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## **PRADA S.p.A.**

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

### **CONNECTED TRANSACTION: ACQUISITION OF LUNA ROSSA CHALLENGE S.R.L.**

The Board is pleased to announce that on November 30<sup>th</sup>, 2021, the Company entered into the Sale and Purchase Agreement with the Seller, PA BE 1 S.r.l., pursuant to which the Company agreed to purchase, and the Seller agreed to sell, the Equity in Luna Rossa Challenge for the Consideration.

Mr. Patrizio Bertelli is a Chief Executive Officer, an Executive Director and a substantial shareholder of the Company (as defined in the Listing Rules) and is a connected person of the Company. Mr. Patrizio Bertelli directly controls PA BE 1 S.r.l. and indirectly controls Luna Rossa Challenge. Hence, PA BE 1 S.r.l. and Luna Rossa Challenge are connected persons of the Company.

The Sale and Purchase Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. 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.

### **Background**

The Luna Rossa sailing team since 2000 raced in five editions of the America's Cup and other major international sailing events. Thanks to its performances and results, the Luna Rossa sailing team value has increased year after year, becoming not only a reference in the top international sailing and sports worldwide, but also a valued and recognized global brand.

Through the years and the management of the Luna Rossa sailing team, Luna Rossa Challenge has built a unique industry knowhow, which is crucial for a rewarding participation to any future America's Cup campaign.

By sponsoring the participation of the Luna Rossa sailing team in the America's Cup and in other major international sailing events, the Prada Group has been implementing a successful communication strategy in raising the Prada Group's profile.

This way the awareness of the Luna Rossa trademark, which is owned by Prada S.A., a wholly-owned subsidiary of the Company, has grown over the years.

The joining of the ownership of the Luna Rossa trademark with Luna Rossa sailing team will allow the Prada Group to profit more from the Luna Rossa trademark.

Thus the Company has resolved to purchase the Equity to fully exploit the commercial potential of the Luna Rossa trademark.

The Company is pleased to announce that on November 30<sup>th</sup>, 2021, the Company entered into the Sale and Purchase Agreement with the Seller to acquire the Equity.

The terms of the Sale and Purchase Agreement are summarized below:

- Date: November 30<sup>th</sup>, 2021
- Parties: (i) PRADA S.p.A., as the Buyer  
(ii) PA BE 1 S.r.l., as the Seller
- Subject Matter: The Buyer agreed to purchase, and the Seller agreed to sell, the Equity (being the total equity of Luna Rossa Challenge) subject to, and upon, the terms of the Sale and Purchase Agreement.
- Consideration: The total maximum consideration payable by the Buyer for the Equity is Euro 17 million, to be paid in cash as follows:
- (i) Euro 12 million payable upon the execution of the Sale and Purchase Agreement (the "**Purchase Price**"); plus
  - (ii) an earn-out of up to Euro 5 million (the "**Earn-out**" and, together with the Purchase Price, the "**Consideration**"). The Earn-out will become due upon the occurrence of certain tax benefits that might accrue to the Company within 19 months from the execution of the Sale and Purchase Agreement.

The Company's indebtedness will not increase because of the Acquisition. The Consideration will be funded by the Company's cash flow.

The Valuer estimated the fair value of the Equity to be approximately Euro 23 million, based on generally accepted valuation methodologies, including, among others, the workforce and tax asset accrued by Luna Rossa Challenge.

The Consideration was agreed after arm's length negotiations between the Buyer and the Seller. The Buyer was given a significant discount because of the uncertainty on a potential tax benefit. If such tax benefit will accrue to the Company, the Earn-out will materialize.

## **Information of the Prada Group and the Seller**

### **The Prada Group**

The Prada Group is 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, *inter alia*, the trademarks PRADA, MIU MIU and LUNA ROSSA which are owned by Prada S.A., a wholly-owned subsidiary of the Company.

### **The Seller**

PA BE 1 S.r.l. is a holding company incorporated under the laws of Italy as a limited liability company which owns the Equity. PA BE 1 S.r.l. is a company controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company.

### **Information of Luna Rossa Challenge**

Luna Rossa Challenge is a company incorporated under the laws of Italy as a limited liability company and its principal business activity is to organize, manage and coordinate the Luna Rossa sailing team for its participation in major international sailing events including the America's Cup.

In recognition of its merit and importance as an ambassador of Italian values internationally, the Luna Rossa sailing team has been awarded with the top Italian Sports decoration – the Gold Collar – from the Italian Olympic Committee.

