YOOX GROUP

Annual Report 2014

YOOX S.p.A.
Via Nannetti, 1 – 40069 Zola Predosa (BO)
Share capital: Euro 619,640.32 fully paid up on the date of approval of this document
P.I./C.F. and Bologna Company Register No.: 02050461207

The Global Internet Retailing Partner for Leading Fashion & Design Brands

YOOX GROUP

Company Operations in the Following Countries

Main Countries

Italy, China, France, Germany, Japan, Russian Federation, Spain, United Kingdom, U.S.A.

Other countries

Albania, Algeria, Andorra, Argentina, Armenia Australia, Austria, Azerbaijan, Bahrein, Belarus, Belgium, Bosnia and Herzegovina, Brunei Darussalam, Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Egypt, Estonia, Finland, Georgia, Greece, Guatemala, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Ivory Coast, Jordan, Kazakistan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Liberia, Liechtenstein, Lithuania, Luxembourg, Macau, Macedonia, Madagascar, Malaysia, Malta, Mexico, Monaco, Montenegro, Morocco, Netherlands, New Zealand , Norway, Oman, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Republic of Moldova, San Marino, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Suriname, Sweden, Switzerland, Syrian Arab Republic, Taiwan, Tajikistan, Thailand , Tunisia, Turkey, Turkmenistan, Ukraine, United Arab Emirates, Uzbekistan, Vatican City, Venezuela, Vietnam

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CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

In 2014 we obtained positive results despite the unfavourable conditions that characterised the whole year, namely the extremely adverse currency movements, once again demonstrating the solidity of YOOX's business model.

Consolidated net revenues exceeded the 500 million Euro threshold, reaching 524 million Euros and increasing by 18% at constant exchange rates, with all the Group's key markets and both the Multi-brand and Mono-brand business lines contributing to this result. The EBITDA, net income and net financial position have also increased since last year.

In 2014 yoox.com achieved double-digit net revenue growth and steadily rising acquisition and retention rates, experiencing the highest growth in active customers since being listed. Positive results were also recorded by shoescribe.com and thecorner.com, which have enriched their portfolio with new leading brands. We have also continued to enhance the offering of our Mono-brand business line, which in 2014 saw the beginning and renewal of important collaborations, as well as brilliant achievements from our internal creative agency, which designed new graphic concepts for numerous online stores.

These results have been achieved thanks to our loyal customers, to whom YOOX addresses its constant commitment to improvement, with the ultimate aim of offering them impeccable quality service and an “entertaining shopping experience”, both on the multi-brand online stores and on the numerous mono-brand online stores.

Mobile devices continue to be a top priority for us, and will become even more so in the future. This commitment was rewarded when visits to the Group's online stores from smartphones and tablets exceeded the goal of 50% during the Christmas period, also benefitting from the new yoox.com native app.
With the YOOXCITY project, we also focused upon the mobile channel's potential for all our employees, who have each received a latest generation smartphone that enables them to use corporate services on the go, ensuring maximum connectivity, flexibility and efficiency.

As further testament to its high quality employee management, YOOX received important recognition: the “Top Employers Italia 2015” certification for its high standard Human Resources, regarding our employees' working environment and attention to their professional growth and development.

My thanks go to the excellent work of the entire YOOX team that operates daily with passion and determination. Even in a difficult year like the one that has just closed, it is indeed thanks to their commitment, and to the Customer and Brand-partner trust we maintain, that we have achieved such positive results.

Chairman of the Board of Directors

Federico Marchetti

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

pursuant to Article 123-*bis* of the Consolidated Finance Act (TUF)

(tradtional administration and control model)

Issuer: YOOX S.P.A. – Via Nannetti 1 – 40069 Zola Predosa (BO)

Website: www.yooxgroup.com

Year to which the Report refers: 2014

Report approval date: 25 February 2015

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REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

GLOSSARY

Code/Code of Conduct: the Code of Conduct of listed companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria and available at www.borsaitaliana.it, under "Borsa Italiana – Rules – Corporate Governance".

Civil code/c.c.: the Italian Civil Code.

Board or Board of Directors: the Board of Directors of the Issuer.

YOOX, Issuer or Company: the issuer of listed shares to which the Report refers.

Year: the financial year to which the Report refers.

Instructions for Stock Exchange Regulation: the instructions for regulation of the markets organised and managed by Borsa Italiana S.p.A.

MTA: the Mercato Telematico Azionario (screen-based equity market) organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulation: the regulation of markets organised and managed by Borsa Italiana S.p.A. (as amended).

Consob Issuer Regulation: the Regulations issued by Consob with Resolution 11971 of 1999 concerning issuers (as amended).

Consob Related-Parties Regulation: the Regulation issued by Consob with Resolution 17221 of 12 March 2010 (as amended) concerning related-party transactions.

Report: the report on corporate governance and ownership structure that companies must prepare pursuant to Article 123-*bis* of the Consolidated Finance Act (TUF).

TUF: Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act).

MANAGEMENT AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Federico Marchetti[1]

Directors
Stefano Valerio[4]
Mark Evans
Catherine Gérardin-Vautrin[3 4]
Elserino Piol[2 3 5]
Massimo Giaconia[2 3 4 5]
Raffaello Napoleone[2 5]

BOARD OF STATUTORY AUDITORS

Standing Auditors
Filippo Tonolo – Chairman
David Reali
Patrizia Arienti

Alternate Auditors
Edmondo Maria Granata
Salvatore Tarsia

INDEPENDENT AUDITORS

KPMG S.p.A.

SUPERVISORY BOARD DECREE-LAW 231/01

Rossella Sciolti – Chairwoman
Riccardo Greghi
Isabella Pedroni[6]

DIRECTOR RESPONSIBLE FOR PREPARING CORPORATE ACCOUNTING DOCUMENTS

Francesco Guidotti

INTERNAL CONTROL MANAGER

Riccardo Greghi

1 Director in charge of the Internal Control and Risk Management System.
2 Member of the Risk Control Committee.
3 Member of the Compensation Committee.
4 Member of the Directors' Appointments Committee.
5 Member of the Related-Party Transactions Committee.
6 Appointed on 04 November 2014.

1. ISSUER PROFILE

YOOX Group is the global Internet retailing partner for leading fashion and design brands. It has established itself amongst the market leaders with the multi-brand stores yoox.com, thecorner.com and shoescribe.com as well as with numerous online mono-brand stores, all “Powered by YOOX Group”. The Group is also a partner of Kering, with whom it set up a joint venture dedicated to the management of the Mono-brand online stores of the various luxury brands of the Kering Group. The Group has technical logistics centres and offices in Europe, the United States, Japan, China and Hong Kong and delivers to more than 100 countries worldwide Listed on the Milan Stock Exchange, in 2014 it recorded consolidated net revenue of Euro 524 million. For further information: www.yooxgroup.com.

The ordinary shares of the Issuer have been traded on the STAR Segment of the MTA since 3 December 2009, and entered on the FTSE MIB index as at 23 December 2013, the main index of Borsa Italiana consisting of the 40 most-traded stock classes on the exchange.

The Issuer is organised according to the traditional management and control model set out in Articles 2380-*bis et seq*. of the Civil Code, with the Shareholders’ Meeting, Board of Directors and Board of Statutory Auditors.

2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to Article 123-*bis* of the TUF) as at 31 December 2014

*a) Share capital structure (Article 123-*bis*, paragraph 1, letter a) of the TUF)*

- As at 31 December 2014, the subscribed and paid-up share capital was Euro 619,355.36;
- As at the date of this Report, the subscribed and paid-up share capital was Euro 619,640.32.

Categories of shares that comprise the share capital as at the date of this Report:

	No of shares	% of Share Capital	Listed	Rights and obligations
Ordinary shares (no nominal value)	61,964,032	100	MTA/STAR segment/FTSE MIB	A voting right is attached to every share. The rights and obligations of shareholders are those set out in Articles 2346 *et seq.* of the Civil Code. See section 16 of this Report for more information.

Since 2000, the Issuer has implemented a series of share-based incentive plans, with a view to giving the YOOX Group an incentive tool to promote management loyalty; the plans are intended to develop a sense of belonging among key staff members and to ensure a constant effort to create value over time, thereby enabling shareholder interests to converge with those of the management. For more information on incentive plans as at 31 December 2014, see the information documents prepared pursuant to Article 84-*bis* of the Consob Issuer Regulation held at the Company headquarters, and available in the Governance section of the Company website, www.yooxgroup.com, and the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Consob Issuer Regulation, available under the terms of law in the Governance section of the Company website, www.yooxgroup.com.

*b) Restrictions on transfer of shares (Article 123-*bis*, paragraph 1, letter b) of the TUF)*

There are no restrictions on the transfer of shares, limits on ownership or acceptance clauses of the Issuer or other owners.

*c) Significant shareholdings (Article 123-*bis*, paragraph 1, letter c) of the TUF)*

As at the date of this Report, shareholders that directly or indirectly own shareholdings of more than 2% of the share capital, through pyramid structures or cross shareholdings, as detailed in communications made pursuant to Article 120 of the TUF, are shown in the table below:

Declarant	Direct shareholder	% share of ordinary share capital	% share of voting share capital
Oppenheimer Funds Inc.	Oppenheimer Funds Inc.	**9.289**	**9.289**
Renzo Rosso	*Red Circle Investments S.r.l.*	*5.693*	*5.693*
	Red Circle S.r.l. Unipersonale	*2.729*	*2.729*
	Renzo Rosso	*0.383*	*0.383*
		8.806	**8.806**
Federico Marchetti	*Federico Marchetti*	*6.876*	*6.876*
	Mavis S.r.l.	*0.807*	*0.807*
		7.683	**7.683**
Capital Research and Management Company	Capital Research and Management Company	**4.231**	**4.231**
Balderton Capital EU Holdings Limited	Balderton Capital I L.P.	**3.544**	**3.544**
Federated Equity Management Company of Pennsylvania	Federated Equity Management Company Of Pennsylvania	**2.397**	**2.397**
Norges Bank	Norges Bank	**2.115**	**2.115**

d) Shares conferring special rights (Article 123-*bis*, paragraph 1, letter d) of the TUF)

The Company has not issued any shares conferring special rights of control nor any special powers assigned to the shares.

The Issuers' Articles of Association does not contain forecasts relating to increased voting rights pursuant to Article 127-*quinquies* of the TUF.

e) Employee shareholdings: procedure for exercising voting rights (Article 123-*bis*, paragraph 1, letter e) of the TUF)

The Company does not have an employee shareholding plan in place.

f) Restrictions on voting rights (Article 123-*bis*, paragraph 1, letter f) of the TUF)

There are no restrictions on voting rights.

g) Agreements pursuant to Article 122 of the TUF (Article 123-*bis*, paragraph 1, letter g) of the TUF)

The issuer is not aware of the existence of significant agreements between shareholders pursuant to Article 122 of the TUF.

h) Change of control clauses (Article 123-*bis*, paragraph 1, letter h) of the TUF) and statutory provisions on the subject of takeover bids (Articles 104, paragraph 1-*ter*, and 104-*bis*, paragraph 1 of the TUF)

In relation to significant agreements that take effect, are amended or are invalidated as a result of the change of control of the contracting company, the Issuer entered into an employment agreement with the Chief Executive Officer, Federico Marchetti. For more information, see section 9. The Issuer's subsidiaries did not sign any significant agreements that take effect, are amended or are invalidated by the change of control of the contracting company.

The Extraordinary Shareholders' Meeting, held on 5 May 2011, resolved to make use of the right under Article 104, paragraph 1-*ter* of the TUF, introducing an express exemption to the passivity rule into the bylaws, in paragraphs 5 and 6 of Article 6. Specifically, Article 6 of the Issuers' bylaws makes provision that: *(i)* as an exemption to the provisions in Article 104, paragraph 1, of the TUF, if Company shares are subject to a takeover bid and/or share swap offer, authorisation from the shareholders is not required to complete the deeds or transactions which could oppose the achievement of the objectives of the offer, during the period between the communication in Article 102, paragraph 1 of the TUF and the closure or expiry of the offer; and *(ii)* as an exemption to the provisions of Article 104, paragraph 1-*bis* of the TUF, authorisation from the shareholders is also not needed for the implementation of any decision taken before the start of the period between the communication in Article 102, paragraph 1 of the TUF and the closure or expiry of the offer, which has not yet been fully or partly implemented, that does not come under the course of normal activities for the Company and whose implementation could oppose the achievement of the objectives of the offer.

The Issuers' bylaws do not involve the application of the neutralisation rules set out in Article 104-*bis*, paragraphs 2 and 3 of the TUF.

i) Delegation of power to increase share capital and authorisation to purchase treasury shares (Article 123-*bis*, paragraph 1, letter m) of the TUF)

Over the year, the Shareholders' Meeting did not grant the Board the power to increase the share capital pursuant to Article 2443 of the Civil Code, nor to issue equity financial instruments.

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In their meeting of 17 April 2014, the shareholders authorised the purchase and use of treasury shares *(i)* for the purposes provided for by market practices for the purchase of treasury shares for the establishment of a bank of shares as permitted by Consob pursuant to Article 180, paragraph 1, letter c) of the TUF through Resolution 16839 of 19 March 2009, in compliance with the operating conditions established for this market practice and by Regulation (EC) No 2273/2003 of 22 December 2003, where applicable, and specifically (a) for the purpose of any use of shares as payment in extraordinary transactions, also the exchange of equity investments with other persons under the scope of transactions in the interest of the Company, or (b) for the purpose of designating treasury shares purchase to service distribution schemes for options on shares or shares to directors, employees and partners of the Company or its subsidiaries, as well as free share granting schemes to beneficiaries identified under the scope of these schemes, as well as *(ii)* in order to lend treasury shares to specialist operators so that they can meet their contractual obligations in respect of the Company for settlement of transactions carried out on YOOX shares under the terms and in the manner established by the applicable provisions.

With reference to the purposes set out in points (i) and (ii) above, the Shareholders' Meeting:

- authorised, pursuant to Article 2357 of the Civil Code, the purchase, in one or more *tranches*, for a period of 18 months from the date of the adoption of the Shareholders' resolution, of ordinary shares in the Company up to a maximum that, taking into account the ordinary YOOX shares held at any time by the Company and its subsidiaries, does not in total exceed the limit of 10% of the share capital at a price that is not greater than the higher of the last independent transaction and the highest current independent offer price on the market where the purchase is to take place, without prejudice to the fact that the unit price cannot be lower than 15% or higher than 15% of the official registered price of YOOX stock on the trading day prior to each individual purchase transaction;

- granted the Board a mandate to identify the amount of shares to be purchased in relation to each of the above-mentioned aims prior to the launch of each individual purchase scheme and to proceed with the purchase of shares under the conditions and for the aims mentioned above, conferring the broadest possible powers for carrying out the purchasing transactions in the Shareholders' Meeting resolution and every other formality related to it, including the possible bestowal of offices to intermediaries eligible according to law and with the right of appointing proxies, as deemed appropriate in the interest of the Company, pursuant to what is permitted by existing laws, through the methods set out in Article 144-*bis*, paragraph 1, letter b) of Consob Regulations 11971/1999, as amended;

- authorised the Board of Directors so that, pursuant to Article 2357-*ter* of the Civil Code, it can, at any time, in full or in part, wholly or partly, sell the treasury shares purchased according to the Shareholders' resolution, or in the Company's portfolio, through disposal on the Stock Exchange or outside of it, possibly even through the sale of actual and/or personal rights, including, by way of example, securities lending, in compliance with the existing *pro tempore* laws and regulations and in pursuit of the aims of this resolution, under the terms, methods and conditions of the deed of disposal of treasury shares deemed most suitable for the interests of the Company, also taking into account the obligations undertaken with regard to specialist operators in accordance with the contract, conferring the widest possible powers for carrying out the disposal operations pursuant to the Shareholders' Meeting resolution, as well as all other related formalities, including the possible appointment of intermediaries enabled pursuant to the law and with the right to appoint persons with special powers of attorney, notwithstanding that (a) deeds of sale made under the scope of extraordinary transactions, including the exchange of stakes with other persons, can take place at the price or figure which will be in line with the transaction, by reason of the characteristics and nature of the actual transaction and also taking into account the performance of the market; and that (b) the deeds of sale for treasury shares for servicing any plans for the distribution of share options or shares to directors, employees and collaborators of the Company or its subsidiaries can take place at the price determined by the competent corporate bodies under the scope of these plans, taking into account the performance of the market and regulations, including tax regulations, that may apply, or free of charge, where this has been established by the competent corporate bodies with reference to free treasury share allocation schemes, all in full compliance with the conditions and methods, including operational, established by the applicable provisions of Consob Resolution 16839 of 19 March 2009 and Regulation (EC) No 2273/2003 of 22 December 2003, where applicable; the authorisation mentioned in this point is granted without a time limit.

Lastly, the same Shareholders' Meeting, in compliance with the law, arranged that the purchases concerned by the authorisation are kept within the limits of the distributable profits and available reserves shown in the most recent approved financial statements (including interim statements) at the time of the conduct of the transaction, and that, when treasury shares are bought or sold, the necessary accounting entries are made in conformity with the applicable legal provisions and accounting standards.

As at the date of this Report, YOOX holds 17,339 treasury shares, equal to 0.028% of the current share capital (equal to 619,640.32, divided into 61,964,032 ordinary shares).

l) Management and coordination activities

The Issuer is not subject to management and coordination activities pursuant to Article 2497 *et seq*. of the Civil Code. No party controls YOOX pursuant to Article 93 of the TUF.

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With reference to the further information in Article 123-*bis* of the TUF, it should be pointed out that:

- with regard to information regarding agreements between the Company and directors which involve compensation in the case of resignation or dismissal without just cause or if the relationship ceases following a takeover (Article 123-*bis*, paragraph 1, letter i)), see section 9 and the remuneration report prepared pursuant to Article 123-ter of the TUF and Article 84-*quater* of the Consob Issuer Regulation available in the Governance section of the Company website www.yooxgroup.com;
- for information regarding the appointment and replacement of directors (Article 123-*bis*, paragraph 1, letter l), part one) see section 4.1;
- for information on the main characteristics of the risk and internal control management system (Article 123-*bis*, paragraph 2, letter b)), see sections 10 and 11;
- for information on the mechanisms of the Shareholders' Meeting, its main powers, shareholders' rights and how they can exercise them (Article 123-*bis*, paragraph 2, letter c)), see section 16;
- for information on the composition and functioning of the management and control bodies and their Committees (Article 123-*bis*, paragraph 2, letter d)), see sections 4, 6, 7, 8, 10, 13 and 14.

3. COMPLIANCE

The Issuer has adopted the Code accessible to the public on the website of the Corporate Governance Committee (www.borsaitaliana.it) on page http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf.

Neither the Issuer nor its subsidiaries are subject to legal provisions outside of Italy affecting the corporate governance structure of the Issuer itself.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of directors

The company is governed by a Board of Directors comprising a minimum of five and a maximum of fifteen directors, in compliance with the gender equality provisions pursuant to Article 147-*ter*, paragraph1-*ter* of Legislative Decree 58/1998, introduced through Law 120 of 12 July 2011; therefore, for the first term of office, one year after the entry into force of Law 120/2011, at least one fifth of the directors elected must be reserved for the gender least represented, while for the second and third terms representation must be increased to at least one third of the total, rounded up to the next highest whole number. The directors' term is a maximum of three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term. Directors may be re-elected. Before making the appointments, the Shareholders' Meeting determines the number of directors and the term that the Board shall remain in office.

All directors must comply with the requirements of eligibility, professionalism and integrity provided for by law and other applicable provisions. Pursuant to Article 147-*ter*, paragraph 4 of the TUF, at least one director, or at least two if the Board has more than seven members, must also meet the requirements of independence set out therein (the "**Independent Director pursuant to Article 147-*ter*"**). See section 4.7 for information on the independence requirements of directors.

Please also note, however, that to maintain its entitlement to trade on the STAR segment of the MTA, the Issuer must have an appropriate number of independent directors on its Board, and therefore comply with the criteria established by Article IA.2.10.6 of the Instructions for Stock Exchange Regulation, which stipulate: at least two independent directors for boards of directors with up to eight members; at least three independent directors for boards of directors with nine to fourteen members; and at least four independent directors for boards of directors with more than fourteen members.

The Shareholders' Meeting of 19 December 2014, in extraordinary session, approved the amendment of Article 14 of the bylaws establishing that the Board of Directors is appointed by the Shareholders' Meeting based on the lists, according to the procedure set out below, unless otherwise or further provided for by binding legal or regulatory provisions.

The outgoing Board of Directors as well as those Shareholders holding a stake at least equal to that determined by Consob pursuant to Article 147-*ter*, paragraph 1 of the TUF, and in compliance with the Consob Issuer Regulation, may present a list for the appointment of directors. In this regard, with Resolution 19109 of 28 January 2015, Consob set the investment share required to present candidate lists for the election of the Issuer's management body, with reference to the year ending 31 December 2014, at 1% of the share capital. The ownership of the minimum investment share is determined with regard to the shares that are registered to the Shareholder on the day in which the lists are filed with the Issuer; the relative certificates can be produced after filing as long as this takes place by the deadline for the publication of the actual lists.

The lists presented by Shareholders are filed at the registered office, in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 25 (twenty-five) days before the Shareholders' Meeting called to appoint the directors. The lists submitted by Shareholders are filed at the registered office, in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 30 (twenty-five) days before the Shareholders' Meeting called to appoint the directors. The Company must also make the lists available to the public at least 21 (twenty-one) days before the Shareholders' Meeting, according to the procedures set out by the laws in force.

The lists nominate no more than 15 candidates, numbered progressively. Each list must contain and expressly indicate an independent director pursuant to Article 147-*ter*, with a priority number no higher than seven. Where the list comprises more than seven candidates, it should contain and expressly indicate a second independent director pursuant to Article 147-*ter*; if the lists have three or more candidates, they must contain both genders, so that the for the first term of office, one year after the entry into force of Law 120/2011, at least one fifth of the directors elected must be reserved for the least-represented gender, while for the second and third terms representation must be increased to at least one third of the total, rounded up to the next highest whole number. In each list, directors meeting the requirements of independence set out in the codes of conduct drawn up by companies managing regulated markets or by trade associations may also be expressly indicated.

Furthermore, the lists contain, also in annexes:

(i) CVs detailing the candidates' personal and professional characteristics;

(ii) the statements in which the candidates accept their candidacy and certify that there are no reasons of ineligibility or incompatibility and that they meet the requirements prescribed by the laws in force for the office of Company Director. These statements may also include a declaration concerning whether they meet the requirements to qualify as an independent director pursuant to Article 147-*ter*, and, if necessary, further requirements set out in the codes of conduct drawn up by companies managing regulated markets or by trade associations;

(iii) indication – for the lists presented by Shareholders – of the identity of the presenting Shareholders and the percentages of total shares held;

(iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

Each Shareholder and each group of shareholders belonging to a shareholders' agreement as defined by Article 122 of the TUF may not present nor vote for more than one list, either directly, through a third party or through a fiduciary company. A candidate may only be present on one list, or will be deemed ineligible.

At the end of voting, the candidates from the two lists with the most votes shall be elected, according to the following criteria: *(i)* from the list that obtained the largest number of votes (the "**Majority List**"), according to the progressive order in which they are listed, a number of directors is taken equal to the total number of Board members, as previously established by the Shareholders' Meeting, minus one; these candidates are elected in the numerical order indicated on the list; and *(ii)* from the list that obtained the second highest number of votes and that is not linked, even indirectly, to the shareholders that presented or voted for the majority list pursuant to the applicable provisions (the "**Minority List**"), the candidate at the top of this list is appointed as director; however, if within the majority list, not even one independent director pursuant to Article 147-*ter* is elected, for a Board of not more than seven members, or if only one independent director pursuant to Article 147-*ter* is elected for a

Board with more than seven members, the first independent director pursuant to Article 147-*ter* indicated on the minority list will be elected, rather than the candidate at the top of the minority list.

If the resulting composition of the body does not comply with the regulations relating to gender equality, taking into account the order on the list, the last persons elected on the majority list of the more represented gender forfeit their places in the necessary numbers to ensure compliance with requirements, and are replaced by the first candidates not elected on the same list of the less-represented gender. If there are no candidates of the less-represented gender on the majority list in sufficient numbers to proceed with the replacement, the Shareholders' Meeting completes the body with the legal majority, ensuring that the requirements are satisfied.

Lists that do not obtain a percentage of votes at least equal to half of that required to present a list shall not be taken into consideration.

If two lists receive the same number of votes, a new vote will take place involving the entire Shareholders' Meeing with the candidates receiving the majority of votes being elected shall prevail in compliance with the division criterion set out in Article 147-*ter*, paragraph 1-*ter* of TUF.

If only one list is presented, the shareholders vote on it, and if it obtains a relative majority, excluding abstentions, the candidates listed in progressive order, up to the number determined by the Shareholders' Meeting, shall be elected as directors; however, it is understood that, if the Board comprises more than seven members, the second independent director pursuant to Article 147-*ter* must be elected, in addition to the independent director necessarily included in the first seven places, in compliance with the division criterion set out in Article 147-*ter*, paragraph 1-*ter* of TUF.

If no lists are presented, or if the number of directors elected on the basis of the lists presented is lower than that determined by the Shareholders' Meeting, the members of the Board of Directors are appointed by the Shareholders' Meeting through simple majority voting, without prejudice to the obligation of the Shareholders' Meeting to appoint the minimum number of independent directors pursuant to Article 147-*ter* required by law and in compliance with the division criterion set out in Article 147-*ter*, paragraph 1-*ter* of TUF.

Independent directors, pursuant to Article 147-*ter*, indicated as such from their appointment, must immediately inform the Board of Directors if they cease to fulfil independence requirements; the director loses his/her post if the Board no longer has the minimum number of directors meeting the independence requirements set by the laws in force.

Lastly, under Article 14 of the bylaws, if for any reason one or more directors cease to hold his/her post, he/she will be replaced pursuant to Article 2386 of the Civil Code, without prejudice to the obligation to maintain the minimum number of independent directors pursuant to Article 147-*ter* prescribed by law, and in compliance, where possible, with the principle of minority representation and with the division criterion set out in Article 147-*ter*, paragraph 1-*ter* of TUF.

The candidate indicated on the majority list or the single list submitted and approved is elected chairman of the Board of Directors. Otherwise, the chairman is appointed by the Shareholders' Meeting through simple majority voting, or is appointed by the Board of Directors in accordance with the bylaws.

If the majority of directors appointed by the Shareholders' Meeting resign or leave the Board for any reason, the entire Board will be considered replaced from the date on which the new Board takes office. In this case, the directors who have remained in office must urgently convene the Shareholders' Meeting to appoint the new Board of Directors.

Taking into consideration the dimensions and organisational structure of the Issuer, as well as the practices to be assigned to the executive director and parties with significant experience within the Company, the Board of Directors, in the meeting of 25 February 2015, decided it was not necessary to adopt a plan for the succession of executive directors.

4.2 Composition

The Board of the Issuer in office at the date of this Report comprises seven members appointed by the Shareholders' Meeting held on 27 April 2012, based on a single list of candidates presented by Shareholder Federico Marchetti. This list obtained 30,630,977 votes in favour, equal to 77.20% of the voting capital (39,679,811 ordinary shares). The shareholding required to present lists for this appointment was 2.5%.

The Board will remain in office until the Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2014.

Since the closing date of the financial year no changes have taken place within the Board of Directors.

For more information about the list filed for the appointment of the Board of Directors that took place on 27 April 2012 please refer to the Corporate Governance section on the Company website www.yooxgroup.com, where the CV of each director is also available.

Composition of the Board of Directors

Name	Position	Year of birth	In office since	In office until	List	Exec.	Non exec.	Indep. pursuant to Code.	Indep. TUF	Attendance %	Other positions
Federico Marchetti	Chairman and Chief Executive Officer	1969	27/04/2012 First appointed: 04/02/2000	Approval of the financial statements 31/12/2014	M	X				100	0
Stefano Valerio	Vice Chairman	1970	27/04/2012 First appointed: 10/05/2006	Approval of the financial statements 31/12/2014	M		X			90.9	0
Raffaello Napoleone	Director	1954	27/04/2012 First appointed: 02/07/2004	Approval of the financial statements 31/12/2014	M		X	X	X	90.9	1
Mark Evans	Director	1957	27/04/2012 First appointed: 25/09/2003	Approval of the financial statements 31/12/2014	M		X			45.5	22
Catherine Gérardin Vautrin	Director	1959	27/04/2012 First appointed: 21/04/2010	Approval of the financial statements 31/12/2014	M		X	X	X	90.9	0
Massimo Giaconia	Director	1959	27/04/2012 First appointed: 16/03/2009	Approval of the financial statements 31/12/2014	M		X	X	X	100	11
Elserino Mario Piol	Director	1931	27/04/2012 First appointed: 09/03/2005	Approval of the financial statements 31/12/2014	M		X	X	X	100	0

KEY
Position: indicates whether the director is Chairman, Vice Chairman, Chief Executive Officer, etc.
List: M/m according to whether the director was elected from the majority (M) or minority (m) list.
Exec.: if the director can be classified as executive.
Non exec.: if the director can be classified as non-executive.
Indep.: if the director can be classified as independent according to the criteria set out by the Code.
Indep. TUF: if the director meets the requirements of independence established by Article 148, paragraph 3 of the TUF (Article 144-*decies* of Consob Issuer Regulation).
Attendance %: shows attendance, in percentage terms, of the directors at the Board meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).
Other positions: indicates the total number of positions held in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or those of significant size.
n/a: not applicable.

