for the year ending January 31, 2012.

On the basis that the Luna Rossa Agreement should be regarded as a one-off connected transaction entered into by the Company prior to Listing rather than a continuing connected transaction, the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules will not be applicable to the Luna Rossa Agreement.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Sponsorship Arrangements with Progetto PRADA Arte S.r.l.

As stated in the section headed “Our History and Corporate Structure — PRADA Foundation” in this prospectus, Prada Foundation carries out various activities to promote contemporary art. One of the ways in which it does so is through publications related to contemporary art. Due to the nature of Prada Foundation as a non-profit organization established under Dutch law, Prada Foundation is restricted from carrying out certain business-related activities. As such, these activities have been undertaken by Progetto PRADA Arte S.r.l., a company related to the Prada Family, on behalf of the Prada Foundation. As part of our Company’s support towards the Prada Foundation, our Company makes a contribution to Progetto PRADA Arte S.r.l. We set aside a budget for the activities undertaken by Progetto PRADA Arte S.r.l. each year in our business plan. Prada S.A. then injects the agreed contribution to Progetto PRADA Arte S.r.l. as funding for its activities related to Prada Foundation (the “**Progetto Sponsorship Arrangements**”). Progetto PRADA Arte S.r.l. does not carry out any activities apart from those in support of the Prada Foundation. No dividends have ever been paid by Progetto PRADA Arte S.r.l. and none of the directors or shareholders of Progetto PRADA Arte S.r.l. derives any benefit from the Progetto Sponsorship Arrangements.

The term of each Progetto Sponsorship Arrangement is one year and there is no obligation on Prada S.A. or our Company to renew the Progetto Sponsorship Arrangement after it has expired. There is no maximum or minimum amount of contribution that we make pursuant to the Progetto Sponsorship Arrangements from year to year. The aggregate contribution we made through Prada S.A. to Progetto PRADA Arte S.r.l. for each of the three years ended January 31, 2009, 2010 and 2011 was € 1,250,000, € 2,450,000 and € 450,000, respectively. The amount of contribution expected from Prada S.A. to Progetto PRADA Arte S.r.l. for the year ending January 31, 2012 is € 2,300,000.

Based on the above, each of the Progetto Sponsorship Arrangement should be regarded as a one-off connected transaction entered into by our Company prior to the Listing rather than a continuing connected transaction.

On the basis that each Progetto Sponsorship Arrangement is regarded as a one-off transaction and that the Prada Family does not benefit from the Progetto Sponsorship Arrangement, the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules are not applicable to the Progetto Sponsorship Arrangements.