Luna Rossa Challenge holds 100% of the equity in COR 36 S.r.l. ("**COR 36**"), a company incorporated under the laws of Italy having its principal business activity as the organization of the 36th America's Cup Challenger Selection Series – the Prada Cup – and the other preliminary events to the 36th America's Cup. Soon after the

Acquisition, COR 36 S.r.l. will be merged by incorporation into Luna Rossa Challenge, being its activities almost terminated.

Luna Rossa Challenge is a company indirectly controlled by Mr. Patrizio Bertelli, a Chief Executive Officer, an Executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company.

Below is the summary of the unaudited financial information prepared under the Italian general accepted accounting principles of Luna Rossa Challenge and COR 36 taken together for the 9-month period ended on September 30, 2021, and for the 12-month period ended on December 31, 2020 and on December 31, 2019 respectively.

	9 months ended on September 30, 2021 (Euro million)	12 months ended on December 31, 2020 (Euro million)	12 months ended on December 31, 2019 (Euro million)
Net Profit / (loss) before taxation and extraordinary items	7.6	(0.4)	(0.2)
Net Profit / (loss) after taxation and extraordinary items	5.7	(0.8)	(0.4)

As at September 30<sup>th</sup>, 2021, the unaudited statutory net book value of the equity of Luna Rossa Challenge was equal to Euro 5.5 million and that of COR 36 was equal to Euro -0.2 million.

As a result of the Acquisition, Luna Rossa Challenge would become a wholly-owned subsidiary of the Company and COR 36 would become an indirect wholly-owned subsidiary of the Company, and the financial results of Luna Rossa Challenge (together with COR 36) will be consolidated into the Prada Group's financial statements.

#### **Reasons for and Benefits of the Acquisition**

The Company intends to be more involved with high-profile sports activities to increase the Prada Group's brands identity. The direct management of the Luna Rossa Challenge will bring substantial benefits to the production and distribution of luxury products under the Luna Rossa trademark. The direct management of the Luna Rossa Challenge will also allow collaborations with third party partners in related business sectors.

The Directors (including the Independent Non-executive Directors) have analyzed the transaction and have concluded that the Acquisition is in the ordinary and usual course of business of the Group and that the negotiation of the Sale and Purchase Agreement has been at arm's length basis, on normal commercial terms or better,

and in the interests of the Group and the Company's shareholders as a whole. They believe that the Consideration is fair and reasonable.

### **Listing Rules Implications**

Mr. Patrizio Bertelli is a Chief Executive Officer, an Executive Director and a substantial shareholder of the Company (as defined in the Listing Rules) and is a connected person of the Company. Mr. Patrizio Bertelli directly controls PA BE 1 S.r.l. and indirectly controls Luna Rossa Challenge. Hence, PA BE 1 S.r.l. and Luna Rossa Challenge are connected persons 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.

Mr. Patrizio Bertelli has a material interest in the above transaction. Accordingly, Mr. Patrizio Bertelli and his son - Mr. Lorenzo Bertelli abstained from voting on the relevant resolution adopted by the Board in accordance with the Listing Rules. Ms. Miuccia Prada Bianchi, wife of Mr. Patrizio Bertelli, did not attend the Board meeting approving such transaction and therefore 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 Equity 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
"Equity"	Euro 10,000, being the entire equity capital of Luna Rossa Challenge
"Group" or "Prada Group"	the Company and its subsidiaries

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Luna Rossa Challenge”	Luna Rossa Challenge S.r.l., a company incorporated under the laws of Italy as a limited liability company
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Equity dated November 30 <sup>th</sup> , 2021 entered into between the Buyer and the Seller in relation to the Acquisition
“Seller”	PA BE 1 S.r.l., a holding company incorporated under the laws of Italy as a limited liability company, which owns the Equity
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report issued by the Valuer on November 5 <sup>th</sup> , 2021 regarding the valuation of Luna Rossa Challenge as at September 30 <sup>th</sup> , 2021
“Valuer”	PricewaterhouseCoopers Business Services S.r.l.
“%”	per cent

By Order of the Board  
**PRADA S.p.A.**  
**Mr. Paolo Zannoni**  
*Chairperson*

Milan (Italy), November 30<sup>th</sup>, 2021

*As at the date of this announcement, the Company’s executive directors are Mr. Paolo ZANNONI, Ms. Miuccia PRADA BIANCHI, Mr. Patrizio BERTELLI, Ms. Alessandra COZZANI and Mr. Lorenzo BERTELLI; the Company’s non-executive director is Mr. Stefano SIMONTACCHI and the Company’s independent non-executive directors are Ms. Marina Sylvia CAPROTTI, Mr. Maurizio CEREDA and Mr. Yoël ZAOUÏ.*