The table below shows attendance figures for the committee meetings held during the course of the year.

Name	Position	E.C.	E.C. %	A.C.	A.C. %	R.C.	R.C. %	C.R.C.	C.R.C. %	R.P.T.C.	R.P.T.C. %
Stefano Valerio	Vice Chairman	-	-	M	-						
Catherine Gérardin Vautrin	Director	-	-	M	-	M	100				
Massimo Giaconia	Director	-	-	P	-	M	100	P	100	P	100
Elserino Mario Piol	Director	-	-			P	100	M	50	M	66.7
Raffaello Napoleone	Director	-	-					M	100	M	100

KEY
E.C.: Executive Committee; C/M inserted to indicate Chairman/Member of Executive Committee.
E.C. %: shows attendance, in percentage terms, of the director at Executive Committee meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).
A.C.: Appointments Committee; C/M inserted to indicate Chairman/Member of Appointments Committee.
A.C. %: shows attendance, in percentage terms, of the director at Appointments Committee meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).
R.C.: C/M inserted to indicate Chairman/Member of Remuneration Committee.
R.C. %: shows attendance, in percentage terms, of the director at Remuneration Committee meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).
C.R.C.: C/M inserted to indicate Chairman/Member of Control and Risk Committee.
%. C.R.C.: shows attendance, in percentage terms, of the director at Control and Risk Committee meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).
n/a: not applicable.
R.P.T.C.: Related-Party Transactions Committee; C/M inserted to indicate Chairman/Member of the Related-Party Transactions Committee.
R.P.T.C. % shows attendance, in percentage terms, of the director at Related-Party Transactions Committee meetings (in calculating this percentage, consider the number of meetings that the director attended compared to the number of meetings held during the year or since the director took up office).

The Company's Board of Directors met eleven times during the year, while the Remuneration Committee met three times, the Control and Risk Committee met four times and the Related-Party Transactions Committee met three times. The Directors' Appointments Committee did not meet during the year.

Maximum number of positions held in other companies

The Board did not deem it necessary to define general criteria regarding the maximum number of management and control positions in other companies that may be considered compatible with the effective performance of the role of director at the Issuer, it being understood that it is the duty of each director to assess the compatibility of director and statutory auditor positions in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or companies of a significant size, with the diligent execution of the duties assigned thereto as director of the Issuer.

During the meeting held on 25 February 2015, following an assessment of positions held by its directors in other companies, the Board concluded that the number and quality of positions held did not interfere and were therefore compatible with the effective execution of their roles as directors at the Issuer.

For information on the positions held over the year by the directors of the Issuer in other companies listed on regulated markets (including abroad), in financial, banking and insurance companies or companies of significant size, see the table below.

NAME AND SURNAME	COMPANY	MANAGEMENT AND CONTROL POSITIONS HELD
Federico Marchetti	/	/
Stefano Valerio	/	/
Raffaello Napoleone	Fondazione Ente Cassa di Risparmio di Firenze	Director
Mark Evans	Appear Here Limited	Director
	Balderton Capital (UK) LLP	Director
	Balderton Capital Partners Limited	Director
	Balderton Partners Limited	Director
	Baldurson Capital Limited	Director
	Baldurton Capital Limited	Director
	Displaylink Corp.	Director
	Displaylink (UK) Limited	Director
	Ezoic, Inc.	Director
	Gemvara Inc.	Director
	Impatients N.V.	Director
	Kinosis Limited (Touch Surgery)	Director
	Kokoba Limited	Director
	Lyst Limited	Director
	Memrise, Inc.	Director
	NM Rothschild & Sons Limited	Director
	Qihoo 360 Technologies Co. LTD	Director
	Rothschild Continuation Holdings AG	Director
	Tapdaq Limited	Director
	The Hut Group Limited	Director
	Worldstores Limited	Director
	3D Hubs, Inc	Director
Catherine Gérardin Vautrin	/	/
Massimo Giaconia	Air Liquide Italia S.p.A.	Statutory auditor
	Air Liquide Italia Service S.r.l.	Statutory auditor
	AstraZeneca S.p.A.	Statutory auditor
	Beretta Holding S.p.A.	Statutory auditor
	Gallerie Commerciali S.p.A.	Chairman of the Board of Statutory Auditors
	Lunelli S.p.A.	Statutory auditor
	LVMH Italia S.p.A.	Statutory auditor
	Vicuna Holding S.p.A.	Statutory auditor
	Zach System S.p.A.	Statutory auditor
	Zambon Company S.p.A.	Statutory auditor
	Zambon S.p.A.	Statutory auditor
	-	Statutory auditor
Elserino Mario Piol		-

Induction Programme

The Chairman of the Board has organised initiatives in order to provide directors with an adequate knowledge of the business segment in which the Company operates, trends in company activities and developments, as well as the reference regulatory framework. More specifically, meetings were held at the Company's head office and at the Interport logistics centre illustrating the main characteristics of the reference segment in which the Company operates.

4.3 Role of the Board of Directors

Pursuant to Article 14 of the bylaws, the Company is managed by a Board of Directors consisting of a minimum of five and a maximum of fifteen members; each director's term may not be longer than three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements of the last year of his/her term. Directors may be re-elected.

The Board of Directors – where the Shareholders' Meeting has not already made provision therein – elects the Chairman from among its members; it may also elect one or more Vice Chairmen, who will remain in their respective posts for the duration of their director's term, which expires on the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term (Article 15 of the bylaws). The Vice Chairman or Vice Chairmen, where appointed, have powers of proxy in respect of the Chairman in the cases provided for by the bylaws.

Pursuant to Article 19 of the bylaws, the Board of Directors – within the limits of the law and the bylaws – can delegate its powers and functions (see Articles 21, 22, 23 and 24 of the bylaws); it can also appoint one or more Chief Executive Officers to whom to delegate the above-mentioned powers and functions, within the same limits. It may also establish one or more committees with a consulting, advisory or control role, in accordance with the applicable legislative and regulatory provisions. It has the power to appoint one or more General Managers.

Pursuant to Article 2381, paragraph 5 of the Civil Code, delegated bodies must report to the Board of Directors and the Board of Statutory Auditors at least once every quarter, in Board meetings, on the activities carried out, the general business performance and its outlook, as well as on operations of major importance in terms of their size and characteristics carried out by the Company and its subsidiaries.

The directors report to the Board of Statutory Auditors on the activities carried out and on significant operations in terms of the financial position implemented by the Company and its subsidiaries; specifically, they relate to operations in which directors have an interest, on their own account or on behalf of others, or that are influenced by the party responsible for management and control. These activities are usually reported at Board meetings and in any case at least every quarter: when particular circumstances make it appropriate to do so, they may also be reported in writing to the Chairman of the Board of Statutory Auditors.

Under Article 16 of the bylaws, Board meetings are called by the Chairman, or if the Chairman is unavailable or absent, by the Chief Executive Officer (with notice of at least five days, and, in urgent cases, at least 24 hours) whenever it is considered necessary, or if it is requested in writing by at least a third of the directors or by the Board of Statutory Auditors, or, even individually, each member of this Board in accordance with the applicable laws in force.

Meetings are valid even if not convened as above as long as all directors and members of the Board of Statutory Auditors in office attend.

Board of Directors' meetings are chaired by the Chairman. If the Chairman is absent or unavailable, they are chaired by the sole Vice-Chairman, or, if there is more than one Vice-Chairman, the longest serving among those present, or if they have been in office the same amount of time, the oldest among them. If the Chairman, the sole Vice-Chairman or all Vice-Chairmen are absent or unavailable, the Chief Executive shall chair the meeting; if the Chief Executive is absent or unavailable, the most senior director present according to the criteria mentioned above shall chair the meeting.

Board meetings may also be held through the use of teleconferencing or videoconferencing systems, provided that each of the participants may be identified by all the others and that each participant is able to contribute to the discussion of the agenda items in real time, as well as receive, send or view documents, and provided that the examination and voting occur at the same time everywhere.

Pursuant to Article 17 of the bylaws, for the resolutions of the Board of Directors to be valid, a majority of members in office must be present; resolutions are passed with a majority of votes, without taking abstentions into account; in the event of a tie, the person chairing the meeting shall have the casting vote.

Pursuant to Article 19 of the bylaws, the Board of Directors is vested with all powers to manage the Company, and to this end may pass resolutions or carry out measures that it deems necessary or useful to fulfil the corporate purpose, with the exception of matters reserved to the shareholders pursuant to the laws in force or the Company bylaws.

The Board of Directors is also responsible, in accordance with Article 2436 of the Civil Code, for making decisions concerning:

- simplified mergers or demergers pursuant to Articles 2505, 2505-*bis*, 2506-*ter*, last paragraph of the Civil Code;
- the establishment or closure of secondary offices;
- the transfer of the Company headquarters within Italy;
- indicating which directors serve as legal representatives;
- the reduction of the share capital following withdrawal;
- amendments to the bylaws to comply with regulatory provisions,

it being understood that these resolutions may also be taken by the Extraordinary Shareholders' Meeting.

At its meeting of 27 April 2012, the Board vested the Chief Executive Officer with the powers set out in section 4.5 below, while the Board of Directors maintains exclusive authority for decisions regarding the following issues:

- approval of the business plan and subsequent amendments or additions (and/or its replacement with the Board of Directors' business plans subsequently approved);
- annual investment budget and amendments or additions thereto of more than 30% of the amount indicated in the last approved business plan and/or the last approved budget;
- debt totalling more than Euro 1,000,000.00 a year where not provided for in the business plan and/or the last approved budget;
- approval of the quarterly procurement and cash budget and amendments or additions thereto of more than 30%;
- directors' remuneration pursuant to Article 2389, paragraph 2 of the Civil Code;
- granting of guarantees of any kind totalling more than Euro 100,000.00 a year;
- purchase or sale of interests in company structures, or the purchase, sale or leasing of companies, company branches or real estate;
- hiring, firing or changes to the employment conditions of directors;
- appointment of directors and managers of subsidiaries (where existent) and determination of relative powers, remuneration and fees;
- conditions and timing of stock option plans or buy options and relative benefits;
- adoption by the Company of (or change to) any stock option plan or any incentive plan or scheme in favour of employees or the granting of options or shares based thereon;
- creation of any mortgage, pledge, charge or any commitment or real guarantee on all or a substantial portion of the Company's property or real estate;
- sale of all or a substantial part of shares representing the share capital of any Company subsidiary; and
- the signing by the Company of any binding agreement that is included (or could be included) in any of the matters covered above.

Over the year, eleven Board meetings were held on the following dates: 29 January, 5 February, 5 March, 17 April, 7 May, 13 June, 4 July, 30 July, 5 November, 18 November and 27 November.

The meetings were minuted.

On average, the Board meetings lasted about an hour.

At least five Board meetings are expected to take place in 2015. As well as those already held on 4 February and 25 February 2015 (the latter relating to the approval of the draft separate and consolidated financial statements for the year ended 31 December 2014), the calendar of the main company events for 2015 (already announced to the market and Borsa Italiana S.p.A. in accordance with regulatory provisions) includes a further three meetings on the following dates:

- 11 May 2015: approval of the first interim financial statements as at 31 March 2015;
- 30 July 2015: approval of the half-year financial statements as at 30 June 2015;
- 11 November 2015: approval of the third interim financial statements as at 30 September 2015.

Pursuant to Article 16, paragraph 3 of the bylaws, the Chairman of the Board coordinates the work of the Board and ensures that adequate information on agenda items is provided to all directors. Specifically, this information must always be sufficient to allow directors to express themselves knowledgeably on the issues submitted for their review; they must be provided suitably in advance with the documentation and information relating to the draft documents to be approved, with the sole exception of cases of particular and confirmed urgency.

The promptness and completeness of information prior to Board meetings is guaranteed due to the documents being sent at least two days before the date of the meeting. This deadline is usually complied with.

Board meetings may also be attended by directors of the Issuer and of the Group to which it now belongs to provide more in-depth information on agenda items.

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In its session of 25 February 2015, the Board assessed the suitability of the general organisational, administrative and accounting structure of the Issuer and its subsidiaries, reviewed by the Chief Executive Officer, with particular reference to the internal control and risk management system. In conducting this assessment, the Board not only checked the existence and implementation of an internal control and risk management system at the Issuer and its subsidiaries, but also carried out its periodic detailed examination of the system's structure, its suitability, and its effective and actual functioning.

To this end, the Board of Directors periodically receives and examines reports prepared by the Internal Audit Manager, already examined beforehand by the Control and Risk Committee and the Chief Executive Officer, in order to check (i) if the structure of the internal control and risk management system in place within the Company is truly effective in pursuing objectives and (ii) if any weakness revealed requires the system to be improved.

Furthermore, at the meeting to approve the financial statements, the Board of Directors annually:

(a) examines a report on significant company risks submitted by the Chief Executive Officer and evaluates how these have been identified, assessed and managed. It pays particular attention to changes that have occurred over the year under review to the nature and extent of risks and to assessing the Issuer's and subsidiaries' response to these changes;

(b) assesses the effectiveness of the internal control and risk management system in combating these risks, paying particular attention to any inefficiencies that have been noted;

(c) considers the measures that have been put in place or must be undertaken promptly to correct this inadequacy;

(d) prepares further policies, processes and rules of conduct that allow the Issuer and its subsidiaries to react in an appropriate manner to new risk situations or to those not effectively managed.

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Over the year, the Board assessed the general business performance, taking into account in particular the information received from the Chief Executive Officer, and comparing the results achieved with those planned.

The Board reserves the right to approve transactions of the Company and its subsidiaries when these transactions have a significant strategic, economic, capital or financial importance for the actual Company, as established in the internal procedures adopted by the Issuer.

As provided for by Criterion 1.C.1, letter f) of the Code, the Issuer has adopted an internal procedure intended to regulate information and procedures relating to transactions that have a significant impact on the Company's financial position, with particular reference to significant transactions conducted by YOOX with independent parties, also establishing criteria to identify these transactions, which are therefore the responsibility of the Issuer's Board. For further information on the Procedure, please refer to section 12.

On 25 February 2015, the Board carried out its annual assessment, pursuant to Criterion 1.C.1, letter g) of the Code, and concluded that the composition and functioning of the management body was suitable for the Company's management and organisational needs, also taking into account the presence, out of a total of seven members, of six non-executive directors, of which three were non-executive independent directors, who also ensure that the composition of committees formed within the Board is appropriate. In this regard, in view of the renewal of the YOOX Board of Directors planned for the next Shareholders' Meeting for the approval of the 2014 financial statements on 25 February 2015, the Board, on the proposal of the Directors' Appointment Committee, of 25 February 2015, approved the guidelines for the presentation of the lists of candidates for the renewal of the Board of Directors. For more information, refer to the guidelines for the presentation of lists of candidates for the renewal of the Board of Directors available on the Company's website at the www.yooxgroup.com under the "Governance" section.

The Shareholders' Meeting has not authorised exceptions to the prohibition on competition provided for by Article 2390 of the Civil Code.

4.4 Delegated bodies

Chief Executive Officers

The Board of Directors may appoint one or more Chief Executive Officers to whom to delegate, within the limits of the law and the bylaws, its powers and functions (Article 19 of the bylaws).

As of the date of this Report, the role of Chief Executive Officer is held by Federico Marchetti, who also holds the post of Chairman of the Board of Directors.

On 27 April 2012, the Board of Directors vested the current Chief Executive Officer Federico Marchetti with the broadest powers for the ordinary administration of the Company including, but not limited to, signature powers on behalf of the Company and serving as its legal representative with respect to third parties and in legal matters, with the exception of decisions on matters that are the specific remit of the Board of Directors, set out in section 4.3 (these powers are in addition to those due to the same, pursuant to the bylaws, in his role as Chairman, see below).

The Chief Executive Officer is the main manager of the Issuer's operations. Note that the interlocking directorate practice set out in Criterion 2.C.5 of the Code does not apply.

Chairman and Vice Chairman of the Board of Directors

In accordance with the bylaws, the Chairman of the Board of Directors is vested with the powers of chairing the Shareholders' Meeting (Article 10 of the bylaws), convening Board meetings and coordinating the work of the Board (Article 16 of the bylaws), as well as serving as the Company's legal representative with respect to third parties and in legal matters (Article 25 of the bylaws).

The Chairman and Chief Executive Officer, Federico Marchetti, is the main manager of the Issuers' operations.

Through a resolution of 27 April 2012, the Board of Directors appointed Director Federico Marchetti as Chairman of the Board of Directors.

Pursuant to Article 15 of the bylaws, the Board of Directors can elect one or more Vice Chairmen who hold this position for the duration of their mandate as a director which expires on the date of the meeting called for the approval of the financial statements for the last year of their office as a director.

Through a resolution of 27 April 2012, the Board of Directors appointed Director Stefano Valerio as Vice Chairman of the Board of Directors.

Executive Committee

The Board of the Issuer has not formed an Executive Committee from among its members.

Reporting to the Board

Pursuant to Article 19 of the bylaws, delegated bodies must report promptly to the Board of Directors at least once every quarter, during Board meetings, on the activities carried out, the general business performance and its outlook, as well as on operations of major importance in terms of their size and characteristics carried out by the Company and its subsidiaries.

4.5 Other executive directors

The Issuer has no other executive directors.

4.6 Independent directors

Pursuant to the combined provisions of Article 147-*ter*, paragraph 4 and Article 148, paragraph 3 of the TUF and in accordance with Article 2.2.3, paragraph 3, letter k) of the Stock Exchange Regulation and Article IA.2.10.6 of the Instructions for Stock Exchange Regulation and Article 3 of the Code, the Board of Directors currently has four independent directors (Elserino Mario Piol, Massimo Giaconia, Catherine Gérardin Vautrin and Raffaello Napoleone), who:

(i) do not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or third parties, nor are able to exercise a significant influence on it;

(ii) do not belong, directly or indirectly, to any shareholders’ agreement, through which one or more parties may exercise control or significant influence on the Issuer;

(iii) are not and have not been in the last three years important representatives (meaning the Chairman, legal representative, Chairman of the Board, an executive director or a manager with strategic responsibilities) of the Issuer, one of its subsidiaries with strategic importance, a company under joint control with it, a company or an organisation that, also jointly with others through a shareholders’ agreement, controls the Issuer or is able to exercise significant influence thereon;

(iv) do not have, or did not have in the previous year, directly or indirectly (for example through subsidiaries or companies for which they are important representatives, in the sense indicated in point (iii) above, or as a partner in a professional or consultancy company), a significant commercial, financial or professional relationship: (a) with the Issuer, with one of its subsidiaries, or with any important representatives, in the sense indicated in point (iii) above, of the same; (b) with a party that, also jointly with the others through a shareholders’ agreement, controls the Issuer, or – if it is a company or organisation – with important representatives, in the sense indicated in point (iii) above, of the same or does not have or has not had, in the previous three years, a work relationship with the above;

(v) without prejudice to point (iv) above, do not have independent or subordinate work relationships, or other financial or professional relationships that would compromise their independence: (a) with the Issuer, with its subsidiaries or parent companies or with its joint ventures; (b) with the directors of the Issuer; (c) with their spouses or close relatives up to the fourth degree of directors of the Company as set out in point (a) above;

(vi) do not receive and have not received in the last three years, from the Issuer, a subsidiary or parent company, significant additional remuneration on top of the “fixed” fee received as a non-executive director of the Issuer, including participation in company performance-linked incentive plans and share-based schemes;

(vii) have not been directors of the Issuer for more than nine of the last twelve years;

(viii) do not hold the position of executive director in another company in which an executive director of the Issuer holds the post of director;

(ix) are not shareholders or directors of a company or organisation belonging to the network of the company responsible for auditing the Issuers' accounts;

(x) have no family ties to a person in one of the situations set out above and in any case are not spouses or close relatives up to the fourth degree of the directors of the Issuer, its subsidiaries, its parent companies and its joint ventures.

The Board assesses whether the requirements above are met and continue to be met, based on the information that interested parties are responsible for providing, or the information in any case available to the Board.

The requirements of independence set out in Article 3 of the Code and Article 147-*ter*, paragraph 4 of the TUF for the independent directors currently in office are verified regularly by the Board.

It should be noted that on 25 February 2015 the Board conducted the annual audit of independence requirements pertaining to independent directors pursuant to Criterion 3.C.4 of the Code. At the same meeting, the independent directors were obliged to maintain their independence for the entire duration of their mandate, and notify the Board of Directors promptly of any possible situations which could compromise their independence. It should also be pointed out that, pursuant to Article 12, paragraph 2 of the Issuers' Company bylaws, "*Independent directors, pursuant to Article 147-*ter*, indicated as such from their appointment, must immediately inform the Board of Directors if they cease to fulfil independence requirements; the director loses his/her post if the Board no longer has the minimum number of directors meeting the independence requirements set by the laws in force*".

In conducting the valuations above, the Board applied the criteria set out in the Code.

With reference to the Independent Director Raffaello Napoleone, it should be noted that he currently owns 14,555 YOOX ordinary shares.

At the Board meeting of 25 February 2015, with reference to Elserino Mario Piol, Catherine Gérardin Vautrin, Massimo Giaconia and Raffaello Napoleone, the Board of Statutory Auditors stated that the verification criteria and procedures adopted by the Board of Directors to assess independence requirements were applied correctly.

The independent directors met four times in 2014 at Internal Control and Risk Committee meetings, namely on 26 February, 29 April, 23 July and 29 October 2014. The topics discussed were mainly those also discussed by the Internal Control and Risk Committee and subjects related to the administrative organisation of the Company.

4.7 *Lead independent director*

In application of the provisions set out in the Code, on 27 April 2012, the Board appointed Massimo Giaconia as lead independent director pursuant to the Code; he thereby represents the point of contact and coordination of motions of non-executive directors and in particular independent directors.

The lead independent director, an independent director with appropriate accounting and finance expertise, is also Chairman of the Directors' Appointments Committee, a member of the Remuneration Committee, Chairman of the Internal Control and Risk Committee and Chairman of the Related-Party Transactions Committee.

Massimo Giaconia has attended all the meetings of the Remuneration Committee, the Control and Risk Committee and the Related-Party Transactions Committee.

5. HANDLING OF COMPANY INFORMATION

Procedure for publishing privileged information

In order to monitor access to and circulation of privileged information before it is announced to the public, to ensure compliance with confidentiality obligations provided for by law and regulations, as well to regulate the internal management and external communication of this information, in its meeting of 3 September 2009, the

Board adopted a *“**Procedure for publishing privileged information**”*. The procedure was updated at the Board meeting on 6 February 2013.

The Chief Executive Officer, the Director of Administration, Finance and Control and the Investor Relations department of the Issuer ensure that privileged information is communicated to the market in the appropriate manner, in compliance with this procedure.

The Investor Relations department, informed by the Group’s senior management or in any case aware of the important facts concerning the Company or its subsidiaries, liaises with the Chief Executive Officer, the Director of Administration, Finance and Control and with the Corporate Affairs Manager to check legal obligations and in particular if the information should be considered privileged.

In order to ensure the management of privileged information within the Group, the managing directors of the main subsidiaries are notified of this procedure, namely those of the companies controlled by YOOX that are included in the scope of consolidation.

The task of managing privileged information relating to the subsidiaries is assigned to the managing directors of these companies, who must inform the Director of Administration, Finance and Control and the YOOX Investor Relations department promptly of any information that, based on their valuation, may constitute privileged information pursuant to this procedure.

The Investor Relations department, having received communication of the privileged information from the managing directors of the subsidiaries, liaises with the Director of Administration, Finance and Control and the Company Affairs Manager to check legal obligations and in particular if the information should be considered privileged.

If the information is judged to be confidential or the laws in force require it to be communicated to the public, the Investor Relations department prepares a press release assisted by the Director of Administration, Finance and Control, who, aided by the Corporate Affairs Manager, ensures that this contains the requirements provided for by the related legislation in force.

The text of the press release must be submitted to the Chief Executive Officer, and if necessary, the Board of Directors, for final approval before it is published, subject to certification, for press releases relating to accounting information, of the Director in charge of preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF.

The press release is entered in the SDIR-NIS circuit (system for the transmission of regulated information) and is sent in this way to Consob and at least two news agencies. Furthermore, YOOX ensures that the press release is published in the appropriate sections on the Company website, www.yooxgroup.com, “by the opening of the market the day after the publication date” and that this information remains there for a minimum period of five years.

The procedure is available in the Governance section of the Company website www.yooxgroup.com.

Procedure for the management of the Group register of persons with access to privileged information

With particular reference to the obligation for listed issuers, for companies controlled by them and for persons who act in their name or on their behalf, to create and manage a register of persons with access to privileged information pursuant to Article 115-*bis* of the TUF and Articles 152-*bis et seq.* of the Consob Issuer Regulation, at its meeting of 3 September 2009, the Board of Directors passed a resolution to adopt a “***Procedure for the management of the Group register of persons with access to privileged information***”. The procedure was updated at the Board meeting of 6 February 2013.

The procedure is available in the Governance section of the Company website www.yooxgroup.com.

Internal Dealing Procedure

Regarding the management of information requirements resulting from the Internal Dealing regulations pursuant to Article 114, paragraph 7 of the TUF and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Consob Issuer Regulation, at its meeting of 3 September 2009, the Issuers’ Board passed a resolution to adopt a Procedure to comply with the obligations in respect of internal dealing (the “**Internal Dealing Procedure**”), intended to ensure the utmost transparency and uniformity of information provided to the market. The procedure was updated at the Board meeting of 6 February 2013.

The procedure is available in the Governance section of the Company website www.yooxgroup.com.

The details of the transactions carried out during the course of the year, which require notification pursuant to the Internal Dealing Procedure, are available on the Governance section of the Company website www.yooxgroup.com.

6. COMMITTEES WITHIN THE BOARD

The Board has formed the Directors' Appointments Committee, the Remuneration Committee, the Internal Control and Risk Committee and the Related-Party Transactions Committee from among its members.

A committee which carries out the functions of two or more committees set out in the Code has not been established.

7. DIRECTORS' APPOINTMENTS COMMITTEE

The Board of Directors has formed a Directors' Appointments Committee from among its members.

The Directors' Appointments Committee was originally established on 7 October 2009, to implement the Board resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA.

The current Directors' Appointments Committee was established through the Board resolution of 27 April 2012 and is composed of 3 non-executive directors, the majority of them independent, in the persons of:

- Massimo Giaconia – independent director – Chairman;
- Catherine Gérardin Vautrin – independent director;
- Stefano Valerio – non-executive director.

Functions attributed to the Directors' Appointments Committee

The Directors' Appointments Committee recommends that directors are appointed following procedures that ensure transparency and a balanced composition of the Board of Directors, guaranteeing, in particular, the presence of a sufficient number of independent directors.

The Directors' Appointments Committee is responsible for the duties set out in Article 5.C.1, letter b) of the Code and, specifically, for proposing candidates to the Board of Directors for the office of director, to be co-opted if an independent director needs replacing.

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The Directors' Appointments Committee did not hold any meetings during the year.

On 25 February 2015, the Board of Directors, on the proposal of the Directors' Appointments Committee of 25 February 2015, approved the guidelines for the presentation of lists of candidates for the renewal of the Board of Directors available on the Company's website at the www.yooxgroup.com under the section "Governance".

The Directors' Appointments Committee Meeting of 25 February 2015 was minuted.

The Director's Appointments Committee Meeting lasted 120 minutes.

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In performing its functions, the Directors' Appointments Committee has access to the information and Company departments necessary to fulfil its duties, and may also use external consultants, within the terms established by the Board.

No financial resources were allocated to the Directors' Appointments Committee since, in performing its duties, it makes use of the means and company structures of the Issuer.

8. REMUNERATION COMMITTEE

The Remuneration Committee was originally established on 7 October 2009, in implementation of the Board of Director's resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA, pursuant to Article 2.2.3, paragraph 3, n) of the Stock Exchange Regulations, applicable to issuers in possession of STAR qualification and in conformity with the Code of Conduct.

The current Committee was established through the Board resolution of 27 April 2012 and is composed of 3 non-executive directors, all independent, in the persons of:

- Elserino Mario Piol – non-executive director – Chairman;
- Catherine Gérardin Vautrin – independent director;
- Massimo Giaconia – independent director.

All the members of the Remuneration Committee have experience in finance or on the subject of remuneration policies deemed to be adequate by the Board at the time of their appointment.

No director takes part in the Remuneration Committee meetings in which Board proposals are put forward relating to their own remuneration.

Functions attributed to the Remuneration Committee

The Remuneration Committee has a consulting and advisory role, with its main duty being to submit proposals to the Board of Directors regarding the remuneration policy, including stock option or share granting plans, the remuneration of the Chief Executive Officer and directors holding specific positions, as well as, following recommendations of the Chief Executive Officer, to determine criteria for the remuneration of managers with strategic responsibilities.

The establishment of this committee ensures the broadest information and transparency regarding the remuneration due to the Chief Executive Officer, as well as the procedures through which this is determined. It is however understood that, in accordance with Article 2389, paragraph 3 of the Civil Code, the Remuneration Committee only holds a consulting role, while the power to determine directors' remuneration with specific duties remains vested in the Board of Directors, having heard the opinion of the Board of Statutory Auditors.

The Remuneration Committee is responsible for the duties set out in Article 6 of the Code, and specifically:

a) it proposes the adoption of the remuneration policy for directors and managers with strategic responsibilities;

b) it periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy for directors and managers with strategic responsibilities, making use, for the latter, of the information supplied by the Chief Executive Officer; it formulates proposals on the subject and submits them to the Board of Directors;

c) it submits proposals or gives advice to the Board of Directors on the remuneration of executive directors or other directors who hold specific offices as well as about the establishment of performance targets related to the variable component of this remuneration; it monitors the application of the decisions taken by the Board, verifying, in particular, that the performance targets have been reached effectively.

The Remuneration Committee is also assigned duties in relation to the management of any incentive plans approved by the relevant Company management bodies.

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During the year, the Remuneration Committee met on the following dates: 5 March, 17 April and 4 July 2014.

The Remuneration Committee meetings were minuted.

The Remuneration Committee meeting lasted approximately 35 minutes.

There are 4 Remuneration Committee meetings scheduled for 2015, in addition to the one already held on 23 February 2015.

During the year, the activities of the Remuneration Committee were mainly focused on the assignment of financial instruments depending on existing plans and their exercise. The Remuneration Committee also expressed opinions mainly on the following: (a) changing of the exercise conditions of options relating to the 2009-2014 stock option plan; (b) verification and confirmation of the remuneration Policy adopted by the Company on 7 March 2012 as proposed by the Remuneration Committee and later amended on 5 March 2013, also at the proposal of the Remuneration Committee; (c) definition of the targets for the CEO; (d) modification of the contract with the CEO, and (e) proposal for the adoption of the 2014 - 2020 Stock Option Plan reserved exclusively for employees of the Company and companies directly and indirectly controlled by the latter, pursuant to Article 93 of the TUF.

During the year 2012 the Remuneration Committee used the services of the specialist consulting firm Spencer Stuart in order to conduct an enquiry to analyse the salary structure of the Chief Executive Officer in relation to a set of comparable companies, in order to check the alignment of the Chief Executive Officer's remuneration with that of the market. The Remuneration Committee verified the independence of the consultancy firm beforehand.

The Chairman of the Board of Statutory Auditors took part in the work of the Remuneration Committee.

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In performing its functions, the Remuneration Committee has access to the information and Company departments necessary to fulfil its duties, and may also use external consultants, within the terms established by the Board.

No financial resources were allocated to the Remuneration Committee since, in performing its duties, it makes use of the means and company structures of the Issuer.

9. DIRECTORS' REMUNERATION

Directors' remuneration is set by the Shareholders' Meeting. Pursuant to Article 20, paragraph 3 of the bylaws, the Shareholders' Meeting may determine a total amount for the remuneration of all directors, including those holding particular functions; this amount is then divided by the Board of Directors, having heard the opinion of the Board of Statutory Auditors, for allocation to directors with particular functions, pursuant to Article 2389, paragraph 3 of the Civil Code.

On 27 April 2012, the Ordinary Shareholders' Meeting set the overall annual compensation to be paid to the Board of Directors for the term of office at Euro 680,000.00, in addition to the reimbursement of expenses incurred by its members in performing the office, reservation made in any case of compensation for directors vested with special offices pursuant to Article 2389, paragraph 3 of the Civil Code, which is to be understood as not included in the above amount, and any special compensation for special offices. The total remuneration to the Board of Directors remains unchanged until the Shareholders' Meeting passes a resolution otherwise. On 27 April 2012, the Board divided the total annual fees.

For information on the Remuneration Policy adopted by the Issuer and compensation received by members of the Board of Directors during the year, please refer to the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Consob Issuer Regulation available under the terms of the law in the Governance section of the Company website www.yooxgroup.com.

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Incentive schemes for the Internal Audit Manager and Director in charge of preparing corporate accounting documents

The incentive schemes for the Internal Audit Manager and the Director in charge of preparing corporate accounting documents are consistent with the tasks assigned to them.

10. CONTROL AND RISK COMMITTEE

The Issuer established the Control and Risk Committee from members of the Board.

The Control and Risk Committee was originally established on 7 October 2009, in implementation of the Board of Director's resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA, pursuant to Article 2.2.3, paragraph 3, o) of the Stock Exchange Regulations.

The current Committee was established through the Board resolution of 27 April 2012 and is composed of 3 non-executive directors, all independent, in the persons of:

- Massimo Giaconia – independent director – Chairman;
- Raffaello Napoleone – independent director;
- Elserino Mario Piol – independent director.

All the members of the Control and Risk Committee have experience in accounting and finance deemed adequate by the Board at the time of their appointment.

Functions attributed to the Control and Risk Committee

The Control and Risk Committee has a consulting and advisory role supporting the Board of Directors. Specifically, the Committee:

a) evaluates, together with the Director in charge of preparing corporate accounting documents and on the advice of the independent auditors and the Board of Statutory Auditors, the correct use of the accounting standards adopted and their homogeneity for the purposes of preparing the consolidated financial statements;

b) expresses opinions on specific aspects pertaining to the identification of the main corporate risks;

c) examines the periodic reports on the evaluation of the control and risk management system and those of particular importance prepared by the Internal Audit Department;

d) monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;

e) can ask the Internal Audit Department to conduct audits in specific operating areas, at the same time notifying the Chairman of the Board of Statutory Auditors;

f) reports to the Board, at least twice a year, on the approval of the annual and half-year financial report, on the activity conducted as well as the adequacy of the control and risk management system.

The Control and Risk Committee must carry out its duties in coordination with the Board of Statutory Auditors, the Director in charge and the Internal Audit Manager.

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During the year, the Control and Risk Committee met four times on the following dates: 26 February, 29 April, 23 July and 29 October 2014, dealing with the following points:

- examining the skills, autonomy and organisational adequacy of the Group’s internal audit structure and giving a positive evaluation of the adoption of the “YOOX Group Internal Audit Department Mandate” for later approval by the Board;

- examining and evaluating the completeness and adequacy of the plan of activities of the YOOX Group Internal Audit Department relating to the financial year and the methods used in its definition;
- examining the periodic reports prepared by the Internal Audit Department for the financial year on the evaluation of the internal control and risk management system relating to areas subject to audit, as well as the related corrective actions shared with the managers and the outcome of the follow-up activities carried out;
- examining the results of activities carried out by the Director in charge of preparing corporate accounting documents, carried out with the support of the Internal Audit Department, monitoring the adequacy and full operation of the internal control system under the scope of administration and accounting for compliance pursuant to Law 262/05, in relation to the annual report as at 31 December 2013 and the half-year report as at 30 June 2014;
- evaluating, together with the Director in charge of preparing corporate accounting documents and on the advice of the independent auditors and the Board of Statutory Auditors, the correct use of accounting principles and their homogeneity for the purpose of preparing the consolidated financial statements, as well as the process for producing the draft budget as at 31 December 2013 and the half-year financial report as at 30 June 2014;
- examining the results of the activities carried out by the YOOX Supervisory Body, with the support of the Internal Audit Department, on the checks into the adequacy of the Organisational Model pursuant to Legislative Decree 231/01, as well as monitoring the correct and full operation of the internal control system that oversees the offence risks which the Decree refers to.

In the meetings on 5 March 2014 and 30 July 2014, the Chairman of the Control and Risk Committee reported to the Board of Directors on the activities carried out and the adequacy of the internal control and risk management system.

The Chairman or a member of the Board of Statutory Auditors, the Director in charge of preparing corporate accounting documents, the Internal Audit Manager, the Supervisory Body pursuant to Legislative Decree 231/01 and the independent auditors also took part in the meetings of the Control and Risk Committee that took place over the financial year. The presence of these supervisory and corporate control bodies, permanently required by the Control and Risk Committee, has allowed the main aspects relating to the identification of corporate risks to be communicated and shared.

The Control and Risk Committee meetings were minuted.

On average, the Internal Control and Risk Committee meetings lasted about two hours.

At least seven Control and Risk Committee meetings are expected to take place in 2015. In addition to the one already held on 12 February 2015 where, among other things, there was a discussion about reporting to the Board on the adequacy of the internal control and risk management system, there are plans for a further six meetings on the following dates: 11 March, 4 May, 23 June, 15 September and 4 November 2015.

During the meeting on 12 February 2015, the Committee approved the audit plan for 2014; took note of the activities carried out by the Internal Audit Manager relating to the audit plan for the year, the activities carried out by the Director in charge of preparing the corporate accounting documents of the Issuer for compliance pursuant to Law 262/05 and the Supervisory Body for compliance pursuant to Legislative Decree 231/01; and planned the timetable of meetings for the year.

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In performing its functions, the Control and Risk Committee has access to the information and Company departments necessary to fulfil its duties, and may also use external consultants.

No financial resources were allocated to the Control and Risk Committee since, in performing its duties, it makes use of the means and company structures of the Issuer.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system is the totality of rules, procedures and organisational structures that allow the Company, through an appropriate process of identification, measuring, management and monitoring of the main risks, to be managed in a sound and correct manner, in line with preset objectives. An effective internal control and risk management system contributes to guaranteeing the protection of corporate capital, the efficiency and effectiveness of company operations, the reliability of financial information and compliance with laws and regulations.

The Board of Directors carries out its role of guidance and evaluating the adequacy of the internal control and risk management system. To this end, the Board:

a) defines the guidelines for the internal control and risk management system, so that the main risks relating to the Issuer and its subsidiaries are correctly identified, adequately measured, managed and monitored, in line with the management of the business consistent with the strategic objectives identified;

b) periodically checks, at least on an annual basis, the adequacy of the internal control and risk management system in relation to the characteristics of the business, as well as its effectiveness;

c) annually approves the work plan prepared by the Internal Audit Manager, having heard from the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;

d) describes the main characteristics of the internal control and risk management system, in the report on corporate governance and ownership structure, expressing its judgment on its adequacy;

e) evaluates, having heard from the Board of Statutory Auditors, the results presented by the independent auditors when reading any suggestions and in the Report about the fundamental questions which emerged during the statutory audit.

In performing these duties, the Board works with the Director in charge of the internal control and risk management system with the duties listed below, and a Control and Risk Committee.

The Director in charge has been identified as the Chairman of the Board of Directors and Chief Executive Officer Federico Marchetti. For information on the Director in charge please see section 11.1.

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The structured and formalised models established by the Issuer for the management of internal controls and company risks are the following:

- Group Strategic Risk Management Policy and Model, with reference to the definition of guidelines for the internal control and risk management system, guaranteeing the traceability of the strategic decision-making process and the taking of conscious business risks, based on acceptable risk;
- Model pursuant to Law 262/05 with reference to the attributions related to the person of the Director in charge of preparing corporate accounting documents and activities relating to the organisation, formalisation and verification of adequacy and effective operation of administrative-accounting procedures and procedures for the preparation of financial reports;
- Organisation and Management Model with reference to the prevention of offences pursuant to Legislative Decree 231/01, the appointment and the attributions of the Supervisory Body pertaining to the Issuer;
- Occupational Health and Safety Management System compliant with British Standard OHSAS 18001:2007 certified by a third party, in order to fulfil the requirements defined by health and safety standards in the workplace, with special reference to Legislative Decree 81/08;
- Environmental Management System that complies with standard UNI EN ISO 14001:2004 and is integrated with the Occupational Health and Safety Management System, certified by authorised third parties, in compliance with environmental regulatory requirements;
- Group Planning and Control Model, with the aim of directing and guaranteeing the alignment of management with the economic and financial objectives defined by senior company managers;
- Information Security Management based on international standard ISO/IEC 27001 for risk management relating to confidentiality, integrity and availability of company information (including risk management pursuant to Legislative Decree 196/2003), with the supervision of an Information Risk Committee which dictates the guidelines.

In addition to what has been specified above, at a control level, the Issuer has:

- a Code of Ethics, which defines the collection of values recognised, accepted and shared by the YOOX community at all levels in carrying out business activities, and which prescribes behaviour in line with these values;
- objectives, responsibilities and roles defined and formalised under the scope of the organisation of the Group;
- powers and proxies consistent with the organisational responsibilities assigned;
- a business model on the major regulatory issues, that the Group and the business is aware of;
- a body of company procedures to govern the main corporate processes, or the most risky processes in terms of compliance with legal provisions;
- a Group "Anti-Corruption Compliance Program" that identifies the important regulations for foreign companies with regard to corruption and defines the expected standards of behaviour and control, as well as the responsibilities for implementing the checks that ensure their compliance and for dedicated training activities.

In addition, a key role in the management of internal controls and company risks is carried out by corporate functions which, although not mentioned above, carry out second- and third-level checks on company processes; in other words they provide assistance and consulting services to other departments (e.g. the Legal Department, Tax & Corporate Affairs, Management Control, Prevention and Protection Service, Internal Audit, etc.).

In general, the risk management and internal control models mentioned above deal with making reliable and timely information available to support decision-making processes (management, senior management) and to support the control and supervisory bodies.

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Main features of the existing risk management and internal control systems in relation to the financial information process

The internal control and risk management system, among its fundamental elements, includes the internal control system relating to the financial reporting process. The latter aims to guarantee reliability, accuracy, reliability and promptness in the preparation and communication of financial information.

The "262 Model" of the Group, established in 2009 and constantly updated, comprises the following macro elements:

- design of the Model – workflow, procedures and risk control matrices for each company process for each Company coming under the scope of consolidation;
- system of internal certification for the director in charge of preparing corporate accounting documents on the thoroughness and reliability of the information sent to the administrative functions for the preparation of financial information, as well as the effectiveness of auditing procedures with accounting relevance established at every structure;
- monitoring of the Model – testing of the adequacy and effectiveness of key controls and procedures defined, in relation to the preparation of the annual and half-year financial reports, based on an analysis of the materiality of the accounting entries;
- identification of the corrective actions, follow-ups and reporting – definition and sharing of the corrective actions with management, verification of their effective implementation, preparation of reports for the Director in charge of preparing the corporate accounting documents and for the supervisory and control bodies;
- updating of the Model and related documents, based on corporate, organisational and process changes which have taken place.

The methods followed for the design and performance of the checks on Model 262 are aligned with international best practices and guarantee full traceability.

With reference to the identification and assessment of financial information risks, the Issuer carries out its own analyses and audits into the Parent Company YOOX S.p.A. and subsidiaries with turnover and balance sheet levels above a pre-defined material level, as well the management of intercompany relations. In terms of considerations of a qualitative nature, analyses and audits are also conducted into other subsidiaries on a regular basis, irrespective of their quantitative contribution to the composition of the consolidated financial statements.

The risks detected and assessed in accordance with international practices on the subject of risk assessment involve both operating processes supplying the general ledger entries, and the budget estimates and statements, with a view to both the prevention of accuracy and completeness errors and the prevention of fraud. The evaluation of the “inherency” of risks is qualitative, conducted both with reference to the materiality and nature of the accounting entries, and with reference to the frequency of the operations supplied.

With regard to the identification and evaluation of controls in the light of risks identified, Model 262 takes into consideration both preventive controls and detective and second-level controls on processes supplying accounting entries and estimates. The evaluations made on the adequacy and effectiveness of controls for mitigating risks are qualitative, based on the outcome of tests carried out during the course of Model monitoring activities.
The monitoring activities are concentrated on operating processes related to material accounting entries, for the identification of which a preliminary scope analysis is carried out annually. Ad hoc checks are also carried out on activities related to the accounting closing and consolidation entries, which the Company documents, allocates in terms of responsibility for performing and authorises through a dedicated IT program, guaranteeing that they are complete and accurate.

After having established Model 262 in its fundamental design elements in 2009, the Director in charge of preparing the corporate accounting documents gives an annual mandate to the Internal Audit Department to carry out periodic monitoring, maintenance and updating of the actual Model. The sharing of the planning and finalisation of the activities carried out on the Model between the Director in charge of preparing the corporate accounting documents and the Internal Audit Department takes place at least twice a year.

The Director in charge of preparing the corporate accounting documents and the Internal Audit Department report periodically to the Control and Risk Committee, to the Board of Statutory Auditors, to the Director in charge of the internal control and risk management system and to the Supervisory Body, for the management of Model 262, expressing their judgment on the adequacy of the administrative-accounting control system and the corrective actions to be implemented.

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On 5 March 2014, 30 July 2014 and 25 February 2015, the Board of Directors expressed a positive judgment on the adequacy of the internal control and risk management system with regard to the characteristics of the business, as well as its effectiveness, using the periodic reports prepared by the Director in charge of the internal control and risk management system, the Control and Risk Committee, the Internal Audit Manager and the Board of Statutory Auditors.

11.1 Director in charge of the internal control and risk management system

On 27 April 2012, the Board appointed the Director in charge of the internal control and risk management system, the Chairman of the Board of Directors and the Chief Executive Officer, Federico Marchetti.

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In connection with and for the implementation of the guidelines established by the Board, the Director in charge:

(i) identified the main typical company risks, in relation to the characteristics of the activities of the Issuer and its subsidiaries and the sector in which they operate, reporting to the Board on 5 March 2014, 30 July 2014 and 25 February 2015;

(ii) was responsible for the planning, implementation and management of the internal control and risk management system, in line with the operating conditions of the Issuer and the regulatory framework, verifying the adequacy and effectiveness through the designated structures;

(iii) requested audits from the Internal Audit Department into specific operating areas and into the compliance of internal rules and procedures, audits which have been included in the audit plan brought to the attention of the Control and Risk Committee and the Board of Statutory Auditors for subsequent approval by the Board of Directors;

(iv) did not, directly or through audits conducted by the Internal Audit Department and by other governance functions within the YOOX Group, identify problems that would impinge on the objectives of correct corporate governance.

11.2 Internal Audit Manager

The Board, with the favourable opinion of the Control and Risk Committee and the Board of Statutory Auditors, on the proposal of the Director in charge of the internal control and risk management system, through the resolution of 27 April 2012, appointed Riccardo Greghi as Internal Audit Manager of the YOOX Group, charging him with checking that the internal control and risk management system was adequate and functioning.

The Internal Audit Manager is not responsible for any operating area and reports to the Board.

In addition to audit activities, the Head of the Internal Audit Department: coordinates and supports risk management activities for business initiatives qualified by management as of strategic importance and for risk assessment activities on the main corporate processes, supporting the director in charge of preparing corporate accounting documents and the Supervisory Body for the purpose of compliance pursuant to Law 262/05 and Legislative Decree 231/01, in-house consulting activities supporting corporate operating areas, coordinating initiatives and taking care of reporting with regard to *Corporate Social Responsibility*. The assigning of these activities to the Internal Audit Manager received a positive evaluation from the Board in terms of opportunities, and there are no conflicts of interest or limitations to the application of the Code of Conduct.

The resources placed at the disposal of the Internal Audit Manager have been deemed adequate by the Board to carry out the activities required.

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The YOOX Group Internal Audit Manager:

a) verifies (and during the course of the financial year has verified), both continuously and with regard to specific requirements and in compliance with the international standards of the profession, the operation and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors based on an analysis and prioritisation system of company risks;

b) has direct access to all information useful for the performance of his/her duties;

c) reports (and during the financial year has reported) quarterly on his/her operations and the progress of activities provided for by the plan to the Control and Risk Committee, the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, giving the outcomes of the activities conducted in the reference quarter in terms of audits carried out, corrective actions discussed with management and related time schedules;

d) prepares (and during the financial year has prepared) half-year reports for the Chairman of the Control and Risk Committee, the Chairman of the Board of Statutory Auditors and the Chairman of the Board of Directors and Director in charge, highlighting the methods through which risk management is carried out, compliance of the plans defined for containing it, as well as giving an assessment of the suitability and adequacy of the overall internal control and risk management system;

e) attends the meetings of the Board of Directors and the Control and Risk Committee to which he/she is invited and, with regard to the financial year, attended the Board meetings of 5 March 2014, 30 July 2014 and 25 February 2015, as well as all the meetings of the Control and Risk Committee;

f) carries out the further tasks that the Board deems appropriate to allocate to him/her, in other words as far as the financial year was concerned, coordinating and supporting risk management and corporate social responsibility issues.

Following the activities carried out during the financial year, the Internal Audit Manager did not identify urgent elements which required special reporting and did not conduct specific activities with regard to the reliability checks on the information systems.

Structured governance in the IT area under the scope of the YOOX Group allows the Internal Audit Manager to be updated promptly with regard to information system reliability risks and allows him/her to play an active role on the Board in the application of the Group Information Security Management System.

The Internal Audit Manager is a member of the Information Risk Committee, a body established especially for overseeing the application of the YOOX Group Information Security Management System, evaluating and approving the possible adoption of improvement measures, assessing the adequacy of processes for protecting against company information risks and adopting suitable preventive actions. The Information Security department, responsible for conducting technological and organisational assessments and IT audits relating to specific risk processes and scopes, reports to the Information Risk Committee which meets quarterly.

In accordance with the audit plan for the financial year, the Internal Audit Department activities involved operational assurance audits, standard assurance audits, consulting activities on operational processes supporting corporate operational areas and compliance, and risk management consulting and operational support. To sum up:

- operational assurance audits were conducted on several key company processes identified through a risk-based methodology and specific follow-up activities were carried out;
- for the purpose of issuing a certificate by the Director in charge of financial reporting as at 30 June 2014 and 31 December 2014 (Law 262/05), on the mandate of the latter periodic monitoring activities were completed on Model 262 and the activities of maintaining and updating the internal control system documentation relating to the main administrative-accounting processes of YOOX continued. In addition the operation of the system of internal certification is guaranteed for the director in charge of preparing corporate accounting documents on the thoroughness and reliability of the information sent to the administrative functions for the preparation of financial information, as well as the effectiveness of auditing procedures with accounting relevance established at every structure;
- to guarantee compliance with Legislative Decree 231/01, on the mandate of the Supervisory Body, specific audits were conducted into areas of the Organisational Management and Control Model of YOOX S.p.A. designated as “sensitive”. As a member of the Supervisory Body, the Internal Audit Manager contributes from the inside of the organisation to make the Model effective;
- consultancy activities have been carried out that aim to improve internal controls relating to some company areas, also with regard to process and responsibility reorganisations, as well as their formalisation under the scope of company procedures;
- support has been given to the Company for launching a structured risk assessment process for corporate processes (structured analysis of related risks and responses to risk to guarantee alignment with the risk profile, high standards of business continuity and corporate strategic targets), alongside the existing Strategic Risk Management model centered on business initiatives of strategic importance. The risk assessment activity is conducted on the basis of ISO 31000 international standards on risk management and ISO 22301 on the management of business continuity systems. The Internal Audit department has taken on the role of methodological guidance and facilitator, because the identification, assessment and response to process risks remains the exclusive province of management.

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During the course of the financial year, the Internal Audit Department sought recourse to external figures with the appropriate professional, organisational and independence requirements with regard to the Issuer. No areas of responsibility of the Internal Audit Department are outsourced.

11.3 Organisational Model pursuant to Legislative Decree 231/2001

The Issuer adopted the Organisational, Management and Control Model for the prevention of the offences pursuant to Legislative Decree 231/2001 (hereinafter also “Model 231”) as amended, on 3 September 2009, intended to ensure probity and transparency in the execution of company activities, to protect the position and image of Group companies, shareholders’ expectations and the work of its employees, and formulated on the specific needs determined by the entry into force of Legislative Decree 231/2001.

Through the Board of Directors’ resolution of 16 December 2010, in the light of the regulatory updates that took place, the Issuer adopted a new version of Model 231 and the Group Code of Ethics. The latest update of the Model, which includes the regulatory and organisational amendments and the most recent legal and doctrinal guidelines on the subject, was implemented through the Board resolution of 31 July 2013.

The Code of Ethics is an integral part of Model 231. It defines the ethical principles and behaviour standards prescribed for employees and other recipients, contributing to creating conditions suitable to ensure that the Issuer’s activity is always based on principles of probity and transparency and reducing the risk of committing offences set out in Legislative Decree 231/2001.

The requirement of exemption from administrative responsibility has led to the establishment of a Supervisory Body, within the Issuer, equipped with autonomous powers of initiative and control, with the task of *(i)* supervising the effectiveness of the Model, which is based on the verification of consistency among the concrete behaviour and the established Model; *(ii)* examining the adequacy of the Model, in other words its actual capacity to prevent, broadly speaking, undesired behaviour; *(iii)* conducting an analysis on maintaining the requirements of solidity and functionality of the Model over a period of time; *(iv)* attending to the necessary updating of the Model in dynamic terms, through the formulation of specific suggestions, in the event that the analyses require corrections and adjustments; and *(v)* following up on, or verifying the implementation or effective functionality of, the proposed solutions.

The Supervisory Body, in office until the approval of the financial statements as at 31 December 2014, was first appointed by the Board on 27 April 2012 and comprises three members: Rossella Sciolti, an external member, as Chairperson; Isabella Pedroni, an external member, replacing Gerardo Diamanti on 5 November 2014; Riccardo Greghi, an internal member and Internal Audit Manager of the Issuer.

In the meeting on 27 April 2012, the Board decided not to assign to the Supervisory Body functions to the Board of Statutory Auditors.

The Chairman of the Supervisory Body prepared a report for the Board of Directors on a six-monthly basis, on 30 July 2014 and 10 February 2015, containing information on the verification and monitoring activities conducted and their outcome.

The offences described by Model 231 of the Issuer are aligned with those currently included in the regulatory process: corruption crimes and other offences against the Public Administration (Articles 24 and 25; Article 2635 of the Civil Code); corporate offences (Article 25-*ter*); crimes for the purpose of terrorism or subversion of democratic order (Article 25-*quater*); market abuse (Article 25-*sexies*); manslaughter or serious or extremely serious injury committed in violation of the laws relating to the protection of health and safety in the workplace (Article 25-*septies*); receiving, laundering or using money, assets or goods from unlawful sources (Article 25-*octies*); organised crime (Article 24-*ter*); crimes against industry and commerce (Article 25-*bis*.1); copyright infringement (Article 25-*novies*); incitement to withhold or make false statements to the judiciary authorities (Article 25-*decies*); crimes against the environment (Article 25-*undecies*); employment of citizens from non-EU countries without residence permits (Article 25-*duodecies*); and cross-border crimes (Article 3, Law 146/2006). The other offences pursuant to Legislative Decree 231/01 have been assessed as “not realistically achievable”.

Model 231 introduces an adequate system and punitive measures for conduct in violation thereof.

The training activities on the Model are managed centrally by the Human Resources and Organisation Department.

Model 231 and the Code of Ethics are available in the Governance section of the Company website www.yooxgroup.com.

11.4 Independent auditors

KPMG S.p.A., based at 25 Via Vittor Pisani, Milan was chosen to audit the Company’s accounts.

The engagement was conferred on this company by resolution of the Shareholders’ Meeting of 8 September 2009, on the proposal of the Board of Statutory Auditors, for 2009-2017.

11.5 Director in charge of preparing corporate accounting documents and other corporate roles and functions

Pursuant to Article 19 of the Issuers’ bylaws, following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the Director in charge of preparing corporate accounting documents, pursuant to Article 154-*bis* of the TUF, conferring on him/her sufficient means and powers to execute the duties attributed thereto. In addition to the requirements of honesty prescribed for statutory auditors by the laws in force, the Director in charge of preparing corporate accounting documents must meet the professional requirements of at least three years’ experience in administration and control, or in performing management or consulting functions in a listed company and/or related groups of companies or organisations of significant size and importance, also in relation to the preparation and control of corporate accounting documents.

The failure to uphold these requirements will result in dismissal from the position, which must be declared by the Board of Directors within 30 days of it being made aware of the fault.

On 1 July 2010, the Board, with the favourable opinion of the Board of Statutory Auditors, appointed Francesco Guidotti (the Chief Financial Officer of the Issuer) as the Director in charge of preparing corporate accounting documents. With the appointment, the Board checked the existence of the requirements pursuant to the above laws and Company bylaws in force.

With the appointment, the Board granted the Director in charge of preparing corporate accounting documents the powers and duties pursuant to Article 154-*bis et seq.* of the TUF.

In order to carry out these operating activities, the Director in charge seeks assistance from the Internal Audit Department.

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The other company functions with specific tasks regarding internal control and risk management, which carry out second-level cross-checks in the Group on the performance of corporate transactions, including preventive and coordinating, are as follows:

- Prevention and Protection Service (Head – D. Rinaldi), which oversees the Integrated Occupational Health and Safety Management and Environmental Management System at Group level, defined in accordance with British Standard OHSAS 18001:2007 and standard UNI EN ISO 14001:2004, for the purpose of compliance with the requirements defined by the regulations on the subject, with special reference to Legislative Decree 81/08 on health and safety. D. Rinaldi was confirmed in the role of Head of the PPS on 1 July 2013 and appointed RSGSL (Head of the Occupational Health and Safety Management System) on 21 December 2011 and RSGA (Head of the Environmental Management System) on 4 March 2013. The function made use of both internal resources and external consultants in 2014 for performing its activities. In order to comply with its responsibilities, the function does not have its own budget, which remains the responsibility of the delegated occupational health and safety officer to whom the Prevention and Protection Service Manager reports;
- Information Security (Head – G. Gaias), which oversees the Group Information Security Management System based on international standard ISO/IEC 27001, with the purpose of intercepting and managing risks relating to confidentiality, integrity and availability of company information. It comprises a formal information risk analysis process managed through a cyclical improvement approach. The risk analysis allows the Information Risk Committee, the body expressly established for supervising the application of the framework and for assessing and approving the possible adoption of improvement actions, to evaluate the adequacy of the processes for protecting against the risks threatening company information and adopting suitable preventive actions. In 2014, Information Security comprised four persons in addition to the Head, made use of two consultants and had an ad hoc budget for performing its activities. The Information Safety Management System includes personal data protection, in compliance with the requirements laid down in Legislative Decree 196/2003, protection of information relating to transactions carried out using credit cards registered to international standard PCI-DSS and protection of essential strategic business information. Since 05/11/2014 the *Privacy Officer* has been G. Gaias, appointed by the CEO.

11.6 Coordination between persons involved in the internal control and risk management system

The coordination methods established by the Issuer for the various persons involved in the internal control and risk management system guarantee, with reference to the year as well, the effective and efficient coordination and sharing of information between the bodies which have these functions. Specifically:

- the Internal Audit Manager maintains regular communication flows with the other company bodies and structures with supervisory or monitoring functions of the internal control and risk management system, such as the Director in charge, the Supervisory Body pursuant to Legislative Decree 231/01, the independent auditors, the Information Risk Committee and the RSPP, the Legal Dept., each within their sphere of activity and responsibility;
- the activities of the Risk Office of the Internal Audit Department, the participation of the Head of the Internal Audit Department in meetings of the Supervisory Body and meetings of the Information Risk Committee as a member of these bodies; the monitoring activities conducted by the Internal Audit Department pursuant to Law 262/05 on the mandate of the Director in charge and pursuant to Legislative Decree 231/01 on the mandate of the Supervisory Body; and lastly the participation of the Internal Audit Manager in all meetings of

the Control and Risk Committee held during the year allowed the Internal Audit Department to maintain an adequate view during the course of the year of the risks threatening and managed by the YOOX Group and the problems which emerged and were brought to the attention of the various supervisory and control bodies, making it possible to give an adequate picture in the half-year reports to the Board of Directors, Director in charge, Control and Risk Committee and Board of Statutory Auditors;

- the Control and Risk Committee periodically invites the main functions with second-level control responsibilities for company transactions to its meetings in order to obtain precise and direct information about risk management in the areas of responsibility;
- the Board of Statutory Auditors maintains regular communication flows with the Board of Directors and the Control and Risk Committee. Specifically, the Board of Statutory Auditors attended all the meetings of the Committee held during the year;
- the Supervisory Body can be invited to attend meetings of the Board of Directors and the Control and Risk Committee, reporting half-yearly on the activities carried out. Specifically, during the course of the year the Body attended all the meetings of the Committee and reported to the Board on 5 March and 30 July 2014;
- the Board of Statutory Auditors takes part in the meetings of the Control and Risk Committee so that it is constantly updated on the activities and the decisions of the actual Committee, as well as for the purpose of reporting on the planning and outcome of audit activities. The Board of Statutory Auditors attended all the meetings of the Committee during the course of the year.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In order to implement the application criteria of the Code, the Issuer defined and adopted dedicated procedures for important transactions and related transactions, suitable to guarantee full and exhaustive information on these types of transactions for the Directors.

Procedure for Significant Transactions with Independent Parties

As provided for by the Code, the Issuer has adopted an internal procedure (the **Procedure**) intended to regulate information and procedures relating to transactions that have a significant impact on the Company's financial statement items, with particular reference to significant transactions conducted by YOOX with independent parties, also establishing criteria to identify these transactions, which are therefore the responsibility of the Issuer's Board. The Procedure is available in the Governance section of the Company website, www.yooxgroup.com.

The Procedure defines "significant transactions with independent parties" as the transactions listed below conducted by the Issuer with parties other than Related Parties.

(i) purchases, sales and other transactions that in any way affect the availability of investments recognised under non-current financial assets, of companies, company branches, real estate and/or other tangible and/or intangible assets recognised or able to be recognised under non-current assets, when the value of the individual transaction is greater than the limits of any mandates conferred to this end;

(ii) the taking out of loans (in any technical form) lasting more than 12 (twelve) months and for amounts greater than the limits of any mandates conferred to this end;

(iii) the taking out of loans (in any technical form and for any duration) if they contain disadvantageous covenants compared to those provided by other loans already approved by the Board and outstanding as at the date of approval of the Procedure;

(iv) all transactions governed by the Procedure approved by the Board if implemented differently from the manner set out by the Procedure;

(v) the application to banks and insurance companies for, and the subscription/issuing by the Issuer of personal or real guarantees in favour of third parties for amounts greater than mandate limits;

(vi) all transactions that do not take place under market conditions or that are atypical or unusual.

Significant transactions with independent parties are exclusively the responsibility of the Board of Directors, which also decides in the light of the analyses conducted in terms of strategic consistency, economic feasibility and expected return for the Issuer or the Group.

Procedure for related-party transactions

On 10 November 2010, the Board of Directors, taking note of the positive opinion of the Control and Risk Committee, charged with this purpose, unanimously approved the procedure for related-party transactions (the "**Related-Parties Procedure**") adopted pursuant to the Related-Parties Regulation.

In compliance with paragraph 6.1 of Consob communication 10078683 of 24 September 2010, on 5 March 2014 the Board of Directors, with the favourable opinion of the Related-Party Transactions Committee, confirmed the Related-Parties Procedure.

The Issuer applies the Related-Parties Procedure taking into account Consob Communication DEM/10078683, published on 24 September 2010, containing instructions and guidelines for the application of the Related-Parties Regulation.

The Related-Parties Procedure governs the identification, approval and management of transactions with related parties. Specifically, the Related-Parties Procedure:

- governs the procedure for identifying related parties, defines the method and timing for the preparation and updating of the List of Related Parties, and identifies the company divisions with responsibility for doing so;
- identifies the rules for identifying related-party transactions before they are carried out;
- regulates the procedures for carrying out transactions with related parties by the Issuer, through its subsidiaries as well, pursuant to Article 2359 of the Civil Code or subject to direction and coordination activities;
- establishes the procedure and timing for the fulfilment of the obligation to inform corporate bodies and the market.

Pursuant to paragraph 5 of the Related-Parties Procedure, directors who have an interest in the transaction must inform the Board promptly and in full of the existence of that interest and on the related circumstances of the same. The decision to have those directors leave the meeting during decisions on the transaction or to abstain from voting must be made on a case-by-case basis. If the director in question is the Managing Director, he will not conclude the transaction. In such cases, the Board's decisions must state adequate reasons and the benefit for the Issuer of entering into the transaction.

The Related-Parties Procedure and annexes can be consulted in the Governance section of the Issuer's website, www.yooxgroup.com.

Related-Party Transactions Committee

In the meeting on 10 November 2010, the Board of Directors resolved to establish from its own members a "Related-Party Transactions Committee", made up of independent directors and assigning this committee all the functions set out in the Related-Parties Procedure.

The Related-Party Transactions Committee, appointed by the Board meeting of 27 April 2012, is composed of:

- Massimo Giaconia – independent director – Chairman;
- Elserino Mario Piol – independent director;
- Raffaello Napoleone – independent director.

Over the year, the Related-Party Transactions Committee carried out its duties in compliance with the Related-Party Procedure.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors is governed by the legislation and regulations in force and by Article 26 of the Issuers' bylaws.

Pursuant to Article 26 of the bylaws, the Board of Statutory Auditors is made up of three standing auditors and two alternate auditors, in compliance with the gender equality provisions pursuant to Article 148, paragraph 1-*bis* of the TUF, introduced through Law 120 of 12 July 2011; therefore for the first term of office, one year after the entry into force of Law 120/2011 at least one fifth of the members of the Board of Statutory Auditors must be from the gender least represented, while for the second and third terms representation must be increased to at least one third of the total, rounded up to the next highest whole number. The statutory auditors' term is three years, expiring on the date of the Shareholders' Meeting called to approve the financial statements of the last year of their term. Statutory auditors may be re-elected. Their remuneration is determined by the Shareholders' Meeting upon their appointment for the entire duration of their term.

Statutory auditors must meet the requirements established by law and other applicable provisions. As regards the requirements of professionalism, the subjects and sectors of activity strictly linked to those of the Company are those in commerce, fashion and IT, as well as those regarding private law and administrative disciplines, economic disciplines and those relating to company audit and organisation. Members of the Board of Statutory Auditors are subject to the limits on the number of management and control positions held as established by Consob regulations.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting based on the lists presented by the Shareholders, according to the procedure set out below, unless otherwise or further provided for by binding legal or regulatory provisions.

Minority shareholders – who do not form part of significant relationships, even indirectly, pursuant to Article 148, paragraph 2 of the TUF, and the related regulations – may appoint one standing auditor, to be appointed as Chairman of the Board and an alternate auditor. Minority auditors are elected at the same time as other members of management bodies, except when they are replaced, a situation governed as set out below.

Shareholders, who, as at the presentation date, alone or together with other shareholders hold a stake at least equal to that determined by Consob pursuant to Article 147-ter, paragraph 1 of the TUF, and in compliance with the Consob Issuer Regulation, may present a list for the appointment of statutory auditors. In this regard, with Resolution 19109 of 28 January 2015, Consob set the shareholding required to present candidate lists for the election of the Issuer's control body, with reference to the year ended 31 December 2014, at 1% of the share capital.

Lists must be deposited at the Company headquarters, in accordance with the procedures set out by the regulations, including existing pro tempore regulations, at least 25 (twenty-five) days before the Shareholders' Meeting called to appoint the auditors. The Company must also make the lists available to the public at least 21 (twenty-one) days before the Shareholders' Meeting, according to the procedures set out by the laws in force.

Lists must indicate the names of one or more candidates for the office of standing auditor and one or more candidates for the office of alternate auditor. The lists which, taking into consideration both the standing and alternate auditor sections, contain a number of candidates equal to or higher than three, must ensure the presence in both sections of both genders so that the candidates of the less represented gender number, for the first term following the entry into force of Law 120/2011, at least one fifth of the total, while in the second and third terms it must increase to at least one third of the total, rounded up to the nearest whole number. The candidates' names are ordered progressively in each section (standing auditor section, alternate auditor section), and their number must not be greater than the number of auditors to be elected.

Furthermore, the lists contain, also in annexes:

(i) information on the identity of shareholders who have submitted, with an indication of the total percentages of shareholdings held overall; the ownership of the overall shareholding is confirmed, following the filing of the lists, under the terms and procedures set out by the regulations, even existing *pro tempore* regulations;

(ii) declaration of shareholders other than those that hold, also together, a controlling or relative majority shareholding, certifying the absence of relationships pursuant to Article 144-*quinquies* of Consob Issuer Regulation with the same;

(iii) exhaustive information on the personal and professional characteristics of the candidates, as well as a declaration from these candidates certifying that they meet the requirements established by law, and accept the candidacy, along with a list of management and control positions held by them in other companies;

(iv) any further or other declaration, information and/or document provided for by law and applicable regulations.

Lists presented that do not comply with the above provisions are considered ineligible.

If by the deadline for the presentation of lists, only one list has been presented or there are only lists presented by shareholders acting in concert pursuant to applicable provisions, further lists may be deposited up to three days after this deadline. In this event, the above-mentioned thresholds required to present a list are halved.

A Shareholder may not present nor vote for more than one list, either directly, through a third party or a fiduciary company. Shareholders belonging to the same group and shareholders belonging to a shareholders' agreement relating to shares in the Issuer may not present nor vote for more than one list, either directly, through a third party or a fiduciary company. Adhesions and votes cast in breach of this regulation will not be attributed to any list. A candidate may only be present on one list, or will be deemed ineligible.

Statutory auditors are elected as follows: (i) two standing auditors and one alternate auditor are taken, according to the progressive order in which they are listed, from the list that obtained the largest number of votes (**"Majority List**"); (ii) a standing auditor, to be appointed as Chairman of the Board of Statutory Auditors ("**Minority Auditor**"), and an alternate auditor ("**Minority Alternate Auditor**") are taken, according to the progressive order in which they are listed, from the list that obtained the second highest number of votes, and which is not linked even indirectly with the shareholders that presented or voted for the majority list pursuant to applicable provisions ("**Minority List**").

If the resulting composition of the Board of Statutory Auditors or the category of alternate auditors body does not comply with the regulations relating to gender equality, taking into account the order of the list, the last persons elected on the majority list of the more represented gender forfeit their places in the necessary numbers to ensure compliance with requirements, and are replaced by the first candidates not elected on the same list of the less represented gender. In the absence of candidates of the less represented gender in the relevant section of the majority list in sufficient numbers to proceed with the replacement, the Shareholders' Meeting shall appoint the missing standing or alternate auditors through majority voting, ensuring the satisfaction of the requirement.

If two lists receive the same number of votes, the list presented by shareholders with the greatest shareholding at the time the lists are presented, or failing that, the one presented by the greatest number of Shareholders, shall prevail; all in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120/11.

If only one list is presented, the Shareholders' Meeting shall vote on it, and if it obtains the relative majority of votes, without taking abstentions into account, all the candidates for the positions of standing and alternate auditor on the list shall be elected, in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120/11. In this case, the Chairman of the Board of Statutory Auditors shall be the first standing auditor candidate.

If no lists are presented, the Board of Statutory Auditors and the Chairman are appointed by the Shareholders' Meeting through simple majority voting prescribed by law, in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120/11.

If the majority auditor leaves the position for whatever reason, he/she will be replaced by the alternate auditor taken from the majority list. If the minority auditor leaves the position for whatever reason, he/she will be replaced by the alternate auditor taken from the minority list.

Pursuant to Article 2401, paragraph 1 of the Civil Code, the Shareholders' Meeting appoints and replaces statutory auditors, in compliance with the principle of mandatory minority shareholder representation, and in compliance with the rules governing gender equality in the bodies of listed companies pursuant to Law 120/11.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The Issuer's Board of Statutory Auditors currently in office consists of three standing auditors and two alternate auditors, appointed by the Ordinary Shareholders' Meeting of 27 April 2012 and based on a single list of candidates presented by Shareholder Federico Marchetti. This list obtained 39,441,738 votes in favour, equal to 99.40% of the voting capital (39,679,811 ordinary shares).
The Board of Statutory Auditors will remain in office until the Shareholders' Meeting convened to approve the financial statements as at and for the year ending 31 December 2014.

For more information on the list registered for the appointment of the control body that took place on 27 April 2012, please see the Governance section of the Company website www.yooxgroup.com. Here you can also find the CVs of all standing and alternate auditors.

The Board of Statutory Auditors consists of the following members:

Name	Position	Year of birth	In office since	In office until	List	Indep. pursuant to Code.	% part B.A.	Other positions
Filippo Tonolo	Chairman	1965	27/04/2012 First appointment: 22/03/2000	Approval of the Financial Statements 31/12/2014	M	X	100	23
Patrizia Arienti	Standing Auditor	1969	27/04/2012 First appointment: 27/04/2012	Approval of the Financial Statements 31/12/2014	M	X	100	0
David Reali	Standing Auditor	1966	27/04/2012 First appointment: 25/10/2000	Approval of the Financial Statements 31/12/2014	M	X	100	24
Salvatore Tarsia	Alternate Auditor	1969	27/04/2012 First appointment: 27/04/2012	Approval of the Financial Statements 31/12/2014	M	X	n/a	5
Edmondo Maria Granata	Alternate Auditor	1970	27/04/2012 First appointment: 10/05/2006	Approval of the Financial Statements 31/12/2014	M	X	n/a	9

KEY
Position: indicates whether Chairman, standing auditor or alternate auditor.
List: indicates M/m according to whether the auditor was elected from the majority list (M) or minority list (m).
Indep.: indicates whether the statutory auditor can be classified as independent in accordance with the criteria set out by the Code, specifying at the foot of the table if these criteria have been supplemented or amended.
% part B.A.: shows attendance, in percentage terms, of the statutory auditors at the Board of Statutory Auditors meetings (in calculating this percentage, the number of meetings that the statutory auditor attended as a percentage of the number of Board of Statutory Auditors meetings held during the year or since the auditor took up office is considered).
Other positions: indicates the total number of positions of director or auditor covered by the person involved pursuant to Article 148-*bis* of the TUF. For information on other positions held by members of the Board of Statutory Auditors, see the information published by the Consob pursuant to Article 144-*quinquiesdecies* of the Consob Issuer Regulation on the website www.sai.consob.it under the section *Corporate Bodies – Information for the public*.

The Board of Statutory Auditors met six times during the year.

On average, the meetings lasted approximately two hours and fourty minutes.

Without prejudice to the expiry of the Control Body, there are expected to be at least five Board of Statutory Auditor's meetings in financial year 2015, as well as the one already held on 13 January 2015.

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At the meeting of 4 September 2014, the Board of Statutory Auditors verified that its members met the requirements of independence, also using to this end the criteria contained in the Code regarding directors' independence.

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The Issuer has not provided for a specific obligation in the event that a statutory auditor, on his/her own behalf or for third parties, has an interest in a certain transaction of the Company, in that it is considered to be an ethical duty to inform other statutory auditors and the Chairman of the Board of Directors in the event that a statutory auditor has, on his/her own behalf or for third parties, an interest in a certain transaction of the Issuer.

The Chairman of the Board of Directors has organised initiatives aimed at providing the Statutory Auditors with adequate knowledge of the sector of activity in which the Company operates, the corporate dynamics and their development, as well as the regulatory reference framework. More specifically, meetings were held at the Company's offices during which the main features of the Company's reference sector were illustrated.

The Board of Statutory Auditors has supervised and will supervise the independence of the independent auditors, checking compliance with applicable regulations as well as the nature and scope of services other than auditing provided to the Issuer and its subsidiaries by the independent auditors and entities within its network.

The Board of Statutory Auditors has constantly maintained normal coordination activities with the Control and Risk Committee and the Internal Audit Department. For information on the coordination activities please see the previous section 11.

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Pursuant to Legislative Decree 39/2010 ("Implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC"), the Board of Statutory Auditors was endowed with the functions of the Internal Control Committee and auditing and, specifically, the functions of supervising: *(i)* financial information process; *(ii)* the efficiency of the internal control, internal review, if applicable and risk management systems; *(iii)* financial auditing of the annual accounts and consolidated financial statements; *(iv)* independence of the independent auditors, especially as far as the provision of non-auditing services to the firm that is the subject of the statutory audit is concerned.

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Pursuant to Article 27 of the bylaws, the Board of Statutory Auditors performs the functions attributed thereto by law or other applicable regulatory provisions. For the whole period in which shares of the Company are traded on a regulated Italian market, the Board of Statutory Auditors also exercises every other duty and power prescribed by special laws; with particular reference to the disclosure due to the Board of Statutory Auditors, the Directors must report thereto every quarter, pursuant to Article 150 of the TUF.

Meetings of the Board of Statutory Auditors may also be held through the use of teleconferencing and/or videoconferencing systems, provided that:

a) the Chairman and the person minuting the meeting are present in the place in which it is convened;

b) all participants can be identified and can follow the discussion, receive, send and view documents and are able to contribute to the discussion of all agenda items in real time. Having verified these requirements, the Board of Statutory Auditors' meeting is considered to have taken place in the location of the Chairman and the person minuting the meeting.

15. RELATIONS WITH SHAREHOLDERS

Disclosure to shareholders is ensured by making available the most important Company documentation, promptly and continuously, in the Investor Relations and Governance sections of the Issuer's website, www.yooxgroup.com. and, where required, by the applicable regulations, the authorised storage mechanism named "**Nis- Storage**" at the address **www.emarketstorage.com**.

Specifically, this website makes available all press releases issued to the market, and the periodic accounting documents of the Issuer as soon as they are approved by the management bodies (annual financial report, half-year financial report and interim report on operations).

The main documents relating to Corporate Governance, the Organisational Model pursuant to Legislative Decree 231/2001 and the Code of Ethics may also be viewed on this site.

In compliance with Article 2.2.3, paragraph 3, letter i) of the Stock Exchange Regulation, on 29 October 2009, the Board approved the appointment of Silvia Scagnelli as manager of Investor Relations (contact: investorrelations@yoox.com) to handle relations with shareholders and institutional investors and possibly perform specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board will assess the implementation of any further initiatives to make information concerning the Issuer of importance to its shareholders more quickly and easily accessible.

16. SHAREHOLDERS' MEETINGS AND RIGHTS

Under Article 8 of the Issuers' bylaws, shareholders may attend the Shareholders' Meeting if they have the right to vote. Shareholders may attend the Shareholders' Meeting and exercise the right to vote if the Company has received an attendance notice from the intermediary who holds the related accounts pursuant to the law; on the basis of evidence of these accounts relating to the end of the accounting day of the seventh day the market was open prior to the date established for the meeting (first call) and received by the Company under the terms of the law.

Those with voting rights may appoint proxies according to the provisions in force. Electronic notification of proxy is acceptable, under the conditions indicated in the notice of convocation, through a message sent to the certified electronic mailbox given in the actual notice or through the use of the dedicated section on the Company website. The Company can designate an individual to whom shareholders can grant a mandate to represent them at the Shareholders' Meeting, pursuant to Article 135-*undecies* of the TUF, giving notice of the calling of the Meeting (Article 9 of the bylaws).

Under Article 7 of the bylaws, both Ordinary and Extraordinary Shareholders' Meetings are called, pursuant to the laws in force, with a notice published on the Company website as well as other methods mandatorily provided for by law and regulations and, if required by the applicable regulations, in the daily newspapers "Il Sole 24 Ore" or "M.F. Mercati Finanziari/Milano Finanza" specifying the date, time and place of the first call, as well as a list of agenda items to be discussed, without prejudice to compliance with any other provisions established by the laws in force.

Pursuant to Article 6 of the bylaws, the shareholders must meet in an Ordinary Shareholders' Meeting to approve the financial statements within 120 days of the end of the financial year, or, in cases set out in Article 2364, paragraph 2 of the Civil Code, within 180 days of the end of the financial year, without prejudice to the provisions of Article 154-*ter* of the TUF. Extraordinary Shareholders' Meetings are called in all cases provided for by law.

The meeting agenda is established by those who exercise the power to call the meeting pursuant to the laws in force and the bylaws, or, if the meeting was called upon request of the Shareholders, it is based on the issues to be discussed indicated in the notice of meeting.

Pursuant to Article 126-*bis* of the TUF, shareholders who, including jointly, represent at least one-fortieth of the share capital, may request – with the exception of items that must be proposed by the Board of Directors or based on a plan or report produced by the Board – additional items for the agenda or propose resolutions on items already in the agenda within ten days of publication of the notice, or within five days in the case of convocation pursuant to Article 125-*bis*, paragraph 3 of the TUF or Article 104, paragraph 2 of the TUF. Shareholders who require an addition to the Agenda should prepare a report which contains the reasoning behind the proposals for a resolution on the new subjects they are proposing, i.e. the reason relating to the further proposals for a resolution presented on the subjects already on the Agenda, and they should submit it to the Board of Directors by the deadline for presenting requests for additions.

Pursuant to Article 2367 of the Civil Code, the directors should call the meeting without delay when there is a demand by a number of shareholders representing at least one twentieth of the share capital.

Article 127-*ter* of the TUF provides that shareholders can ask questions about subjects on the agenda even before the meeting. Questions received before the meeting will be answered, at the latest, during the actual meeting. The Company reserves the right to provide a single answer to questions with the same contents. The call notice indicates the deadline by which the questions put before the Shareholders' Meeting should reach the Company. The deadline should not be earlier than three days prior to the date of the Shareholders' Meeting, first or only call, or five days if the call notice requires the Company to give an answer, before the Shareholders' Meeting, to questions received. In this case the answers will be supplied at least two days before the Shareholders' Meeting, including through publication in a dedicated section of the Company website.

Under Article 10 of the bylaws, Shareholders' Meetings are chaired by the Chairman of the Board of Directors, or if the Chairman is absent or unavailable, by the sole Vice-Chairman, or, if there is more than one Vice-Chairman, the longest serving among those present, and if they have been in office the same amount of time, the most senior. If the Chairman, the sole Vice-Chairman or all the Vice-Chairman is absent or unavailable, the Shareholders' Meeting is chaired by a director or shareholder, appointed by majority of those present.

The Chairman of the Shareholders' Meeting ascertains the identity and legitimacy of those present; he/she verifies that the meeting is being held in a regular manner and that a sufficient number of shareholders with the right to vote is present for resolutions to be valid; he/she conducts the meeting, establishes voting procedures and checks the results of the votes.

For the constitution of Ordinary and Extraordinary Shareholders' Meetings and its resolutions to be valid, they must comply with the provisions of the laws in force and the bylaws. All resolutions, including those of elections to company positions, are passed by open ballot (Article 12 of the bylaws).

To facilitate attendance at the Shareholders' Meeting, and the exercise of voting rights by shareholders with the right to vote, Article 6 of the Issuer's bylaws provide that the meeting may be held with the attendants in different locations, neighbouring or distant, with audio/video links, provided that the principles of collective decisions, good faith and equality among shareholders are respected.

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The right to withdraw may only be exercised within the limits and according to the provisions dictated by binding legal provisions, and pursuant to Article 3 of the bylaws, is in any case excluded in the event of extension of the Company's duration. Under Article 5, paragraph 3 of the bylaws, in the event that it is decided to introduce or remove restrictions regarding the circulation of shares, even shareholders who did not vote for this resolution will not have the right to withdraw.

In accordance with Article 29 of the bylaws, the profit shown in the financial statements, minus the portion to be allocated to the legal reserve up to the limit prescribed by law, is allocated as decided by the Shareholders' Meeting. Specifically, on the proposal of the Board of Directors, the Shareholders' Meeting may vote on the formation and increase of other reserves. The Board may decide to distribute advances on dividends according to the procedures and forms prescribed by law.

The Extraordinary Shareholders' Meeting may vote on the allocation of profits or reserves made up of earnings to employees of the Company or its subsidiaries through the issue, up to an amount equivalent to the profits, of ordinary shares without any restriction or special categories of shares to be assigned individually to employees, pursuant to Article 2349 of the Civil Code.

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At present, the Company does not recognise the need to propose the adoption of specific regulation to govern the work of the Shareholders' Meetings, considering it appropriate that, in principle, shareholders are guaranteed maximum participation and expression in meeting debate.

Over the year, two Shareholders' Meetings took place on 17 April 2014 (with five directors in attendance) and on 19 December 2014 (with three directors in attendance). On the occasion of the Shareholders' Meetings, the Board has reported on the activities carried out and planned and has provided the shareholders with adequate information surrounding the necessary elements so that they can take the necessary decisions with full knowledge of the facts.

As far as the rights of shareholders not illustrated in this Report are concerned, see the applicable laws and regulations.

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At its meeting of 25 February 2015, in accordance with Criterion 9.C.4 of the Code, the Board did not consider it necessary to propose to the Shareholders' Meeting any changes to the bylaws in relation to the percentages established for the year of the privileges put in place to protect minority shareholders – in application of Article 144-*quater* of Consob Issuer Regulation for the presentation of lists for the appointment of members to the Board of Directors and Board of Statutory Auditors – Articles 14 and 26 of the Issuer's bylaws require a shareholding at least equal to that determined by the Consob pursuant to the laws and regulations. In this regard, with Resolution

19109 of 28 January 2015, Consob set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ending 31 December 2014, at 1% of the share capital.

17. FURTHER CORPORATE GOVERNANCE PRACTICES

The Issuer has not adopted any further corporate governance practices beyond those prescribed by legislation and regulations, and described in this Report.

18. CHANGES SINCE THE END OF THE YEAR

No changes have taken place in the corporate governance structure since the end of the year apart from those specifically identified in this Report.

Zola Predosa (BO), 25 February 2015
For the Board of Directors

Chairman of the Board of Directors
Federico Marchetti
(signed on the original)

DIRECTORS' REPORT

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DIRECTORS' REPORT

REFERENCE MARKET

Also in 2014 the online retail market continued to record sustained growth in almost all geographic markets and the main categories of merchandise. This growth was much faster than in the traditional retail market, which enabled the online channel to further increase its penetration into the overall retail market, demonstrating the growing trend to use the Internet as a complementary shopping channel to physical stores.
Forrester Research estimates that the online retail market, excluding the travel, automobile and prescription medicine sectors, recorded sales in 2014 of around Euro 161 billion in Western Europe, an increase of 14% compared with 2013[7], and approximately USD 297 billion in the United States and Yen 6.462 billion in Japan, an increase of 13% compared with 2013[8,9]. Forrester estimates growth of 13% for the online retail market in Western Europe in 2015, and 12% in the United States and Japan.
In the context of the retail online market, the YOOX Group operates in the fashion sector (defined as a consolidation of the clothing, footwear, jewellery and watches markets), which according to data from Forrester Research, represented approximately 22% of the online retail market in western Europe and the United States in 2014, recording rates of growth of 15% and 13%, respectively, compared to 2013. Forrester forecasts a 2014-2018 CAGR (Compound Annual Growth Rate) of approximately 12% in Western Europe and 11% in the United States. The online fashion market in Japan (defined as a combination of the clothing, accessories and footwear markets) represents about 21% of the entire online retail market, having grown by more than 11% compared with the previous year, with an estimated CAGR for 2014-2018 of over 9%.
According to the forecasts published by Forrester Research in October 2014, the online fashion market in China (defined as the collection of clothing, accessories and footwear markets), recorded sales of around CNY 560 billion in 2014 (equal to around Euro 68 billion), a growth of 38% compared with 2013 and a 214-2018 CAGR estimated at considerably higher than those of the other markets described above at around 23%.
There are many reasons for the strong growth forecasts for the online retail market throughout the world. These include the wider selection of products offered on the Internet, the desire for convenience and the growing perception of the web as a safe place to make purchases. In addition, the number of Internet users and people making online purchases continues to grow, together with the higher average annual expenditure per user, this confirms the emergence of a new, increasingly digitally native generation. As further confirmation of the growing importance of digital channels, today's consumers require an increasingly more integrated and consistent experience between physical channels and virtual channels, and Forrester Research estimates that in 2014 the online channel influenced over 60% of total sales in the luxury sector[10].
A growing number of fashion, design and luxury companies have forged closer contacts with the world of the Internet, aware of what a strategic role it can play in helping them expand their visibility and what they offer at a global level and establish a direct relationship with their customers. This has ensured that an increasing number of companies are investing in improving the shopping experience, of online contents and in alternatives for supporting online sales in the long-term such as social and mobile commerce, the channel that is assuming ever growing importance.

INTRODUCTION

In 2014 the Group's sales continued to grow, both for the Multi-brand and the Mono-brand business lines, recording growth in all the main reference markets. The number of active customers, the number of unique visitors, the number of orders and the average order value also improved. Please see the below key indicators table for further details.

One of the most significant events was the extension of the online stores of Stella McCartney and Alexander McQueen to China in January 2014. February 2014 saw the launch of Burberry on thecorner.com, with the Burberry Prorsum and Burberry London lines, and on shoescribe.com with the Burberry Prorsum, Burberry London and Burberry Brit brands.
The Missoni Home line was activated on 20 March 2014 on missoni.com in all countries where the online store is operational, while on 6 May 2014, earlier than the original date scheduled in the contract, Dsquared2 S.p.A. and

7 Calculations based on Forrester Research data – "Online retail forecast, 2013 to 2018 (Western Europe), Forrester Research Inc., 24 December 2014".
8 Calculations based on Forrester Research data – "Online retail forecast, 2013 to 2018 (US), Forrester Research Inc., 26 January 2015".
9 Calculations based on Forrester Research data – "Online retail forecast, 2014 to 2019 (Asia Pacific), Forrester Research Inc., 14 October 2014".
10 "True-Luxury Global Consumer Insight", BCG - Fondazione Altagamma, 22 January 2015.

YOOX S.p.A. renewed their collaboration agreement for the management of the dsquared2.com online store in Europe, the United States, Japan and China for a further 5 years, until 30 April 2019.
In April and May 2014, the online stores of Brunello Cucinelli and Balenciaga respectively were extended to China.
On 15 May 2014 kartell.com "Powered by YOOX Group", which was created and produced by the Group's creative agency, was extended to Europe, while at the end of June 2014 the online store of Sergio Rossi was extended to China.
On 13 June 2014 Alexander Wang Inc., the New York brand of the eponymous stylist and YOOX S.p.A. signed an agreement for the management of the Alexander Wang and T by Alexander Wang brand online stores in the United States, a country in which alexanderwang.com already has a considerably large e-commerce business.
The existing collaboration between YOOX and Alexander Wang for Europe and Asia, which has become a global partnership, was also extended until 31 December 2017. From 1 July 2014 alexanderwang.com "Powered by YOOX Group" was also activated in the United States.
In July the agreement with Jil Sander Italia S.p.A. (Onward Luxury Group) for the management of jilsander.com "Powered by YOOX Group" was renewed for a further 5 years until 29 September 2019.
In September the Moncler.com online store was extended to Japan.
The 2 Mono-brand agreements, specifically, YOOX S.p.A., by mutual agreement with the brands, decided not to continue collaboration with Coccinelle S.p.A. and Bally S.A..
As pointed out in the subsequent events after the end of the year, the Brioni online store was extended to China on 5 February 2015.
As highlighted in the subsequent events after the end of the year, February saw the debut of Lanvin's online store in Europe, the United States and the major Asia Pacific area countries. In addition, the new release of marni.com "Powered by YOOX Group" was launched in February. The creative concept was developed by the YOOX creative agency and the Brioni online store was extended to China.

In line with the logistics strategy that involves the opening of specialist stores by goods category based on the Groups' growth requirements (so-called "lego strategy"), in January 2015 the new semi-automated space dedicated to footwear was inaugurated at the logistics Interporto (Bologna).

YOOX Group will devise and produce the graphic concept for the next release of fendi.com for FENDI (LVMH Group) which is scheduled to go live in 2015. For the first time, the YOOX in-house creative agency will take care of the creative and graphic context of a website outside of its Mono-brand portfolio, after having been awarded the contract for which several of the major international web agencies were bidding for.

At the beginning of the year, the YOOX Group joined the Altagamma Foundation as a partner. Since 1992 this organisation has gathered together high-end Italian companies whose brands are famous at international level. YOOX becoming a member, as the only and unique digital brand among the luxury brands is a testament to how the integration dynamics between the digital world and the traditional retail channel have become increasingly more fundamental for business strategies in the segment.

In line with the strategy of extending its in-season offering in the Multi-brand business line, yoox.com launched sunglasses, online at the beginning of the summer, and sportswear which was introduced in Europe from September 2014.
The introduction of these two new categories, suggested by the in-depth knowledge of the taste and behaviour of customers, which allow yoox.com to extend its audience further and offer loyal customers a more extensive selection.
Sportswear and sunglasses have a progressive and increasingly dirompente convergence between functionality and trend in common, making them perfectly complementary for yoox.com customers who are lovers of fashion and style.
An enormous market ($255 billion of sales globally and online penetration of 7% in 2013[11], compared with 4.5% of luxury goods[12]), growth prospects of more than 12% compared with clothing[13], the presence of specialist online retailers mainly in performance sportswear and no Multi-brand luxury e-tailers with a significant offering make fashion sportswear a great opportunity.
The sunglasses market[14] is equally attractive worth approximately $20 billion globally in 2013, and specifically the luxury sunglasses market which, with growth prospects of 19% higher than other accessories[15] excluding footwear, is destined to drive the future growth of the entire market and have a still relatively low online penetration due, in the main, to the limited internet distribution.

11 Historical and prospective data for the Sportswear category published by Euromonitor - "Apparel and Footwear", Euromonitor, March 2014.
12 Source: Altagamma 2013 Worldwide Markets Monitor", Bain & Company - Altagamma, Foundatiion 28 October 2013.
13 Historical and prospective data for the Apparel category published by Euromonitor - "Apparel and Footwear", Euromonitor, March 2014.
14 Historical and prospective data for the Sunglasses category published by Euromonitor - "Apparel and Footwear", Euromonitor, March 2014.
15 Other accessories excluding footwear include the Apparel accessories, Designer Clothing Accessories, Luxury accessories, Luxury Small Leather Goods, Luxury Bags and Other Luxury Accessories categories. Calculations based on prospective data published by Euromonitor: "Apparel and Footwear", Euromonitor, March 2014 (for the Apparel accessories category); "Luxury Goods", Euromonitor, September 2013 (for the remaining categories).

In the second half of September, yoox.com launched the area dedicated to fashion and lifestyle sports clothing with numerous exclusive collaborations with renowned designers and brands such as Adidas by Stella McCartney, Adidas by Porsche Design, BWGH for Puma, some of the most well-known global brands like Nike, Under Armour, Oakley, Patagonia, Puma, Reebok, The North Face, as well as research brands like Drop of Mindfulness, Lucas Hugh and NO KA 'OI. The brand portfolio, already containing a vast array at the time of the launch, will continue to be constantly enriched.
For its online debut the sunglasses area already showed a quality selection with important brands, to which new ones are constantly being added.
With the aim of enhancing the range offered by yoox.com with new categories and bolstering it for existing and successful categories, the area of the website dedicated to Pop up Stores has been developed and its visibility increased. This involves shops-in-shops which offer lifestyle brands exposure to a high-quality traffic and a very customised e-commerce solution at global level in rapid time and with limited investment thanks to the powerful platform and high number of visitors of yoox.com.

Multi-brand business line

The Group's Multi-brand operation breaks down into three online stores owned by the Company:

(i) yoox.com, which to date generates the majority of the revenues of the Multi-brand business line;

(ii) thecorner.com, which was opened in the first half of 2008;

(iii) shoescribe.com, launched in March 2012.

The Group has based growth on yoox.com, and on the technological, operational and commercial expertise it has acquired over the years, it has subsequently developed the Mono-brand business line, thecorner.com and from the first quarter of 2012, shoescribe.com.

As an online store, **yoox.com** has been operational since June 2000, and offers a vast array of fashion, design and art products. The majority of products offered on yoox.com are clothing, footwear and fashion accessories drawn from the collections of well-known brands for the corresponding season of the previous year at reduced prices. To complete its select offerings, yoox.com offers collections made exclusively for sale through yoox.com from major designers, eco-friendly fashion, vintage garments, an original selection of design objects and a refined collection of art work.

thecorner.com is an online luxury boutique launched in February 2008 to market the current season's collections, ranging from the most prestigious well-known brands to cutting-edge stylists, many of whom are presenting their debut collections online. The products sold on thecorner.com carry prices in line with those found in the traditional channel for the same clothing and accessories.
Initially the range of thecorner.com included menswear collections exclusively, extended to a womenswear collection from September 2009.
thecorner.com is a virtual space containing mini-shops dedicated to each brand, designed to recreate the style, atmosphere and world of ideas evoked by the brand. Customers can browse for clothes, shoes and accessories while immersed in exclusive multimedia content and images from advertising campaigns and fashion shows.

shoescribe.com is the Multi-brand online store launched in March 2012 devoted entirely to women's footwear. shoescribe.com offers a unique all-round shopping experience in the world of shoes, ranging from the editorial component to the care of shoes after purchase. The concept behind the store is actually based on the combination of three key elements: e-commerce, exclusive shoe-related services and editorial content. The range consists of an original and very carefully chosen selection of the most sought-after big name brands, as well as a selection of products inspired by shoes. For those who are passionate about shoes, shoescribe.com offers several services with added value, including a system for organising your shoes in your wardrobe, which comes with every package, and a network of trusted shoemakers for repairs. In addition, via an annual subscription, "shoescribers" can access the most exclusive services, ranging from complimentary shoe repair to free shipping throughout the year.

In 2014, the Multi-brand business line generated a monthly average of about 7.6 million unique visitors[16].

[16] Monthly unique visitor is defined as a visitor who opened at least one browser session to visit the online store over the month. The figure reported is calculated as the average of monthly unique visitors for the period concerned.

The Group has designed and promoted web campaigns courtesy of which the Multi-brand business line has reached a figure in 2014, of approximately 40 thousand websites in more than 50 countries; about 370 million newsletters were sent out to registered users translated into the languages managed by the Group.

Mono-brand business line

Since 2006 the Group has operated in the Mono-brand business line, which involves the design, setting up and exclusive management of mono-brand online stores for some of the world's leading fashion brands, which it works closely together with.

The Group offers its services as a key Strategic Partner for major fashion companies boasting internationally renowned brands. Thanks to its years of experience, the Group is able to manage the entire online shopping process for these companies. All online stores display the wording "Powered by YOOX Group", which is considered recognition of the guarantee of service quality offered by YOOX. The Group offers its partners consulting and web marketing investment management services, both when new online stores are launched and when they are operational.
The Group is also a partner of Kering (formerly PPR Group) with whom it set up a joint venture dedicated to the management of the Mono-brand online stores of the various luxury brands of Kering.

In 2014, the Mono-brand business line generated a monthly average of about 7.6 million unique visitors.

As at 31 December 2014, there were 37 operating online stores. Specifically:

- marni.com, the online store of the Marni brand operational since September 2006, active mainly in Europe, the US and Japan and operational in China since March 2011;

- emporiorarmani.com, the online store of the Emporio Armani brand, operational in the US since August 2007; its operations were expanded mainly to major markets in Europe in June 2008, to Japan in July 2009 and China in November 2010;

- diesel.com, the online store of the Diesel, Diesel Black Gold and 55 DSL brands, operational mainly in Europe since November 2007, and in Japan since February 2011;

- stoneisland.com, the online store of the Stone Island brand, operational since March 2008 mostly in the main European markets, the US and Japan;

- valentino.com, the online store of the Valentino brand, operational since April 2008 in the US and as at March 2009 in the main European markets and Japan;

- emiliopucci.com, the online store of the Emilio Pucci brand, operational since November 2008, mostly in the main European markets, the US and Japan;

- moschino.com, the online store of Moschino, Love Moschino and MoschinoCheapAndChic brands, active since February 2009 mainly in Europe, the US and Japan;

- dsquared2.com, the online store of the Dsquared2 brand operational since September 2009, active mainly in Europe, the US, Japan and China;

- jilsander.com, the online store of Jil Sander and Jil Sander Navy brands, operational since September 2009 mainly in Europe, the US and Japan; the Jil Sander Navy brand has been extended since January 2011;

- robertocavalli.com, the online store of the Roberto Cavalli and Just Cavalli brands, operational since November 2009 mainly in Europe, the US and Japan; the Just Cavalli brand has been extended since February 2011;

- giuseppezanottidesign.com, the online store of the Giuseppe Zanotti brand, operational since February 2010, mainly in Europe, the US and Japan;

- napapijri.com, the online store of the Napapijri brand, operational since March 2010, mainly in Europe and the US;

- albertaferretti.com, the online store of the Alberta Ferretti and Philosophy by Alberta Ferretti brand, active since March 2010 mainly in Europe, the US and Japan;
- maisonmarinmargiela.com, the online store of the Maison Martin Margiela brand, operational since October 2010, mainly in Europe, the US and Japan;
- zegna.com, the online store of the Ermenegildo Zegna, Zegna Sport and Z Zegna brands, operational since December 2010, mainly in Europe, the US and Japan; the extension to the Z Zegna brand took place in September 2011;
- y-3store.com, the online store of the Y3 brand, operational since March 2011, mainly in Europe, the US and Japan and, from November 2011, in China;
- brunellocucinelli.com, the online store of the Brunello Cucinelli brand, operational since March 2011, mainly in Europe, the US, Japan and China;
- bikkembergs.com, the online store of the Dirk Bikkembergs Sport Couture and Bikkembergs brands, operational since June 2011, mainly in Europe, the US and Japan;
- dolcegabbana.com, the online store of the Dolce & Gabbana brand, operational since July 2011 in Europe, the US and Japan and, from August 2011, in China;
- moncler.com, the online store of the Moncler brand, operational since September 2011, mainly in Europe, the US and China and from September in Japan;
- armani.com, the online store of the Giorgio Armani, Armani Collezioni, Armani Junior, EA7, Emporio Armani and Armani Jeans brands, operational since October 2011 mainly in Europe, the US, Japan and China;
- trussardi.com, the online store of the Trussardi 1911 brand operational since December 2011 mainly in Europe, the US and Japan; from October 2012 it was also extended to the Tru Trussardi and Trussardi Jeans brands;
- barbarabui.com, the online store of the Barbara Bui brand, operational since February 2012, mainly in Europe, the US and Japan;
- pringlescotland.com, the online store of the Pringle of Scotland brand, operational since March 2012, mainly in Europe, the US and Japan;
- pomellato.com, the online store of the Pomellato brand, operational since May 2012 mainly in Europe, the US and Japan;
- alexanderwang.com, the online store of the Alexander Wang and T by Alexander Wang brands, operational since May 2012 in the Asia-Pacific area countries, including China, Hong Kong, Japan and Europe and from June 2014 in the US;
- missoni.com, the online store of the Missoni brand operational since March 2013 mainly in Europe, North America and Japan;
- dodo.it, the online store of the Dodo brand operational since May 2013 mainly in Europe and North America;
- kartell.com, the online store of the Kartell brand operational since May 2014 in Europe;
- redvalentino.com, the online store of the Red Valentino brand, operational since November 2014 mainly in Europe, the US and Japan;
- sergiorossi.com, the online store of the Sergio Rossi brand managed by the joint venture between Kering and YOOX Group active since September 2012 in the main European markets, the US, Japan and China;
- bottegaveneta.com, the online store of the Bottega Veneta brand managed by the joint venture between Kering and YOOX Group launched at the end of 2012 in several European markets, the US and Japan;

- stellamccartney.com, the online store of the Stella McCartney brand, managed by the joint venture between Kering and YOOX Group launched at the end of 2012 in 100 countries including Europe, the US, Japan and China.
- alexandermcqueen.com, the online store of the Alexander McQueen brand, managed by the joint venture between Kering e YOOX Group and operational since May 2013 mainly in Europe, the US, Japan and China;
- balenciaga.com, the online store of the Balenciaga brand, managed by the joint venture between Kering and YOOX Group and operational since May 2013 mainly in Europe, the US, Japan and China;
- ysl.com, the online store of the Saint Laurent brand, managed by the joint venture between Kering and YOOX Group and operational since June 2013 mainly in Europe, the US and Japan;
- brioni.com, the online store of the Saint Laurent brand, managed by the joint venture between Kering and YOOX Group and operational since November 2013 mainly in Europe and the US.

REVENUES AND PROFITABILITY

Methodology note

This Directors' Report contains information relating to the revenue and profitability of the YOOX Group as at 31 December 2014.
Unless otherwise indicated, all amounts are expressed in thousands of Euros. The comparisons in document refer to the corresponding period of the previous financial year. For reasons of clarity, it should be noted that variances in percentage terms and variations in the diverse items indicated have been calculated on precise values. It should also be noted that possible differences that may be found in some tables are due to rounding off amounts expressed in thousands of Euro. The Parent Company YOOX S.p.A. is referred to with its full name or simply as the Company; the Group reporting directly to it appears as YOOX Group or simply as the Group; when notes refer to subsidiaries, full company names are used.
All subsidiaries of YOOX S.p.A. operate in the Group's business sector, or in any event, perform activities that are consistent with those of the Group. YOOX S.p.A. manages its subsidiaries with reference to the geographical operating area. Thus, for more precise information on geographical areas, please refer to the information by business sector, and in general, to information provided in the consolidated accounts in terms of comments on the main events that occurred in relation to subsidiaries.

Accounting policies

The annual financial report as at 31 December 2014 has been compiled in accordance with Article 154-*ter*, paragraph 5 of Legislative Decree 58/98 (TUF) as amended, and in compliance with Article 2.2.3 of the Stock Exchange Regulation.

The accounting policies, the consolidation policies and the measurement criteria used in preparing the annual report as at 31 December 2014 are consistent with those used to draw up the annual report as at 31 December 2013; which is available on the website www.yooxgroup.com in the "Investor Relations" section.

The accounting policies used by the Parent Company and by the Group are consistent with those of the International Financial Reporting Standards endorsed by the European Union and the application of Legislative Decree 38/2005 and other Consob rules and regulations governing financial statements. These financial statements were prepared on a cost basis (with the exception of derivative financial instruments, held-for-sale financial assets and available-for-sale financial instruments, which are stated at their current value) and on the assumption that the business is a going concern.

Also, in order to provide better information on the Group's revenues and profitability, in the light of the seasonal nature of sales, information referring to the fourth quarter of 2014 is also given.

The income statements for the Group, presented in the following pages of the current Directors' Report, have been reclassified in a way deemed by management to be useful for reporting interim indicators of profitability such as gross profit, EBITDA Pre Corporate Costs, EBITDA, EBITDA without incentive plans and operating profit. Some of the above interim profitability indicators are not recognised as accounting measures under the IFRS endorsed by the European Union, and their calculation may not be standard. Group management uses these indicators to monitor and measure the Group's performance. Management believes that these indicators are an important measure of operating performance in that they are not affected by the various criteria used to calculate taxes, the amount and characteristics of invested capital and the related amortisation and depreciation methods. The criterion used by the Group to calculate these indicators might not be consistent with that adopted by other groups or companies, and accordingly, the resulting figures may not be comparable.

Reclassified consolidated income statement

Reclassified consolidated income statement for the fourth quarter of 2014:

Thousand Euro	Q4 2014	Q4 2013	Change	
Consolidated net revenues	158,073	136,308	21,765	16.0%
Cost of goods sold	(99,937)	(81,466)	(18,472)	22.7%
Gross Profit[17]	**58,136**	**54,842**	**3,294**	**6.0%**
% of consolidated net revenues	36.8%	40.2%		
Fulfillment costs	(8,963)	(8,834)	(129)	1.5%
Sales and marketing costs	(17,449)	(14,152)	(3,297)	23.3%
EBITDA Pre Corporate Costs[18]	**31,724**	**31,856**	**(132)**	**-0.4%**
% of consolidated net revenues	20.1%	23.4%		
General expenses	(9,496)	(9,948)	452	-4.5%
Other income and expenses	(547)	(349)	(198)	56.8%
EBITDA[19]	**21,681**	**21,560**	**121**	**0.6%**
% of consolidated net revenues	13.7%	15.8%		
Depreciation and amortisation	(7,686)	(5,669)	(2,017)	35.6%
Non-recurring expenses	-	-	-	-
Operating profit	**13,995**	**15,890**	**(1,895)**	**-11.9%**
% of consolidated net revenues	8.9%	11.7%		
Result of equity investments	(99)	122	(221)	-181.3%
Financial income	2,449	404	2,045	>100%
Financial expenses	(1,486)	(1,851)	365	-19.7%
Profit before tax	**14,859**	**14,565**	**293**	**2.0%**
% of consolidated net revenues	9.4%	10.7%		
Taxes	(5,629)	(5,473)	(157)	2.9%
Consolidated net income for the period	**9,229**	**9,093**	**136**	**1.5%**
% of consolidated net revenues	5.8%	6.7%		
EBITDA excluding incentive plan costs[20]	**21,991**	**21,494**	**497**	**2.3%**
% of consolidated net revenues	13.9%	15.8%		
Consolidated net income for the period excluding incentive plan costs[21]	**9,466**	**9,042**	**423**	**4.7%**
% of consolidated net revenues	6.0%	6.6%		

In the fourth quarter of 2014, the Group's consolidated net revenues stood at Euro 158,073 thousand, an increase of 16.0% compared with Euro 136,308 thousand for the fourth quarter of 2013 (+17.2% at constant exchange rates). EBITDA stood at Euro 21,681 thousand in the third quarter of 2014, essentially in line with the Euro 21,560 thousand in the third quarter of 2013, with a margin of 13.7% compared to 15.8% for the same period of the

17 Gross profit is profit before fulfillment costs, sales and marketing costs, general expenses, other operating income and expenses, depreciation and amortisation, non-recurring expenses, income/loss from investment in associates, financial income and expenses and income taxes. Since gross profit is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union, its calculation might not be standard, and the measurement criterion adopted by the Group might not be consistent with that adopted by other groups, and accordingly, the resulting figures may not be comparable.

18 EBITDA Pre Corporate Costs is defined as profit before general expenses, other operating income and expenses, depreciation and amortisation, non-recurring expenses, income/loss from investment in associates, financial income and expenses and income taxes. Since EBITDA Pre Corporate Costs is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union, its calculation might not be standard, and the measurement criterion adopted by the Group might not be consistent with that used by other groups. EBITDA Pre corporate costs correspond to the sector operating result shown in the explanatory notes attached to the Group Consolidated Financial Statements.

19 EBITDA is profit before depreciation and amortisation, non-recurring expenses, income/loss from investment in associates, financial income and expenses and income taxes. Since EBITDA is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union, its calculation might not be standard. Group management uses EBITDA to monitor and measure the Group's performance. Management believes that EBITDA is an important measure of operating performance in that it is not affected by the various criteria used to calculate taxes, the amount and characteristics of invested capital and the related amortisation and depreciation methods. The criterion used by the Group to calculate EBITDA might not be consistent with that adopted by other groups, and accordingly, the resulting figure may not be comparable with those calculated by such groups.

20 The EBITDA excluding the incentive plans is defined as the EBITDA net of costs relating to the stock option plans and Company incentive plans, described in the Group's Consolidated Financial Statements. For more details, refer to Annex 1 of this Report, which describes the impact of these costs on the reclassified consolidated income statement.

21 The Net income excluding incentive plan costs is defined as the Net consolidated income for the period gross of non-cash costs relating to stock option plans and the Company incentive plan and related fiscal effects.

previous year. This performance is due to the strong operating leverage on general expenses which only partly offset the reduction in gross profit.
EBITDA excluding Incentive Plans stood at Euro 21,991 thousand, a 2.3% increase compared to the figure of Euro 21,494 thousand achieved in the fourth quarter of 2013 with a margin on net revenues of 13.9% compared with +15.8% in the same period last year. Consolidated net revenues was Euro 9,229 thousand compared with Euro 9,093 thousand in the fourth quarter of 2013. This result mainly reflects net financial income resulting from exchange rate gains in the quarter, which more than offset the increase in depreciation of Euro 2,017 thousand. Excluding non-cash costs charges relating to Incentive Plans and their related fiscal effect, Net income excluding Incentive Plans stood at Euro 9,466 thousand compared with Euro 9,042 thousand for the fourth quarter of 2013.

Reclassified consolidated income statement for the year 2014:

Thousand Euro	31 Dec 2014	31 Dec 2013	Change	
Consolidated net revenues	524,340	455,590	68,750	15.1%
Cost of goods sold	(336,793)	(284,786)	(52,007)	18.3%
Gross Profit	**187,547**	**170,804**	**16,743**	**9.8%**
% of consolidated net revenues	35.8%	37.5%		
Fulfillment costs	(42,318)	(37,913)	(4,405)	11.6%
Sales and marketing costs	(56,562)	(50,485)	(6,077)	12.0%
EBITDA Pre Corporate Costs	**88,666**	**82,406**	**6,261**	**7.6%**
% of consolidated net revenues	16.9%	18.1%		
General expenses	(37,350)	(36,479)	(871)	2.4%
Other income and expenses	(2,486)	(2,865)	379	-13.2%
EBITDA	**48,830**	**43,061**	**5,768**	**13.4%**
% of consolidated net revenues	9.3%	9.5%		
Depreciation and amortisation	(25,576)	(19,153)	(6,423)	33.5%
Non-recurring expenses	-	-	-	-
Operating profit	**23,254**	**23,909**	**(655)**	**-2.7%**
% of consolidated net revenues	4.4%	5.2%		
Result of equity investments	(694)	(639)	(55)	8.6%
Financial income	4,506	1,367	3,139	>100%
Financial expenses	(4,437)	(4,479)	42	-0.9%
Profit before tax	**22,629**	**20,157**	**2,472**	**12.3%**
% of consolidated net revenues	4.3%	4.4%		
Taxes	(8,827)	(7,537)	(1,289)	17.1%
Consolidated profit for the year	**13,802**	**12,620**	**1,182**	**9.4%**
% of consolidated net revenues	2.6%	2.8%		
EBITDA excluding incentive plan costs	**50,065**	**46,756**	**3,309**	**7.1%**
% of consolidated net revenues	9.5%	10.3%		
Consolidated net income for the period excluding incentive plan costs	**14,746**	**15,443**	**(697)**	**-4.5%**
% of consolidated net revenues	2.8%	3.4%		

In 2014 YOOX Group recorded consolidated net revenues, excluding sales returns and discounts to customers, equal to Euro 524,340 thousand, an increase of 15.1% compared with the figure of Euro 455,590 thousand as at 31 December 2013 (+17.7% at constant exchange rates).
EBITDA was Euro 48,830 thousand as at 31 December 2014 compared with Euro 43,061 thousand as at 31 December 2013. The percentage of EBITDA on net revenues went from 9.5% in 2013 to 9.3% in 2014: This performance was a result of the operating leverage on all cost lines and the lower notional expenses relating to the Incentive Plans, which almost entirely offset the gross profit performance. Excluding notional expenses relating to existing Incentive plans equal to Euro 1,236 thousand, EBITDA stood at Euro 50,065 thousand (+7.1% compared with the same period in 2013) with a margin on sales of 9.5%.
The net consolidated result was Euro 13,802 thousand compared with Euro 12,620 thousand as at 31 December 2013 and was achieved in spite of the increase in depreciation due to greater investment in technological innovation made in the last three-year period and the increased effect of the tax burden benefitting exchange rate gains not realised in the fourth quarter of the year. Excluding non-cash costs relating to incentive plans and their related tax effect, Net income excluding incentive plans stood at Euro 14,746 thousand compared with Euro 15,443 thousand in 2013.

The table below provides several key indicators[22] on the Group's operations.

	31 Dec 2014	31 Dec 2013
Number of monthly unique visitors[23] (millions)	15.2	13.2
Number of orders (thousands)	3,387	2,785
AOV[24] (Euro)	202	215
Number of Active Customers[25] (thousands)	1,252	1,081

In 2014 the Group recorded an average of 15.2 million Monthly Unique Visitors compared with 13.2 million in the previous year and the number of orders stood at 3,387 thousand, equal to one order processed every 9 seconds, compared with 2,785 thousand in 2013.
The average order value (AOV) stood at Euro 202 (excluding VAT) compared with Euro 215 (excluding VAT) in the same period of the previous year.
The number of active customers increased from 1,081 thousand in 2013 to 1,252 thousand in 2014.

Analysis of net revenues and operating profit by business line

Key operating information by business line with a breakdown of the Group's net revenue and operating profit by business line is provided below.
Since the management reporting system used by management to assess corporate performance does not allocate certain accounting aggregates to business lines (depreciation and amortisation, non-monetary revenue and expenses, general expenses, other non-recurring income and expenses, the result of equity investments, financial income and expenses and taxes), these items remain within the purview of the Corporate area since they are not related to the specific operating activities of the business lines. Thus, the business line's operating profit coincides with EBITDA Pre Corporate Costs in terms of the entries included and previously reported in this total.
For additional details on operating information by business line as at 31 December 2014, with a reconciliation of entries with the Group's income statement, see the consolidated financial statements.

Operating information by business line as at 31 December 2014 is as follows:

	Multi-brand		Mono-brand		Total Group	
Thousand Euro	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Consolidated net segment revenue	381,716	328,171	142,624	127,419	**524,340**	**455,590**
% of consolidated net Group revenue	72.8%	72.0%	27.2%	28.0%	**100.0%**	**100.0%**
% change	*16.3%*		*11.9%*		***15.1%***	
Segment operating profit	59,208	55,332	29,459	27,074	**88,666**	**82,406**
% of consolidated net sector revenue	15.5%	16.9%	20.7%	21.2%	**16.9%**	**18.1%**
% change	*7.0%*		*8.8%*		***7.6%***	

In 2014, the Group's consolidated net revenues, net of returns from sales and discounts given to customers, was equal to Euro 524,340 thousand, a growth of 15.1% compared with Euro 455,590 thousand in 2013, thanks to the contribution from both business lines.
The sector operating result (or EBITDA Pre Corporate Costs) was Euro 88,666 thousand, an increase of 7.6% compared with Euro 82,406 thousand as at 31 December 2013, with a profit of 16.9% compared with 18.1% for 2013. This result is mainly attributable to a lower gross margin, not entirely offset by the operating leverage on fulfilment costs and sales and marketing.

Multi-brand business line
The Multi-brand business line, which includes the activities of the online stores yoox.com, thecorner.com and shoescribe.com, recorded consolidated net revenues of Euro 381,716 thousand, a 16.3% increase compared with Euro 328,171 thousand in 2013 (+19.7% at constant exchange rates. This performance was achieved in spite of a very challenging comparison with the same period in 2013 (+29.6%) and a decreasing AOV because of both a further devaluation of the rouble and the yen, and promotional policies supporting the Autumn/Winter collection penalised by the record hot weather.
Overall, in 2014, the Multi-Brand business line accounted for 72.8% of the Group's consolidated net revenues.

[22] The indicators refer to a yoox.com, thecorner.com, shoescribe.com and to the Mono-brand online stores "Powered by YOOX Group". The indicators relating to the joint venture with Kering are excluded.
[23] Source: Site Catalyst for yoox.com; Google Analytics for thecorner.com, shorescribe.com and Mono-brand online stores "Powered by YOOX Group".
[24] Average Order Value or AOV, excluding VAT indicates the average value of each purchase order.
[25] An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.

The operating result of the Multi-brand sector stood at Euro 59,208 thousand, an increase of 7.0% compared with Euro 55,332 thousand in 2013, with a margin of 15.5% compared with 16.9% in the same period of the previous year. This result is attributable to a lower gross profit, only offset by the operating leverage on fulfilment costs and sales and marketing. Specifically, the gross profit performance suffered from the extremely unfavourable exchange rates in the entire period, more promotional policies supporting the 2014 Spring/Summer and Autumn/Winter collections, as well as the greater impact of shipping costs as a result of the decreasing AOV.

Mono-brand business line
The Mono-brand business line includes the design, set-up and management of the online stores of some of the leading global luxury fashion brands. This business line recorded consolidated net revenues equal to Euro 142,624 thousand, with a 11.9% increase (+12.4% at constant exchange rates) compared with the Euro 127,419 thousand as at 31 December 2013, while the growth in net revenues at retail value stood at 19.2%.
Overall, as at 31 December 2014, the Mono-brand business line accounted for 27.2% of the Group's consolidated net revenues with 37 online stores.
Operating profit for the mono-brand segment stands at Euro 29,459 thousand, an increase of 8.8% compared with Euro 27,074 thousand in 2013, with a margin of 20.7%, compared with 21.2% as at 31 December 2013. This result reflects a different mix of online stores and lower revenues from online store activities in the fourth quarter of the year.

Consolidated net revenues by geographical area

Below is a breakdown of the Group's consolidated net revenues by geographical area for 2013 and 2014.

Thousand Euro	31 Dec 2014		31 Dec 2013		Change	
Italy	86,082	16.4%	70,852	15.6%	15,230	21.5%
Europe (excluding Italy)	248,651	47.4%	218,742	48.0%	29,909	13.7%
North America	115,191	22.0%	102,765	22.6%	12,426	12.1%
Japan	36,793	7.0%	34,400	7.6%	2,393	7.0%
Other countries	28,808	5.5%	21,803	4.8%	7,005	32.1%
Not country-related	8,815	1.7%	7,028	1.5%	1.786	25.4%
Total YOOX Group	**524,340**	**100.0%**	**455,590**	**100.0%**	**68.750**	**15.1%**

In 2014, the Group recorded improving results in all the main benchmark markets.

Italy's performance was excellent, with net revenues of Euro 86,082 thousand, a 21.5% increase compared with 2013. This result benefited from a constant increase in brand awareness, mainly due to the success of the yoox.com TV campaign, which translated into a sustained increase in new customers and visits, driven by mobile devices.

The rest of Europe also recorded solid results, an increase of 13.7% in 2014 (+17.7% at constant exchange rates) and 12.3% in the fourth quarter (+18.4% at constant exchange rates). The performance of the last three months of the year reflects a slowdown in growth in Russia – due to the further and net devaluation of the exchange rate – and an acceleration in the other major European markets, including France, Germany and the U.K.

In 2014, North America, the Group's main market, recorded growth in net revenues of 12.1% at current and constant exchange rates. This result benefited the net acceleration of the fourth quarter by +24.1% (+16.7% at constant exchange rates). Excluding the impact due to the smaller business scope[26] compared to the same period in the previous year, growth in North America in the fourth quarter stood at 26.0%.

The Groups' net revenues in Japan increased by 7.0% in spite of the extremely unfavourable currency situation for the entire period (+15.7% at constant exchange rates). Growth in the fourth quarter stood at 1.2% (+5.3% at constant exchange rates).

Lastly, the excellent performance of the Other Countries continued, with growth of 32.1% in 2014 (+32.2% at constant exchange rates) and accelerating to +41.4% in the fourth quarter (+34.1% at constant exchange rates), driven by yoox.com in China, which benefited from the expansion of the range following the introduction of the complementary logistics set up in February 2014.

[26] The growth rate is calculated excluding the revenues of diesel.com in the United States – no longer active since 1 November – from the net revenues of North America for Q4 2013.

The “Not country-related” item (+25.4% compared with 31 December 2013) includes the set-up and maintenance activities for the online stores, for the media partnership projects in the Multi-brand business line, for web marketing and web design services in the Mono-brand business line, and for other services offered to Mono-brand partners.

MARKETING AND COMMUNICATION

The operations and projects conducted in 2014 for all group Multi-brand stores (yoox.com, thecorner.com and shoescribe.com) and for Mono-brand stores, enabled the marketing targets to be met and specifically: the acquisition of new users, the optimisation of the retention rate of active users and increase in brand awareness.

We have used a data-driven approach to define the allocation of the marketing budget between the various communication channels, basing the decisions on the investment return and the acquisition cost of new customers.

The constant optimisation of the performance of communication channels has enabled an increasingly more efficient growth in the number of new customers.
Specifically, in 2014 activities in the Web Marketing area have had the optimisation of “Search Engine Advertising” (SEM, acquisition of sponsored links on the main search engines) and the implementation of new agreements with branches and comparison sites as the main focus.

In addition, we have increased investments in re-marketing activities in order to increase the purchasing activity of active users.

In Italy there was a TV campaign for yoox.com from September to December on all the major Italian television channels (Mediaset, Sky, Discovery) which generated an increase in both brand awareness and the number of visitors. The TV campaign was also a strong driver for country growth in terms of revenues as well.

The Branding & Communication team followed the promotion of special projects on yoox.com and thecorner.com and shoescribe.com and also participated in the communication of the online stores in close collaboration with the Press Offices of the respective brands.

In relation to yoox.com, the most important initiatives and collaborations launched in 2014 were:

- *January* – The year opened for yoox.com with an Art project in collaboration with Matteo Guarnaccia, an important figure in contemporary culture. “Oh Lucky Stars… by Matteo Guarnaccia” was a journey through the symbolic universe of the zodiac through 12 limited edition prints, framed, numbered, signed by the artist and available exclusively on yoox.com.

- *February* – For Valentine's Day, yoox.com, as an exclusive Multi-brand retailer, presented “Lock your love, don’t lock your heart”, the benefit project which came about through the collaboration of Vogue Italia and Pomellato. The proceeds of the sales of an exclusive bracelet have been donated to the Umberto Veronesi FIEO Foundation.

- *February* – the acclaimed Italian designer Delfina Delettrez unveiled “Frozen Garden”, the capsule collection of jewellery inspired by the world of nature and created exclusively for yoox.com. The collection was presented through an exclusive stop-motion video directed by the multi-award winning animation maestro, PES.

- *February* – YOOXYGEN, the yoox.com eco-friendly initiative, presented the new season of the continuous project with the American model and actress Amber Valletta, curator of Master&Muse, with a selection of the best eco-sustainable international brands with exclusive editorial contents, photos and videos, supporting communication.

- *March* – Under the scope of a continuous collaboration project, the prestigious interior design magazine of Corriere della Sera Living created a series of photo shoots interpreting fashion, design and art using products chosen by yoox.com. The photos were launched in conjunction with the magazine. The initiative was replicated, with new photo shoots, in June, September and November as well.

- *April* – From 25 April yoox.com lifted the curtain on the Cinema Vezzoli show, with an exclusive public preview on the web, through a real time tour with Francesco Vezzoli as the guide. The show, a tribute to the cinema and modern society, was hosted by the prestigious MOCA - Museum of Contemporary Art of Los Angeles and opened to the public on 27 April. yoox.com sponsored the exhibition and, to celebrate the collaboration, it presented a pop-up store entirely dedicated to MOCA in the Art section of the website.

- *May* – The model and actress Elisa Sednaoui chose yoox.com to launch the first collection for mothers and babies. “Little-a-like”, the name of the collection, was designed exclusively for yoox.com and produced entirely in Italy, inspired by Egyptian style in line with the purpose of the operation: to support the Elisa Sednaoui Foundation, founded to promote and support the personal and educational development of young Egyptians through specific support programmes and cultural exchanges.

- *May* – SEPP Fashion Football magazine joined with yoox.com to celebrate the 2014 World Cup through the #SOCCERCOUTURE project: a capsule collection of unisex sweatshirts signed by 10 names from the world of international fashion and made in Italy. MSGM, Juun.J, Damir Doma, Duro Olowu, Aatha Ruiz de la Prada, Ami, Barbara Casasola, Ksubi and Masha Ma inspired by the sporting and cultural heritage of their countries to produce an exclusive design for yoox.com.

- *June* – On the occasion of its fourteenth birthday, yoox.com invited all customers to take part in the #HAPPYOOX campaign to enjoy a series of surprises and unexpected virtual "treats". The luckiest received a promo code and the possibility of sharing it with a friend.

- *June* – 10 years ago yoox.com entered the Japanese market: to celebrate this anniversary, a project was launched in June dedicated to the most famous designers from the land of the Rising Sun, from Kenzo to Issey Miyake, including Yamamoto and Rei Kawakubo. 珍しい発見 – Mezurashī Hakken** The Japanese Revolution was a showcase for a prestigious collection of vintage clothing from the 80s and 90s chosen by Lynn Yaeger, an American journalist and curator of the vintage area of yoox.com.

- *June* – The young Italian jewellery designer Madina Visconti di Modrone made her debut on yoox.com with her pop-up store: precious ornaments inspired by the world of nature and made entirely by hand in Italy with a collection ("Malva") created exclusively for yoox.com.

- *June* – In line with its natural spirit of exploration, yoox.com launched an exciting virtual journey for the discovery of Leonardo da Vinci through a prestigious continuous collaboration with the Pinacoteca Ambrosiana, an historical Milan museum and treasure chest of a priceless intellectual heritage. Having become the Milan home of YOOX, the gallery offered the web public the chance to discover the Codex Atlanticus, Leonardo's most important manuscript, the embodiment of all his knowledge. The launch was announced at an exclusive, select dinner at the gallery, with top influencers and the press, and two special products created by the designer Madina Visconti di Modrone taking her inspiration from the Renaissance genius.

- *September* – yoox.com officially announced its new Ambassadors: Osanna and Madina Visconti Di Modrone for Fashion, the American journalist Lynn Yaeger for Vintage, the internationally-famous critic and art curator Francesco Bonami for Art, and the American supermodel and actress Amber Valletta for YOOXYGEN.

- *September* – Takashi Murakami, one of the most valued contemporary artists in the world, created two exclusive, limited edition self-portraits for yoox.com, with 125 numbered copies signed by the artist. The project was presented by Francesco Bonami, curator of the Art area of yoox.com.

- *September* – At the end of the summer season, yoox.com opened the doors of a new department dedicated to Sportswear with a menswear/women's wear collection of in-season products from the most important players in the sector and an exclusive video telling of the contamination between performance and style: a vision of sport with a YOOX take that goes beyond the traditional concept of training to become lifestyle and "24/7". Not just clothing for running, training and outdoor pursuits, but items that are perfect to be worn everywhere for a real contemporary look.

- *September* – YOOXYGEN launched the autumn season of Master&Muse, the eco-sustainable fashion project in collaboration with the American model and actress Amber Valletta.

- *September* – yoox.com confirmed its participation as Online Retail & Media Partner in the 2014 edition of the Vogue Italia and Altaroma, Who Is on Next? competition for women, and the L’Uomo Vogue and Pitti

Immagine, Who Is on Next? competition for men. The winning designers Daizy Shely, Piccione.Piccione and Corion could make themselves known through the international platform of yoox.com and sell their exclusive creations throughout the world, at the same time as the Who Is On Next? event held at Palazzo Morando during Milan Fashion Week.

- *September* – The Milanese designer Gentucca Bini made her debut with her first collection of unisex sweatshirts designed exclusively on yoox.com. Distinctive items made in Italy featuring prints and appliques.

- *September* – Together once again, Vogue Italia and yoox.com joined in an initiative supporting Fashion 4 Development: YOOX.COM / V BLACK X F4D is the continuous project that collects exclusive creations of the most talented artists and designers chosen by Vogue Black. For the launch of the project, the designer Stella Jean produced a mini capsule collection exclusively for yoox.com made entirely in Ethiopia under the scope of an ethical work programme aimed at giving economic independence to the female community.

- *September* – YOOXYGEN made its entrance on yoox.cn through a capsule collection of masks designed exclusively for yoox.cn by Masha MA, Qiu Hao, Shang Guanzhe and Xander Zhou inspired by the theme of air pollution in China. Part of the proceeds from the sale of the collection were donated to the Million Forest project, the initiative that united the three charities, the Climate Group, UNEP and China Green Foundation.

- *November* – the yoox.com 2014 Christmas campaign held an exclusive party in true Italian style where fashion, design and art met the magic of Venice thanks to a menu of perfect offerings for Christmas. The interactive video *"A Dinner Party in Venezia"* unveiled a group of eccentric guests including narrow streets and bridges, and directed by the famous Arrigo Cipriani, celebrated numerous contents and collaborations. From the launch of the pop-up store dedicated to the Milanese design brand Fornasetti to the exclusive capsule of MSGM X YOOX inspired by the atmosphere of the Laguna, passing through the collection of couture kitchen aprons designed by famous personalities from the worlds of fashion, design and art.

In 2014 thecorner.com also launched numerous new collaborations and special projects including:

- *February*. For the fourth edition of the continuous project with Vogue Italia The Vogue Talents Corner.com, presented the collections of 11 talented young people for around the world, during Milan Fashion Week, which were on sale at the same time at thecorner.com.

- *Spring/Summer 2014 Season.* thecorner.com presented a series of capsule collections exclusively designed by brands of the calibre of Rochas, Marco de Vincenzo and Carven for women, and Paul Smith, Raf Simons and Christopher Kane for men.

- *April*. To support communication and sales of the new "Beachwear Corner", thecorner.com developed three exclusive capsule collections of swimwear, in collaboration with the brands We are handsome and Roksanda Ilincic for women and Roda for men.

- *June*. The Italian stylist Stella Jean signed an exclusive t-shirt for thecorner.com, given away to all top clients and international journalists.

- *June*. During the 85th edition of Pitti Immagine Uomo, thecorner.com together with Pitti Immagine presented the *De' (Millennials) Costumi*, a code of elegance for dressing a true gentleman of the new Millennium, directed by Stefano Tonchi, at an exclusive event held in Florence.

- *October*. The launch of the new collection designed by Massimo Piombo, MP Massimo Piombo, was supported by a special presentation at thecorner.com, through the words of three influential editors *Robert Rabensteiner, Tom Stubbs and Nick Sullivan.*

- *October*. As the official online retail partner, for the third edition of Andam, thecorner.com presented the Autumn/Winter '14-15 collections of the winner Van Herpen and the 5 finalists of the 25th Andam Fashion Award in an exclusive section launched during Paris Fashion Week.
  (The collaboration with the Designer Iris Van Herpen will also be consolidated in an exclusively created capsule collection, available for sale on thecorner.com from March 2015).

- *November*. As online retail partner of CFDA, thecorner.com presented the 2015 Spring/Summer collection of the winner Paul Andrew for sale in February.

- *Christmas 2014*. From November, thecorner.com reintroduced the Christmas Around The Corner format which, in this edition, interpreted 5 cities presenting 5 different styles and trends in a series of shoppable editorial shoots.

To support the reputation and positioning of shoescribe.com, the online store dedicated entirely to ladies' footwear which, since 2012, has worked alongside yoox.com and thecorner.com in the Group Multi-brand business line, other significant collaborations were promoted and announced:

- shoescribe.com chose the Italian Ambassador Matilde Gioli, the new darling of the Italian cinema, who has already won the prestigious Biraghi Prize as the best new actress at the 2014 Nastri d'Argento for the film Il Capitale Umano.

- *January*. To celebrate the Grand Opening of the 2014 Spring/Summer collection, Audrie Leighton Rogers, blogger of befrassy.net, was the protagonist of a short movie about the new collections.

- *March*. For the second anniversary of shoescribe.com, the internationally-renowned illustrator, Liselotte Watkins signed an exclusive shopping bag, given away to all customers, as well as top editors and international bloggers.

- *March*. Pierre Hardy who designed an exclusive footwear model for shoescribe.com, talked about the Designer in unreleased sketches and a special video.

The editorial coverage of the Group in 2014 included important titles such as the New York Times and International New York Times (USA), The Wall Street Journal (USA), WWD (USA), The Financial Times (UK), The Times - The Times Magazine (UK), Corriere della Sera (IT), La Repubblica (IT), Il Sole 24 Ore (IT), Frankfurter Allgemeine Zeitung (DE), The Daily Telegraph - Telegraph Magazine (UK), The Independent - The Independent Magazine (UK), Fortune 500 (USA), Wired (UK), Madame Figaro (FR), Vogue (USA), Vogue (UK), Vogue (IT), Vogue (JP), Vogue (DE), Vogue (ES), Harper's Bazaar (USA).

INVESTMENTS

In 2014, the Group made investments totalling Euro 34,932 thousand, Euro 23,988 thousand in intangible assets and Euro 10,944 thousand in tangible assets. Increases in intangible assets were mainly for investments in multi-year development projects valued at Euro 22,225 thousand.
In February, a complementary logistics set-up compared with the one available locally was introduced at yoox.cn, which has allowed Chinese customers to access not only the local inventory available at the Shanghai logistics centre, but also the global one based in Italy. This made it possible to significantly expand the offering available in a market featuring strong growth in online demand, with local investments in working capital, however, limited.
During the year new releases for Group Multi-brand and Mono-brand stores for both desktops and mobiles continued. Specifically, the new yoox.com was launched in the third quarter, with a completely new visual identify and new user interface designed with user-friendliness in mind to simplify and therefore speed up navigation and the purchasing process, with the ultimate goal of improving the conversion rate.
In October, a new native application of yoox.com was launched for smart phones on iOs and Android operating systems. The new app has been redesigned to speed up browsing and purchasing on small screens and has introduced functions and contents aimed at improving user experience, increasing the conversion rate and the average receipt. The new native application has recorded excellent results in terms of traffic and sales compared to the previous version and has contributed, over the Christmas period, to achieving the target of 50% of visits to Group sites from smart phones and tablets.
In addition, 2014 saw the release of several cross channel functions to allow Mono-brand partners to offer their customers a fully integrated and consistent experience between physical and virtual stores "Powered by YOOX": specifically, some brands can already offer customers in selected boutiques in Europe and the U.S., the possibility of buying from the online catalogue using their iPad instore, collecting and delivering items purchased online instore, checking availability and booking clothing only available at physical points of sale through the website, as well as booking a tailoring appointment in the boutique online.
Three new currencies were also introduced – the Hong Kong dollar, the Korean won and the Australian dollar – bringing the number of Group currencies that payment can be made in to 9. From July 2014, yoox.com customers

in France and Spain could also have their purchases delivered and take their returns to thousands of shopping outlets located throughout the country, many of which are open 7 days a week and until late in the evening. Lastly, a new innovative and exclusive service initiative was launched in Italy in December which, for the first time, enabled orders to be picked up at bank branches Specifically, thanks to collaboration with BNL, Gruppo BNP Paribas, orders placed at yoox.om can be collected in dedicated areas inside the branches.

FINANCIAL MANAGEMENT

Consolidated statement of financial position

The tables below contain the figures taken from the Group's reclassified consolidated statement of financial position as at 31 December 2014 and the Group's consolidated statement of cash flows for the same period.

Reclassified consolidated statement of financial position at 31 December 2014:

Thousand Euro	Balance at 31 Dec 2014	Balance at 31 Dec 2013	% Change
Net working capital[27]	45,317	28,304	60.1%
Non-current assets	82,427	71,224	15.7%
Non-current liabilities (excluding financial liabilities)	(450)	(363)	24.0%
Net invested capital[28]	**127,294**	**99,165**	**28.4%**
Shareholders' equity	158,294	119,663	32.3%
Net debt/(Net financial position)[29]	(31,000)	(20,498)	51.2%
Total Sources of Financing	**127,294**	**99,165**	**28.4%**

Net working capital of the Group rose from Euro 99,165 thousand as at 31 December 2013 to Euro 127,294 thousand as at 31 December 2014, an increase of 28.4%. The increase in net invested capital is the result of the Group's continued investment policy in the techno-logistics platform and in technology. In spite of investing activities, the net financial position improved, going from Euro 20,498 thousand as at 31 December 2013 to Euro 31,000 as at 31 December 2014.

Reclassified consolidated statement of cash flows as at 31 December 2014:

Thousand Euro	31 Dec 2014	31 Dec 2013	% Change
Cash flow generated by (used in) operational activities	24,052	36,319	-33.8%
Cash flow generated by (used in) investing activities	(38,857)	(37,328)	4.1%
Subtotal	**(14,805)**	**(1,009)**	**>100%**
Cash flow generated by (used in) financing activities	74,553	23,514	>100%
Total cash flow generated during the year	**59,748**	**22,505**	**>100%**

The cash flow generated by operating activities, equal to Euro 24,052 thousand reinvested to finance the Group's investments equal to Euro 38,857 thousand, due mainly to the techno-logistics platform and investments in

27 Net working capital is current assets, net of current liabilities, with the exception of cash and cash equivalents, bank loans and borrowings and other financial payables due within one year and financial assets and liabilities included under other current assets and liabilities. Net working capital is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups.

28 Net invested capital is the sum of working capital, non-current assets and non-current liabilities, net of non-current financial liabilities. Net invested capital is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups.

29 Net debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net debt (or net financial position) is not recognized as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net debt (or net financial position), see the table below in the section debt/Net financial position. Other current financial assets are not governed in detail in CESR's definition of net debt (or net financial position): the Group considers it appropriate to supplement this definition by including receivables from acquirers and logistics operators that have been requested to collect cash on delivery under other current financial assets.

technology, contributed to the generation of the cash flow in 2014, equal to Euro 59,748 thousand. The cash flow generated by financing activities grew by Euro 51,039 thousand over the previous year.

Debt/Consolidated net financial position

The table below gives details of the YOOX Group's net financial position as at 31 December 2014.

Thousand Euro	Balance at 31 Dec 2014	Balance at 31 Dec 2013	% Change
Cash and cash equivalents	118,028	58,280	>100%
Other current financial assets	9,957	9,252	7.6%
Bank loans and other current financial payables	(30,759)	(12,904)	>100%
Other current financial liabilities	(155)	(283)	-45.2%
Short-term net financial position	**97,071**	**54,346**	**78.6%**
Medium-/long-term financial liabilities	(66,072)	(33,848)	95.2%
Consolidated net financial position	**31,000**	**20,498**	**51.2%**

In accordance with the Group's organisational structure, treasury operations are centralised at the Parent Company, YOOX S.p.A., which manages the majority of lines of credit provided to the Group. The Group's policy is to maintain an adequate margin of financial flexibility through available "committed" lines of credit, capable of supporting future development plans.

During the year the Group tackled its financial requirement thanks to the generation of cash flow and recourse to lines of credit to finance investments and working capital purchasing campaigns.
To ensure a suitable financial flexibility also in years to come, in the fourth quarter of 2014 the Company renegotiated their lines of credit with the major banks and as at 31 December 2014 they had a total of Euro 153 million available expiring on average in between 4 and 5 years, of which approximately Euro 93 million was not utilised. The annual cost on the nominal value of the total of lines of credit was equal to an average spread of approximately 235 bps + the Euribor reference rate.

Cash and cash equivalents totalled Euro 118,028 thousand as at 31 December 2014, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable.

As at 31 December 2014, financial liabilities stand at Euro 96,833 thousand and are mainly made up of medium-/long-term loans agreed for funding the investment in the techno-logistics platform. Specifically, the loans include one supplied by Banca Nazionale del Lavoro for Euro 20,000 thousand (of which Euro 11,500 thousand is short-term), one loan supplied by Banca Sella for Euro 4,583 thousand (of which Euro 1,667 thousand is short-term), one term loan by BEI for Euro 45,000 thousand (of which Euro 8,837 is short-term), and by Mediocredito for Euro 23,000 thousand (of which 5,750 is short-term). Remaining financial liabilities refer to financial leasing agreements totalling Euro 3,139 thousand (of which Euro 2,024 thousand is short-term) dedicated to investments in technology, and two finance agreements with De Lage Landen for a total of Euro 331 thousand (of which Euro 201 thousand is short term) to the short-term financial liabilities to IFI (*Factor*) for a total of Euro 556 thousand as well as instalments relating to the above-mentioned loans (Euro 225 thousand).

Other current financial liabilities as at 31 December 2014 of Euro 155 thousand, include the negative fair value of transactions in derivatives (accounted for according to IAS 39 using the Cash flow hedge method) set up to hedge the interest rate risk in relation to the financing in place.

Other current financial assets as at 31 December 2014, equal to Euro 9,957 thousand refer mainly to financial receivables due to the Group from acquirers who manage authorisation for cards belonging to national/international credit or debit card companies used for online sales, and logistics operators who are asked for cash for payments on delivery (Euro 8,855 thousand). The remaining part is attributable at the positive fair value, of transactions in derivatives (accounted for according to IAS 39 using the Cash flow hedge method) set up to hedge the interest rate risk from sales in Japanese yen (Euro 419 thousand), from financial deferrals revealed at the end of the year (Euro 642 thousand) and financial receivables from associates (Euro 42 thousand).

Reconciliation of Parent Company's equity and profit for the year with the equity and profit for the year pertaining to the Group

The following table provides a reconciliation of the Parent Company's equity and profit for the year with the same consolidated figures pertaining to the Group for 2013 and 2014.

	31 Dec 2014		31 Dec 2013	
Thousand Euro	Net profit	Shareholders' equity	Net profit	Shareholders' equity
Parent Company's figures	**11,544**	**143,495**	**9,158**	**108,928**
Consolidation adjustments				
Difference between carrying amount and proportional share of equity of subsidiaries and associates	4,110	15,200	3,484	11,489
Elimination of intra-group profits	(2,140)	(732)	(40)	(1,371)
Tax impact on unrealised intra-group profits	288	329	18	617
Total consolidation adjustments	**2,258**	**14,799**	**3,462**	**10,735**
Equity and profit pertaining to the Group	**13,802**	**158,294**	**12,620**	**119,663**

Information on significant non-EU companies

YOOX S.p.A. has acknowledged the revision to Consob Regulations concerning markets, which was adopted in Resolution 16191 of 29 October 2007 and subsequent revisions concerning the listing of non-European parent companies.
In this regard, since YOOX S.p.A. directly or indirectly controls four significant companies established and governed by laws of countries not belonging to the European Union ("Significant Non-EU Companies"), it has planned and taken the measures necessary to ensure full compliance with these regulations.

In particular, it should be noted that:

- all Significant Non-EU Companies already prepare financial schedules for the purposes of preparing the consolidated financial statements; the statement of financial position and income statement of these companies are available to shareholders of YOOX S.p.A. at the times and in the manner set forth in the applicable regulations;
- YOOX S.p.A. has obtained the bylaws and determined the composition and powers of the corporate bodies of the Significant Non-EU Companies;
- Significant Non-EU Companies provide the Parent Company's auditors with all the information necessary to audit the annual and interim financial statements of the Parent Company; in addition, these companies have an administrative and accounting system capable of regularly providing the financial statements figures needed for the preparation of the consolidated financial statements to the YOOX Group's management and auditors.

In order to fulfil its regulatory obligations, the supervisory body of YOOX S.p.A. has verified whether the administrative and accounting system is adequate to regularly provide the management and auditors of YOOX S.p.A. with the financial statements figures needed for the preparation of the consolidated financial statements, and has verified the effectiveness of the flow of information through meetings with the auditors and through meetings with managers.

Other information

The Parent Company owns treasury shares, aimed at creating the provision of shares necessary for servicing the 2009-2014 incentive plan for employees of the Parent Company and the subsidiaries.
The subsidiaries do not hold YOOX S.p.A. shares. The Parent Company does not have controlling companies.

Relations between the Group companies can be summarised as follows:

- the Parent Company's supply of products to subsidiaries earmarked for sales on the US, Japanese and Asia-Pacific area websites;
- the Parent Company's maintenance and support services, and updating of the subsidiaries' sites;

- administrative, financial and legal services provided by the Parent Company to subsidiaries;
- customer services provided by the Parent Company in support of the customer services localised at the subsidiaries;
- consulting and support services in the area of fashion, marketing, advertising and professional training provided by the Parent Company to subsidiaries.

Relations among the Group companies or with the latter and related parties cannot be defined as either atypical or unusual, as they come under the normal course of the Group's business and take place in normal market conditions and in the interest of the actual Group. In general, there were no atypical or unusual transactions. For more details, refer to the consolidated financial statements as at 31 December 2014.
These transactions were carried out under normal market conditions, i.e., under the same conditions that would apply between two independent parties.
All receivables, payables and related costs and revenue incurred between Group companies are reported in detail in the consolidated financial statements as at 31 December 2014.

For trade transactions between Group companies and parties included among shareholders and/or directors, refer to the consolidated financial statements as at 31 December 2014.

For the financial statements impact of the Group transactions with related parties, refer to the consolidated financial statements as at 31 December 2014.

YOOX S.p.A.

YOOX S.p.A. reclassified income statement

YOOX S.p.A. reclassified income statement for the year ended 31 December 2014:

Thousand Euro	31 Dec 2014	31 Dec 2013	Change	
Net revenues	435,387	381,641	53,746	14.1%
Cost of goods sold	(314,995)	(267,558)	(47,437)	17.7%
Gross Profit	**120,392**	**114,083**	**6,309**	**5.5%**
% of net revenue	27.7%	29.9%		
Fulfillment costs	(33,032)	(29,890)	(3,143)	10.5%
Sales and marketing costs	(28,882)	(26,014)	(2,868)	11.0%
EBITDA Pre Corporate Costs	**58,478**	**58,179**	**299**	**0.5%**
% of net revenue	13.4%	15.2%		
General expenses	(13,689)	(20,405)	6,716	-32.9%
Other income and expenses	(2,434)	(1,877)	(556)	29.6%
EBITDA	**42,355**	**35,897**	**6,458**	**18.0%**
% of net revenue	9.7%	9.4%		
Depreciation and amortisation	(25,364)	(18,995)	(6,369)	33.5%
Non-recurring expenses	-	-	-	-
Operating profit	**16,991**	**16,902**	**89**	**0.5%**
% of net revenue	3.9%	4.4%		
Result of Equity Investments	2,162	(639)	2,801	>100%
Financial income	2,801	1,222	1,579	>100%
Financial expenses	(4,318)	(2,908)	(1,409)	48.4%
Profit before tax	**17,636**	**14,576**	**3,060**	**21.0%**
% of net revenue	4.1%	3.8%		
Taxes	(6,092)	(5,418)	(674)	12.4%
Profit for the year	**11,544**	**9,158**	**2,386**	**26.1%**
% of net revenue	2.7%	2.4%		
EBITDA excluding incentive plan costs	**43,591**	**39,592**	**3,999**	**10.1%**
% of net revenue	10.0%	10.4%		
Consolidated net income for the period excluding incentive plan costs	**12,488**	**11,981**	**507**	**4.2%**
% of consolidated net revenues	2.9%	3.1%		

The Parent Company's revenue, net of returns and customer discounts for 2014, was Euro 435,387 thousand, an increase of 14.1% on the previous year. This revenue includes amounts relating to the Parent Company's supply of products to subsidiaries earmarked for sales on the North American, Japanese, Asia Pacific area and Chinese online stores.
EBITDA totalled Euro 42,355 thousand, representing 9.7% of revenues.
Profit for 2014 was Euro 11,544 thousand, an increase compared to the 2013 figure of Euro 9,158 thousand.

YOOX S.p.A. investments

In 2013 YOOX S.p.A. made investments totalling Euro 34,596 thousand. Since nearly all the Group's investments were made by the Parent Company YOOX S.p.A., see the Investments section for additional information.

Summary financial position of YOOX S.p.A.

YOOX S.p.A. restated statement of financial position as at 31 December 2014:

Thousand Euro	Balance at 31 Dec 2014	Balance at 31 Dec 2013	% Change
Net working capital	66,279	41,107	61.2%
Non-current assets	79,387	71,402	11.2%
Non-current liabilities (excluding financial liabilities)	(450)	(363)	24.0%
Net invested capital	**145,216**	**112,147**	**22.5%**
Shareholders' equity	143,495	108,928	31.7%
Net debt/Net (financial position)	1,721	3,219	-46.5%
Total sources of financing	**145,216**	**112,147**	**29.5%**

YOOX S.p.A. reclassified statement of cash flows for the fiscal year at 31 December 2014:

Thousand Euro	31 Dec 2014	31 Dec 2013	% Change
Cash flow generated by (used in) operational activities	14,658	27,640	-46.97%
Cash flow generated by (used in) investing activities	(38,467)	(38,794)	0.84%
Subtotal	**(23,809)**	**(11,154)**	**>100%**
Cash flow generated by (used in) financing activities	74,851	24,787	>100%
Total cash flow generated during the year	**51,042**	**13,633**	**<100%**

The net financial position of the Parent Company as at 31 December 2014 was negative to the tune of Euro 1,721 thousand, compared with Euro 3,219 thousand negative as at 31 December 2013.
As already indicated, in accordance with the Group's organisational structure, treasury operations are centralised at the Parent Company, YOOX S.p.A., which manages all lines of credit provided to the Group.
Cash and cash equivalents totalled Euro 91,001 thousand as at 31 December 2014, a significant change from the figure as at 31 December 2013, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable. For details on financing activities, see the section on the Group's debt/net financial position.

As regards the risk factors to which the Parent Company is exposed, please see the above section with reference to the YOOX Group, since these same notes also apply to YOOX S.p.A.

INFORMATION FOR INVESTORS

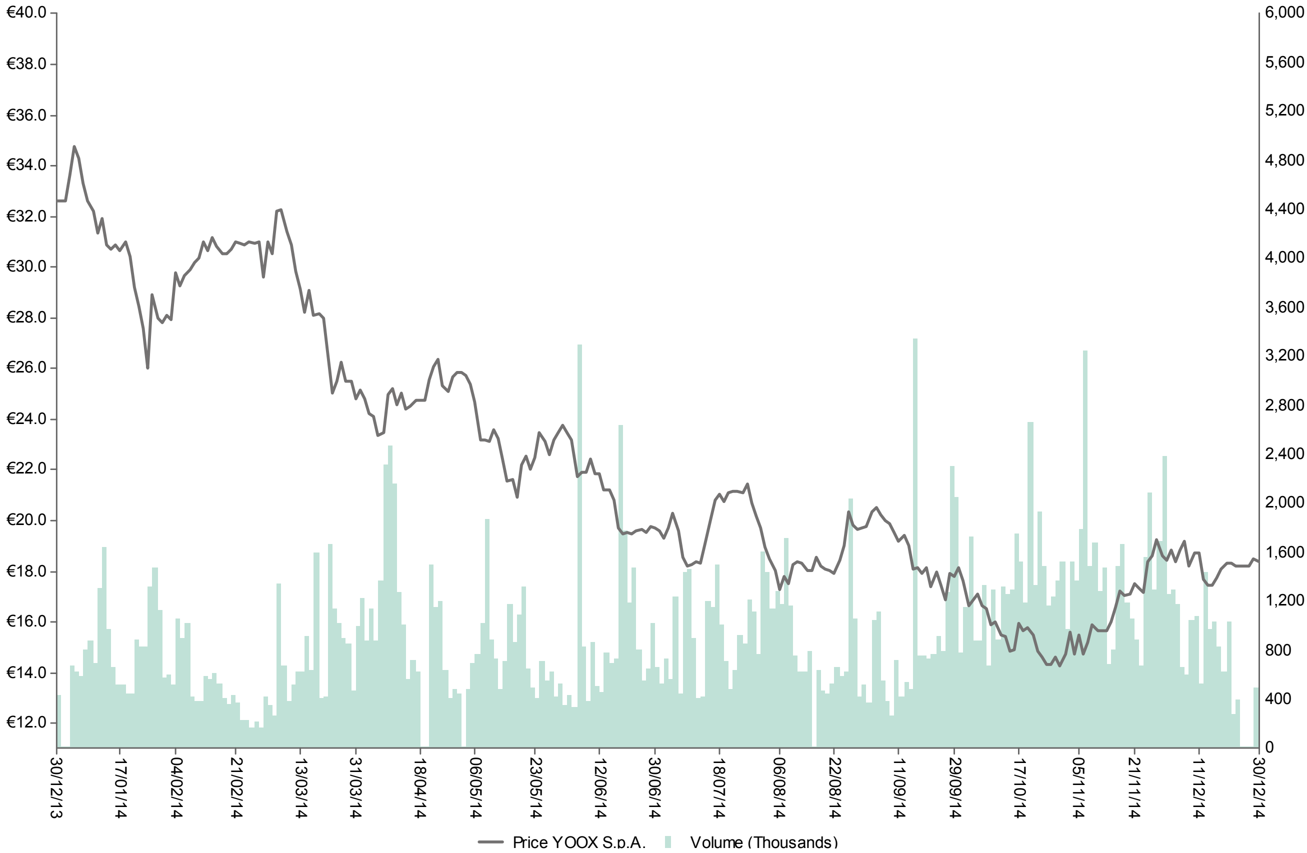
The Group has been listed on the STAR segment of Borsa Italiana (ISIN Code IT0003540470) since 3 December 2009. On 20 September 2010, YOOX also joined the FTSE Italia Mid Cap index[30] index and then, on 23 December 2013, joined the FTSE MIB – the main index of Borsa Italiana consisting of the 40 most-traded stock classes on the exchange.

At 30 December 2014, the last day of trading of the year, the YOOX stock closed at Euro 18.40, corresponding to a market capitalisation of Euro 1.1 billion.
Since admission to the Stock Exchange at the end of 2013, YOOX stock has increased by more than four times over compared with the placement price (Euro 4.3), recording growth on 330% achieved in spite of the fact that in 2014 the stock performance was negative by 43.6% compared with the closing price as at 30 December 2013 (the last day of trading in 2013).

[30] The FTSE Italia Mid Cap index includes the top 60 companies in terms of capitalisation and liquidity outside of the FTSE MIB index.

YOOX stock performance in 2014

After ending 2013 with a stock performance of +173%, the highest in the FTSE MIB basket and reaching record highs in the early trading days of 2013, the YOOX stock suffered in the subsequent months from the strong macro economic and political uncertainty which was a feature of the entire year and which led investors to engage in a strong portfolio rotation from the best performers of the previous year to stocks with more defensive portfolios. YOOX stock was also affected by the general sell-off trend which involved both the e-commerce sector and Italian luxury sector (see the graph overleaf for the performance of the reference indices for the e-commerce sector[31], luxury sector[32] and Italian luxury sector[33]).



Source: Factset

[31] The e-commerce sector representative index includes Amazon, ASOS, boohoo.com, Blue Nile, eBay, Start Today, Zalando and Zulily.
[32] The representative index for the luxury sector includes Brunello Cucinelli, Compagnie Financière Richemont, Hermès, Kering, LVMH, Moncler, Prada, Salvatore Ferragamo and Tod's.
[33] The representative index for the Italian luxury sector includes Brunello Cucinelli, Moncler, Prada, Salvatore Ferragamo and Tod's.

YOOX share performance compared with the main benchmark indices in 2014

Source: Factset

The table below summarises key stock and stock exchange data for 2014.

Stock and stock exchange data	30 Dec 2014
Closing price at 30/12/2014 in Euro	18.400
Maximum closing price for 2014 in Euro – 03/01/2014	34.750
Minimum closing price for 2014 in Euro – 30/10/2014	14.280
Market capitalisation as of 31/12/2014 in millions of Euro	1,140.138

Source: Borsa Italiana

Stock analyst coverage

Stock analyst coverage at 25 February 2015 includes Goldman Sachs International, Mediobanca, Equita, Intermonte, Gruppo24Ore, Bank of America Merrill Lynch, Deutsche Bank, Citi, Kepler Cheuvreux, Exane BNP Paribas, and Banca IMI to which JP Morgan, Canaccord and Fidentiis have been added in 2014, which with no rating indication has been following YOOX stock since 2012. In February 2015, Morgan Stanley also began its coverage of the stock, thereby bringing the stock coverage to 15 financial analysts.

Shareholder structure

As at 31 December 2014, the share capital issued totalled Euro 619,640.32 corresponding to a total of 61,964,032 shares with no nominal value pursuant to Article 2346 of the Civil Code.

At 31 December 2014, as far as we are aware, according to the Shareholder Register, plus the notifications received pursuant to Article 120 of the TUF and other information available, holders of significant stakes in YOOX S.p.A. share capital were:

Shareholders	31 Dec 2014
OppenheimerFunds, Inc.	9.289%
Renzo Rosso	8.806%
Federico Marchetti	7.683%
Federated Equity Management Company of Pennsylvania	4.461%
Capital Research and Management Company	4.231%
Balderton Capital I L.P.	3.544%
Pictet	2.011%

Note: Percentages calculated on a share capital of Euro 619,640.32 divided into 61,964,032 ordinary shares

Investor Relations

The Group places a particular emphasis on developing its relationships with analysts, shareholders and institutional investors.
During the year, the Group's activities were divided between participation in large conferences and the organization of numerous road shows in some of the main financial centres in Europe, the United States and Canada. During the period, the IR Department also organised visits dedicated to investors and financial analysts to its offices in Zola Predosa (Bologna) and its Bologna Interport logistics centre.
Financial communication continued to take place according to the rule stipulated by Borsa Italiana on price sensitive press releases, in keeping with the Group's wish to provide timely, transparent information to support its relations with the financial community.

RISK FACTORS

The main risk factors that could have a negative impact on the operations of the Group and Parent Company include the following:

- the complexity associated with managing the international growth and expansion process;
- the difficulty in finding, training and retaining professionals with the skills necessary for the Group’s development;
- the difficulties associated with maintaining the Group’s market position, especially with regard to the risk that Mono-brand online store management contracts may not be renewed in a sector characterised by a high degree of change (especially in the area of technological development);
- the complexity associated with stock sizing with regard to the Multi-brand business line; this is connected with the accurate projection of the quantity and range of products to be marketed;
- risks relating to Legislative Decree 231/01.

In accordance with the requirements of IFRS 7, the financial statements as at 31 December 2014 include an analysis of the nature and extent of the risks associated with financial instruments to which the Group is exposed, as well as the methodologies used to manage these risks. Below is a summary of such financial risks. Please see the notes for further information.

- market risk in the form of financial risk related to exchange rate fluctuations and financial risk related to interest rate fluctuations;
- liquidity risk;
- credit risk with financial counterparties;
- credit risk with trade counterparties.

The Group and companies included in consolidation have taken all necessary precautions to ensure the proper monitoring and mitigation of the operational and financial risks noted above.

INFORMATION CONCERNING MEASURES TO PROTECT PRIVACY

The Group places maximum attention on guaranteeing the security of online transactions and customer data protection through the use of the highest quality security systems and standards. The Company operates in full compliance with regulations on the protection of personal data, under the Italian, EU and international framework, and uses the most advanced technological systems for acquisitions.
In addition, in order to safeguard the confidentiality, integrity and availability of information relating to customers, employees and partners, YOOX S.p.A. launched a project back in 2011 for the establishment of an SGSI (Sistema di gestione della Sicurezza delle Informazioni – Information Security Management System) based on standard ISO/IEC 27001. This security framework is designed to guarantee a high level of security through the introduction of a formal Information Risk Analysis process based on an internationally-recognised methodology. This risk analysis allows the Information Risk Committee, established within the framework, to assess the information risk trends on a quarterly basis and take the appropriate preventive actions.
The management system is designed to include and satisfy all regulatory requirements to which the Company is subject from an information perspective and, at the same time, to optimise efforts and share the technological solutions and techniques adopted.
The entire framework is based on a continuous improvement cyclical approach, which guarantees a high level of effectiveness and ensures that the challenges that modern information systems face with relating to security of information are constantly dealt with.

Work was done in 2014 to consolidate the actions begun in previous years under the scope of the training of appointees, the training of technical experts who take care of privacy compliance, in-house and external awareness-raising and documentation. Specifically:

- Total overhaul of in-house and external appointments and verification of compliance with actual handling in the various areas;
- Review of the appointment of system administrators;
- Issuing of the document: “Guidelines for Commercial Communication yoox.com”;
- Issuing of the document: “Manual on Privacy Safety and Organisational Measures”;
- Revision and publication of registration forms for all Multi-brand and Mono-brand stores for improved compliance with Privacy Guarantee requirements;
- Offering of the new course for employees in an eLearning version with the inclusion of a automated final test;
- ISO/IEC 27001 Lead Auditor certification of the two resources of the Risk & Compliance compliance.

TAX MATTERS

The Group has incurred a lesser tax burden in absolute terms compared with the situation as at 31 December 2013. Current taxes have increased from Euro 10,473 thousand to Euro 9,659 thousand.
IRAP taxes decreased of 12% for the Parent Company from Euro 1,588 thousand as at 31 December 2013 to Euro 1,405 thousand as at 31 December 2014. IRES taxes for the Parent Company as at 31 December 2013 amounted to Euro 3,295 thousand.
Taxes for Group overseas companies for the period to 31 December 2014 amounted to approximately Euro 4,959 thousand.

The Group also recognised deferred tax assets totalling Euro 7,981 thousand and deferred tax liabilities of Euro 213 thousand. Deferred tax assets of Euro 6,991 thousand and deferred tax liabilities of Euro 56 thousand that were recognised in 2013 were also reversed.

LEGAL MATTERS

At the present there are no changes since 31 December 2013 in the Company’s legal disputes either as plaintiff or defendant:

- where YOOX is a defendant having been cited in a summons in the phase assessing the merits of the interim injunction proceedings no 12679/2013 r.g. before the Court of Bologna brought by Menghi Shoes S.r.l. and Menghi Shoes & Co. S.r.l.;

- YOOX was the defendant before the Court of Bresica in VSV's bankruptcy petition in order to obtain – primarily – the revocation of the sale made by VSV in favour of YOOX of items of clothing;
- YOOX was the plaintiff, filing a bankruptcy petition against the company TheHighline Srl with regard to the impossibility of recovering the debt of Euro 43,773.42. YOOX actually obtained an injunction for immediate execution against TheHighline Srl and Confidi Istituto di garanzia; later applying the executive procedure without success. The credit originally comes from the failed payment for the supply of clothing products sold by Yoox to The Highline Srl.;
- where YOOX is the plaintiff, seeking an application for an order for the payment of Euro 11,000.00 plus legal costs, from Room of Stefano Farioli. The credit comes from 1 credit note issued for the partial reimbursement of the invoice for the supply of clothing products. Executive proceedings were launched;
- where YOOX is the plaintiff having brought a case for the recovery of Euro 14,831.99 for goods purchased but never delivered over Euro 15,000.00 by way of compensation, against Kalù Snc.;
- where YOOX is the plaintiff seeking an application for an order for the payment of Euro 63,625.00 from Dimensione Moda of Arrotini Laurienza. The credit comes from 2 credit notes issued for the partial reimbursement of invoices for the supply of clothing products;
- YOOX was the plaintiff summonsing TWO SAS for the purpose of obtaining payment for products delivered which were not paid for worth Euro 23,912.51.

HUMAN RESOURCES

The Group encourages the professional development and growth of its people, fully aware of how important they are to the success of the business. The management of people is central to valuing the potential of individuals and creating a harmonious work environment with growth as the goal.
The pursuit of company goals with a view to excellence is related to the ability to work with a team spirit with constant attention to professionalism, passion and motivation.
In a context featuring strong growth at an international level as well, the Group is adopting a series of principles for the management of human resources which features the development of relations directed at propriety and transparency, impartiality and honesty.
The Group is also committed to valuing differences and diversity in the management of human resources in the conviction that taking different points of view into consideration can create added value and contribute to the enrichment of relations, both from a professional and human point of view.

Values

Ethical principles, enthusiasm for one’s work and the pursuit of excellence are considered fundamental values in the working environment.
Induction Days for new employees include an introductory module, “YOOX’S 8 VALUES”, on the importance of corporate values.
The YOOXYGEN project, launched in 2009 and renewed year on year, and the guidelines therein, is understood as a well-established corporate value.

Headcount

As at 31 December 2014, the Group total headcount stood at 885 employees, a growth of 24% and 171 resources compared with 31 December 2013. The table below shows a breakdown of the headcount[34]:

No	31 Dec 2014	31 Dec 2013	Change
Managers	31	28	3
Junior managers	66	53	13
Employees and trainees	700	548	152
Abroad	88	85	3
Total headcount	**885**	**714**	**171**

[34] The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or consultants.

Around 90% of the headcount is employees who are located in the three Italian offices, with the remaining 10% of them being located in Group offices abroad.

Gender equality and working environment

Equal treatment of persons within the Group in concrete terms involves guaranteeing, starting from the recruitment stage through all activities carried out, no discrimination for reasons of race, gender, nationality, sexual orientation, social status, physical appearance, religion and political persuasion.
A significant figure regarding equal opportunities is the percentage of female managers and junior managers which, as at 31 December 2014, stood at 41% of the company's population of total managers and junior managers. YOOX Group has also always been committed to identifying work models aimed at promoting a better work/life balance for its employees, particularly with regard to working mothers. For example, in 2014, 15 requests for part time work were granted. Part time work, as governed by existing employment contracts, is seen as a useful way of answering the needs of flexible working in the organisation as well as the demands of employees. The switch to part-time is voluntary, reversible and compatible both with the technical, organisational and production needs of the business and with the needs of employees.

In 2014, 31 requests for parental leave were granted (maternity leave and optional paternity leave).
Following the launch of the remote working project, through a survey of the entire corporate population, a total of 20 remote working agreements were activated and extended in 2014. When evaluating the applications, the Company gave preference, where possible, to employees with more than 2 years' experience in the company, to employees with family commitments, to employees with commitments to disabled family members and to employees in legally-protected categories. The remote working agreements granted were divided as follows: 10 agreements for employees at the Milan offices, 7 in Zola Predosa and 3 at the Interporto. All the remote working agreements activated expired on 31 December 2014.

Assessment and development of capital

In 2014 too, the Group adopted Performance Evaluation for employees, aimed at promoting the development of its resources and guaranteeing a clear and constant dialogue between managers and co-workers throughout the year.

Performance Evaluation is a system that analyses the value created by every single employee in performing the professional role assigned to them. The system has two different methods of evaluation:

- Evaluation of skills;
- Evaluation of achievements (MBO) and achievement of Department Target.

This system provides the Company with objective, shared and transparent input data with which to calculate the variable component of compensation for eligible employees, as well as the most important indicators for starting staff management and development plans. To meet the needs of increased stability and income certainty, for anyone carrying out operational activities which are more difficult to evaluate in terms of reaching company EBITA targets, for the Italian offices only, this year too, as happened last year, the Company proposed that for all employees at Level II or below and a maximum variable percentage of 10%, there should be the right to definitively waive the variable part of the retribution, in exchange for a permanent increase of the RAL equal to 50% of the maximum amount of their variable retribution. This increase took effect from 1 January 2014 and did not in any way affect the possibility of obtaining further salary increases.
For those who have not joined the scheme, the assessment of quantative objectives remains.

Recruitment and Selection and Training

The Group is committed to promoting the development and implementation of transparent hiring policies fully compliant with equal opportunities and valuing diversity. Candidates are selected based on their professional qualities and how suited they are to the role.

A total of 262 employees were taken on in 2014, with the percentage of women standing at approximately 54%. Over 90% of the new hires were at Italian offices with approximately 53% less than thirty years of age, while the remaining group were in the 30-50 age band.

YOOX, by virtue of the specific nature of its business, which features a high innovative and technological content, continues to hire people with specific expertise in new technologies. For this reason the Group places special importance on the recruitment, selection and successful integration of personnel in the Company and looks for dynamic people driven by change and innovation.
The instruments and channels used for recruiting candidates, especially new graduates and high school leavers, give priority to the website and relations with schools and universities, where there are special arrangements.
The selection and recruitment process is aimed at the search for the most talented people who prove they have the best aptitude and technical-specialist skills for the posts to fill.
The selection process features a first phase dedicated to an aptitude and motivation assessment, as well as a second one focusing more on technical and professional aspects.

Training has always played a very important role for the Group. There were numerous training events in 2014, with various specific targets:

- Induction courses for new hires: introduction to the YOOX business model, presentation of the Company's procedures and structure, on-the-job digital-production training and customer care training, lasting a total of two months;
- Specialist and managerial training courses (English, project management, time management, public speaking, leadership and team management);
- Mandatory training courses on Model 231, the Code of Conduct, privacy and data security, workplace health and safety, first aid and fire safety.

The Group's commitment to collaboration with the academic world continues. Specifically, relations with the University of Bologna were maintained (in the various faculties and schools), the Bocconi University, Bocconi SDA, Polytechnic of Milan, the Marangoni Institute of Milan, through meetings, presentations and case studies.
In line with the international development of the Group, in recent years the company has increasingly looked towards the international market, both in the search for highly educated professionals and, in some cases, also for recent graduates, managing relations and collaborating with some of the major Business Schools including Isead, Iese, Stanford (Trek tour) and IUM.

Health and safety

For the Group, health and safety in the workplace for all collaborators, in compliance with existing regulations and the main contents of the Code of Ethics, is a priority. Specifically, the Group strives to provide working conditions that ensure respect for the physical and moral integrity of its workers.
In order to guarantee constant attention to the subject of Occupational Health and Safety, YOOX places special attention of training activities, defining training proposals aimed at different professional profiles.

As of 2013 YOOX adopted the "Environment and Safety Policy" that defines the corporate approach to the environment and constitutes the basis of the "Integrated Management System for the Environment and for Occupational Health and Safety". The policy identifies the needs of internal and external stakeholders with regard to the environment and safety and is the starting point for the definition of specific, measurable targets for improvement.

Non-competition agreement

Some managers and several other key company resources connected with the unique nature of the Company's business have signed a non-competition agreement.

Organisational structure

In 2014, the organisational structure was analysed and reviewed in order to better support the development of the business lines. All organisational changes are notified promptly and clearly, in compliance with the instructions in the "Information flows of the Supervisory Body and reporting" of the Organisation, Management and Control Model pursuant to Legislative Decree 231/01.

ENVIRONMENT

The summary concepts below are described in detail in chapter 5 of the YOOX Group Sustainability Report.

In recent years the YOOX Group has increasingly followed a sustainability route based on the consideration that conducting its operations in full compliance with environmental and social values is one of the foundations for creating value for the business in the long term, for the benefit of multiple stakeholders.
The Group sustainability policy on environmental issues includes:

- the rationalisation of the use of resources and the increase in efficiency of energy consumption, with regard to the management of offices, the IT sector and employee mobility;
- recourse to renewable energy sources;
- taking decisions aimed at sustainability in the management of company operations, especially with regard to the choice of packaging materials for products and sharing the best operational solutions with partners for managing shipping;
- raising the awareness of employees and customers with regard to respect for the environment, also through the development of the YOOXYGEN projects incubator.

The dissemination of the culture of sustainability within YOOX is managed, among other things, through the sharing of the “Eco-sustainable behaviour manual”, which provides instructions and guidelines about virtuous environmental practices on macro themes, such as paper, water, energy, waste and transport.

Management approach to environmental issues

YOOX’s performance in the management of the major environmental issues is measured and monitored through a dedicated KPI system. The gradual expansion of spaces, the growth in volumes of activities managed, products moved and data centres used are therefore managed by trying to maximise efficiency in the use of resources.
In 2014 standard UNI EN ISO 14001:2004 Environmental Management System certification was confirmed to guarantee a structured approach in the management of environmental matters. YOOX SpA extended the certification of the integrated safety and environment management system to the production unit of Casalecchio sul Reno.
The management of the integrated system and effectiveness checks are taken care of by dedicated in-house personnel assisted by specialist consultants.

The fight against climate change

The YOOX Group has developed initiatives that aim to combat climate change for the purpose of safeguarding the environment and, at the same time, creating value.
With this in mind, YOOX has set itself achievable targets commensurate with its importance in the sector in which it operates, and it continues along its chosen path with a view to:

- increasing the use of renewable energy sources;
- improving efficiency in the management of resources at operational sites, especially through plant design (energy, water, paper and waste);
- improving the efficiency of IT infrastructures at hardware and application level, with a 100% green IT Department supporting business activities;
- improving the mobility of personnel in the Company through solutions which have a reduced impact on the environment;
- monitoring environmental impacts related to the movement and shipping of products and sharing efficiency initiatives with logistics partners;
- supporting initiatives that aim to raise customer awareness regarding respect for the environment, alongside international structures, designers and creative talents under the scope of the YOOXYGEN projects incubator.

There are also plans for 2015 to extend the offices at the Zola Predosa HQ and upgrade the automation of the production processes at the Interporto logistics centre (BO), which will necessarily involve a greater use of energy resources. YOOX therefore wants to reconcile the growth of the business with actions aimed at guaranteeing the rationalisation of consumption and energy efficiency. The strategic decision of adopting an automated logistics platform, upgraded year on year, allows the use of considerably less energy than would be required by a traditional logistics structure managing the same volumes.

YOOX has progressively increased its use of renewable electricity thanks to green energy supply agreements covered by GO certificates (Guaranteed Origin). In 2014, the percentage of renewable energy consumed stood at approximately 64% of total consumption, with an 80% increase in the consumption of renewable energy compared with the previous year. The Group intends to continue this policy until all energy used for consumption comes from renewable sources.

As confirmation of YOOX's approach to renewable sources, in 2014, with a contribution from the owners of the buildings, a second photovoltaic facility with a total capacity of 31 kWp, was built and installed on the roof of the offices of the Zola Predosa Headquarters. The new facility was added to the one activated in 2011, which has a capacity of 6 kWp. Both facilities produce electricity destined for the Company's use and for domestic hot water.

Lastly, YOOX has joined the RE100 campaign, a unique Italian organisation, together with several of the largest companies in the world, committed to adopting a strategy that involves buying electricity from 100% renewable sources. The initiative, promoted by the Carbon Disclosure Project, seeks to speed up the dissemination of the use of clean electricity in the private sector in view of the 2015 Paris UN Climate Change Conference.

CORPORATE GOVERNANCE

The YOOX S.p.A. Parent Company corporate governance model is described in detail in the report on corporate governance and shareholder structure as at 31 December 2014, which should be referred to.
The significant corporate governance events in 2014 that have taken place as at the date of this document are listed below.

Granting of shares following the exercise of Stock Options

The table below contains the allocations in the first nine months of 2014 of YOOX S.p.A. ordinary shares following the exercising of stock options of the Stock Option Plans and the strike prices.

Stock Option plans	Grant date	Strike prices (in Euro)														Total options	Total post-split shares
		46.48	59.17	106.5	277.68	305.24	360.9	407.2	441.48	489.32	499.2	512.2	521.56	578.24	582.92		
2004-2006	16-Jan-14	318														318	16,536
2006-2008	16-Jan-14		850													850	44,200
2007-2012	16-Jan-14		577													577	30,004
2009-2014	16-Jan-14					125		70								195	10,140
Subtotal		**318**	**1,427**			**125**		**70**								**1,940**	**100,880**
2009-2014	10-Feb-14					161		20								181	9,412
Subtotal						**161**		**20**								**181**	**9,412**
2003-2005	03-Mar-14	2,346														2,346	121,992
2004-2006	03-Mar-14	1,450														1,450	75,400
2009-2014	03-Mar-14					2,075				642					321	3,038	157,976
Subtotal		**3,796**				**2,075**				**642**					**321**	**6,834**	**355,368**
2009-2014	28-Apr-14						642	20								662	34,424
Subtotal							**642**	**20**								**662**	**34,424**
2009-2014	09-May-14												1,424			1,424	74,048
Subtotal													**1,424**			**1,424**	**74,048**
2009-2014	25-Jun-14					98		20			243					361	18,772
Subtotal						**98**		**20**			**243**					**361**	**18,772**
2001-2003	07-Jul-14			2,000												2,000	104,000
2006-2008	07-Jul-14		250													250	13,000
2009-2014	07-Jul-14				193			150			1,097	3,304		391		5,135	267,020
Subtotal			**250**	**2,000**	**193**			**150**			**1,097**	**3,304**		**391**		**7,385**	**384,020**
2006-2008	28-Aug-14		250													250	13,000
2009-2014	28-Aug-14				976			77	770							1,823	94,796
Subtotal			**250**		**976**			**77**	**770**							**2,073**	**107,796**
2007-2012	09-Sep-14		1,550													1,550	80,600
2009-2014	09-Sep-14				2,245	870		80	924		262					4,381	227,812
Subtotal			**1,550**		**2,245**	**870**		**80**	**924**		**262**					**5,931**	**308,412**
2009-2014	08-Oct-14					363		20	258		1,008			357		2,006	104,312
Subtotal						**363**		**20**	**258**		**1,008**			**357**		**2,006**	**104,312**
2009-2014	06-Nov-14					541		180			40					761	39,572
Subtotal						**541**		**180**			**40**					**761**	**39,572**
2009-2014	18-Nov-14				28,848							1,926				30,774	1,600,248
Subtotal					**28,848**							**1,926**				**30,774**	**1,600,248**
2009-2014	26-Nov-14				1,603	1,441					242					3,286	170,872
Subtotal					**1,603**	**1,441**					**242**					**3,286**	**170,872**
2009-2014	26-Nov-14				2,191			143			924					3,258	169,416
Subtotal					**2,191**			**143**			**924**					**3,258**	**169,416**
2009-2014	12-Dec-14				2,051	1,698		210			699			161		4,819	250,588
Subtotal					**2,051**	**1,698**		**210**			**699**			**161**		**4,819**	**250,588**
2009-2014	22-Dec-14					37					511					548	28,496
Subtotal						**37**					**511**					**548**	**28,496**
Total		**4,114**	**3,477**	**2,000**	**38,107**	**7,409**	**642**	**990**	**1,952**	**642**	**5,026**	**5,230**	**1,424**	**909**	**321**	**72,243**	**3,756,636**

Given the above, the share capital issued by YOOX S.p.A. as at 31 December 2014 is Euro 619,640.32, divided into 61,694,032 ordinary shares with no indication of par value.

Stock option and share granting relating to the YOOX S.p.A. 2009-2014 Company incentive and stock option plan

During 2014 the Company's Board of Directors did not approve grants under the YOOX S.p.A. 2009-2014 stock option plan.

In 2014, specifically on 14 January and 13 May the Company paid 4,829 and 24,596 ordinary shares to 27 beneficiaries under the Company incentive plan.

Stock Grant Plan

On 27 April 2012 the Shareholders' Meeting, pursuant to Article 114-*bis* of Legislative Decree 58/1998, approved the establishment of a new incentive and loyalty plan known as the Stock Grant Plan for employees of YOOX S.p.A. and companies directly or indirectly controlled by it, to be implemented through the allocation, free of charge, of a total of 550,000 YOOX S.p.A. ordinary shares, giving the Board of Directors the mandate to adopt the regulation. The details of the Stock Grant Plan can be consulted on the Company website www.yooxgroup.com under the section Corporate Governance – Company Documents.

2012-2015 stock option plan and granting of options relating to the 2012-2015 stock option plan

On 29 June 2012 the Shareholders' Meeting, in its ordinary session, approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, the establishment of a new incentive and loyalty scheme known as the 2012-2015 stock option plan for YOOX S.p.A. executive directors, to be implemented through the free granting of options valid for subscribing new-issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised) which had still not been allocated.

In its extraordinary session, the Shareholders' Meeting approved the divisible paid-in capital increase for a maximum amount of Euro 15,000.00 to be transferred to the share capital, with the exclusion of the option right pursuant to Article 2441, paragraph 4, second period of the Civil Code, to be reserved for subscription by the beneficiaries of the 2012-2015 stock option plan above.

The strike price of each option, for the subscription of 1 new-issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty trading days prior to the option allocation date.

The 2012-2015 stock option plan includes the allocation of a total of 1,500,000 YOOX ordinary shares equal to 2.3% of the Company's fully diluted share capital, which refers to the share capital issued and subscribed if the capital increases already approved and destined to service the existing stock option plans are carried out in full, taking into account options already granted and those which can potentially be granted to the related beneficiaries.

For details of the 2012-2015 stock option plan, including the implementation terms and conditions, refer to the information document produced pursuant to Article 84-*bis* of Consob Regulation 11971/1999, which can also be consulted on the Company website www.yooxgroup.com under the section "Governance – Company Documents".

On 21 September 2012, in order to execute the YOOX S.p.A. 2012-2015 stock option plan, the company's Board of Directors approved the plan and, on the proposal of the Remuneration Committee, the allocation in favour of the CEO Federico Marchetti of 1,500,000 options valid for the subscription of 1,500,000 YOOX ordinary shares in the ratio of 1 new ordinary share for every 1 option exercised.

2014-2020 Stock Option Plan

On 17 April 2014, the Shareholders' Meeting approved, pursuant to Article 114-bis of Legislative Decree the establishment of a new incentive and loyalty scheme known as the 2014 - 2020 Stock Option Plan exclusively for employees of YOOX S.p.A. and its companies, directly or indirectly controlled, to be implemented through the free

granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
For details of the 2014 - 2020 Stock Option Plan, including the implementation terms and conditions, refer to the information document produced pursuant to Article 84-bis of Consob Regulation no. 11971/1999, which can also be consulted on the Company's website under the section Governance / Company Documents.

Treasury share acquisition

In their meeting held on 17 April 2014, the shareholders authorised operations involving the purchase and sale of treasury shares (i) for the purposes envisaged by market practice relating to the purchase of treasury shares for the constitution of a bank of shares as allowed by Consob, pursuant to Article 180, paragraph 1, letter c) of the TUF, in Resolution 16839 of 19 March 2009, in conformity with the operating conditions established for the aforesaid market practices, and by Regulation (EC) No 2273/2003 of 22 December 2003, where applicable, and in particular (a) for the possible use of shares as payment in extraordinary transactions, including share swaps with other parties as part of transactions in the Company's interest, or (b) to use the treasury shares acquired to service programmes for the distribution of options on shares or shares to directors, employees and consultants of the Company or its subsidiaries, as well as programmes for the allocation of free shares to the beneficiaries identified within the framework of such programmes, and (ii) for lending shares to the Specialist Operator so that the latter can meet its contractual obligations vis-à-vis the Company for the settlement of transactions carried out on YOOX shares under the terms and in the manner established by the applicable provisions.

With reference to the aims in points (i) and (ii) before the Shareholders' Meeting:

- pursuant to Article 2357 of the Civil Code, the purchase, in one or more tranches, for a period of 18 months from the date of the Shareholders' Meeting resolution, of ordinary shares in the Company up to a maximum that, taking into account the ordinary YOOX shares held at any time by the Company and its subsidiaries, does not in total exceed the 10% of the share capital, at a price that is not greater than the higher of the last independent transaction and the highest current independent offer price on the market where the purchase is to take place, without prejudice to the fact that the unit price cannot be lower than 15% or higher than 15% of the official registered price of YOOX stock on the trading day prior to each individual purchase transaction;
- the Board of Directors was given a mandate to identify the number of shares to purchase in relation to each of the above-mentioned aims prior to the launch of each individual purchasing plan and to proceed with the purchasing of shares under the conditions and for the purposes referred to above, assigning it the broadest powers for the execution of the purchasing transactions as part of the Shareholders' Meeting resolution and all other formalities related to them, including the possible appointment of intermediaries pursuant to law and with the right to appoint persons with special powers of attorney, as deemed appropriate in the interests of the Company, in accordance with what is permitted under existing regulations, through the methods set out in Article 144-*bis*, paragraph 1, letter b) of Consob Regulation 11971/1999, as amended;
- the Board of Directors was given authorisation, pursuant to Article 2357-*ter* of the Civil Code, to make available, at any time, in full or in part, on one or more occasions, treasury shares purchased on the basis of the Shareholders' Meeting resolution, or in the Company portfolio, to make available on or off the stock exchange, possibly also through the sale of actual and/or personal rights, including, by way of example, securities lending, in compliance with the pro tempore laws and regulations in force and for the pursuit of the aims of this resolution, under the terms, methods and conditions of the deed of sale of the treasury shares deemed most suitable in the interests of the Company, also taking into account the obligations undertaken with regard to the Specialist Operator pursuant to the related agreement, assigning the most far reaching powers for the execution of the sale transactions under the Shareholders' Meeting resolution, as well as all other related formalities, including the possible appointment of intermediaries enabled pursuant to the law and with the right to appoint persons with special powers of attorney, notwithstanding that (a) deeds of sale made under the scope of extraordinary transactions, including the exchange of stakes with other persons, can take place at the price or figure which will be in line with the transaction, by reason of the characteristics and nature of the actual transaction and also taking into account the performance of the market; and that (b) the deeds of sale for treasury shares for servicing any plans for the distribution of share options or shares to directors, employees and collaborators of the Company or its subsidiaries can take place at the price determined by the competent corporate bodies under the scope of these plans, taking into account the performance of the market and regulations, including tax regulations, that may apply, or free of charge, where this has been established by the competent corporate bodies with reference to free treasury share allocation schemes, all in full compliance of the conditions and methods, including operational, established by the application provisions of Consob Resolution 16839 of 19 March 2009 and Regulation (EC) No 2273/2003 of 22 December 2003, where applicable; the authorisation in this point is granted without a time limit.

Lastly, the same Shareholders' Meeting, in compliance with the law, has arranged that the purchases concerned in the authorisation are kept within the limits of the distributable profits and available reserves shown in the most recent approved financial statements (including interim statements) at the time of the conduct of the transaction, and that, when treasury shares are bought or sold, the necessary accounting entries are made in conformity with the applicable legal provisions and accounting standards.

As at the date of this Report, YOOX holds 17,339 treasury shares, equal to 0.028% of the current share capital (equal to Euro 619,640.32, or 61,964,032 ordinary shares).

Board of Directors: name and composition

The Board of the Issuer in office at the date of this Report is composed of 7 members, appointed by the ordinary shareholders' meeting held on 27 April 2012, based on the single list of candidates submitted by the Shareholder Federico Marchetti which received 30,630,977 votes in favour equal to 77.20% of the voting share capital (equal to 39,679,811 ordinary shares). The shareholding required to present lists for this appointment is 2.5%.

The Board will remain in office until the date of the Shareholders' Meeting called for the approval of the consolidated financial statements as at 31 December 2014.

The directors currently in office are as follows:

- Federico Marchetti
- Stefano Valerio
- Raffaello Napoleone
- Mark Evans
- Catherine Gérardin Vautrin
- Massimo Giaconia
- Elserino Mario Piol

Approval of the separate financial statements as at 31 December 2013

The Shareholders' Meeting of 17 April 2014 convened at a single call, in an ordinary meeting, approved the separate financial statements at and for the year ended 31 December 2013, resolving to carry forward YOOX S.p.A.'s entire net profit for the year.

Remuneration Report

On 17 April 2014 the Shareholders' Meeting approved, with a non-binding vote, Section I of the Remuneration Report produced pursuant to Articles 123-*ter* of Legislative Decree 58/1998 and 84-*quater,* as well as in compliance with Annex 3A, Statements and 7-*ter* of Consob Regulation 11971/1999.

Modifications to the Company bylaws

At its Meeting of 17 April 2014, the shareholders amended Article 5 of the Company bylaws.

In extraordinary session, the Shareholders' Meeting approved the capital increase through payment in cash in one or more tranches, of a maximum amount of Euro 5,000.00 attributable to the capital, increased by any premium, with the exclusion of option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, to be reserved exclusively for subscription by employees of YOOX S.p.A. and subsidiary companies as beneficiaries of the 2014 - 2020 Stock Option Plan approved by the same Shareholders' Meeting in ordinary session.
The strike price of each option, for the subscription of 1 new issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty days trading prior to the option allocation date.
The 2014 - 2020 Stock Option Plan involves the granting of a total of 500,000 YOOX ordinary shares with no nominal value, with the same characteristics as the outstanding shares.
The recipients of the capital increase are the beneficiaries of the Stock Option Plan approved by the Ordinary Shareholders' Meeting of 17 April 2014, reserved exclusively for employees of YOOX and its companies, directly

and indirectly controlled, pursuant to Article 114-bis of Legislative Decree 58/1998 and to be implemented through the granting free of charge of options valid for subscription to the newly issued YOOX ordinary shares.
The deadline for subscription to the capital increase is set as 31 December 2020, with the provision that if the capital increase has not been fully subscribed by this deadline, the share capital shall, pursuant to Article 2439, paragraph 2 of the Civil Code, be deemed to be increased by an amount equal to the subscriptions received up to that moment and with effect from that moment, provided these resolutions have been filed with the Register of Companies.

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The Shareholders' Meeting, held in extraordinary session on 19 December 2014, changed Article 14 of the Articles of Association giving the Board of Directors the right to present a list of candidates at the total renewal of the Board of Directors and aimed at guaranteeing greater stability of the corporate governance structure. Specifically, taking into consideration the profile of YOOX as a public company with a widespread shareholder base, this statutory addition will make it possible to minimise the risk related to the failure of Shareholders to present lists thereby avoiding situations of uncertainty in the corporate governance of YOOX.

Note that the change introduced does not limit the presentation of lists of candidates by all those with legal rights to do so.

Directors' Appointments Committee

The Directors' Appointments Committee was originally established on 7 October 2009, to implement the Board resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA.

The current Directors' Appointments Committee was established through the Board resolution of 27 April 2012 and is composed of 3 non-executive directors, the majority of them independent, in the persons of:

- Massimo Giaconia – independent director – Chairman;
- Catherine Gérardin Vautrin – independent director;
- Stefano Valerio – non-executive director.

Following the approval by the Board of Directors of the guidelines for the submission of lists of candidates for the appointment of director, which took place on 25 February 2015, the Directors' Appointments Committee is responsible for the task of proposing the candidates for the office of director if a list is presented by the Board.

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No meetings of the Directors' Appointments Committee were held during the year.

During the meeting of [24] February 2015, the Directors' Appointments Committee approved the guidelines for the presentation of the lists of candidates for the next renewal of the Board of Directors.

Remuneration Committee

The Remuneration Committee was originally established on 7 October 2009, in implementation of the Board of Director's resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA, pursuant to Article 2.2.3, paragraph 3, n) of the Stock Exchange Regulations, applicable to issuers in possession of STAR qualification and in conformity with the Code of Conduct.

The current Committee was established through the Board resolution of 27 April 2012 and is composed of three non-executive directors, all independent, in the persons of:

- Elserino Mario Piol – non-executive director – Chairman;
- Catherine Gérardin Vautrin – independent director;
- Massimo Giaconia – independent director.

During the year, the activities of the Remuneration Committee were mainly focused on the assignment of financial instruments depending on existing plans and their exercise. The Remuneration Committee also expressed opinions on the following: (a) changing of the exercise conditions of options relating to the 2009-2014 stock option plan; (b) verification and confirmation of the remuneration Policy adopted by the Company on 7 March 2012 as proposed by the Remuneration Committee and later amended on 5 March 2013, also at the proposal of the Remuneration Committee; (c) definition of the targets for the CEO; (d) modification of the contract with the CEO, and (e) proposal for the adoption of the 2014 - 2020 Stock Option Plan reserved exclusively for employees of the Company and companies directly and indirectly controlled by the latter, pursuant to Article 93 of the TUF.

Control and Risk Committee

The Control and Risk Committee was originally established on 7 October 2009, in implementation of the Board of Director's resolution of 3 September 2009, and subject to the start of trading of ordinary shares on the MTA, pursuant to Article 2.2.3, paragraph 3, o) of the Stock Exchange Regulations.

The current Committee was established through the Board resolution of 27 April 2012 and is composed of 3 non-executive directors, all independent, in the persons of:

- Massimo Giaconia – independent director – Chairman;
- Raffaello Napoleone – independent director;
- Elserino Mario Piol – independent director.

During the year, the Control and Risk Committee met four times on the following dates: 26 February, 29 April, 23 July and 29 October 2014, dealing with the following points:

- examining the skills, autonomy and organisational adequacy of the Group's internal audit structure and giving a positive evaluation of the adoption of the "YOOX Group Internal Audit Department Mandate" for later approval by the Board;
- examining and evaluating the completeness and adequacy of the plan of activities of the YOOX Group Internal Audit Department relating to the financial year and the methods used in its definition;
- examining the periodic reports prepared by the Internal Audit Department for the financial year on the evaluation of the internal control and risk management system relating to areas subject to audit, as well as the related corrective actions shared with the managers and the outcome of the follow-up activities carried out;
- examining the results of activities carried out by the Director in charge of preparing corporate accounting documents, carried out with the support of the Internal Audit Department, monitoring the adequacy and full operation of the internal control system under the scope of administration-accounting for compliance pursuant to Law 262/05, in relation to the annual report as at 31 December 2013 and the half-year report as at 30 June 2014;
- evaluating, together with the Director in charge of preparing corporate accounting documents and on the advice of the independent auditors and the Board of Statutory Auditors, the correct use of accounting principles and their homogeneity for the purpose of preparing the consolidated financial statements, as well as the process for producing the draft budget as at 31 December 2013 and the half-year financial report as at 30 June 2014;
- examining the results of the activities carried out by the YOOX S.p.A. Supervisory Body, with the support of the Internal Audit Department, on the checks into the adequacy of the Organisational Model pursuant to Legislative Decree 231/01, as well as monitoring the correct and full operation of the internal control system overseeing the offence risks which the Decree refers to.

Committee for Related-Party Transactions

At a meeting on 10 November 2010, the Board of Directors also approved the establishment of its own internal "Committee for Related-Party Transactions" made up of independent directors with the committee responsible for all the functions set out in the Related Parties Procedure.

The Committee for Related-Party Transactions, appointed at the board meeting of 27 April 2012, is composed of:

- Massimo Giaconia – independent director – chairman;
- Elserino Mario Piol – independent director;
- Raffaello Napoleone – independent director.

During the year, the Committee for Related-Party Transactions carried out its functions in compliance with the Related-Parties Procedure.

SUBSEQUENT EVENTS

Granting of shares relating to the YOOX S.p.A. 2009-2014 incentive plan
After the end of the period, on 16 January 2015 the Company had paid over 10,000 ordinary shares relating to the Company incentive plan to one beneficiary.

Mono-brand online stores
On 11 February 2015, the partnership with Aeffe Retail S.p.A. for the management of the albertaferretti online stores in Europe, the United States and Japan was renewed for a further 5 years until 17 March 2020.
In addition, before they expired naturally, the contracts with Staff International S.p.A. (OTB Group) the partnership for the management of the Maison Martin Margiela and Just Cavalli Mono-brand online stores were renewed until 31 December 2020 in all the markets in which they operate.

On 26 February 2015, the Lanvin store made its debut in Europe, the United States and the major Asia-Pacific area countries.
In addition, the new release of marni.com “Powered by YOOX Group”, was just launched. The creative concept was developed by the YOOX creative agency.

Lastly the Brioni online store was extended to the Chinese market on 5 February 2015.

New logistics space dedicated to footwear
In line with the logistics strategy that involves the opening of specialist stores by goods category based on the Groups' growth requirements (so-called “lego strategy”), in January 2015 a new semi-automated space dedicated to footwear was inaugurated at the Interporto logistics hub (Bologna).

OUTLOOK

Based on the proven international validity of the YOOX business model as well as the good prospects of the online retail market, it is reasonable to assume that the Group will see further growth in revenues and profits in 2015.
It is reasonable to expect that both business lines and all the Group’s major markets will make a positive contribution towards this growth.
The Group intends to continue investments in the development of the techno-logistics platform and specificially in the further expansion of the order management system. The Group intends to continue with the release of cross-channel functionalities for an increasing number of Mono-brand partners in order to enable them to offer their customers a fully integrated and consistent experience between the physical stores and the virtual stores “Powered by YOOX Group” as well as to further strengthen its technological solutions for smart phones and tablets.

BOARD OF DIRECTORS' PROPOSED RESOLUTION TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We would like to make following proposals to you:

- to approve the separate financial statements of YOOX S.p.A. as at 31 December 2014, which report profit of Euro 11,544,017.41, together with the Directors' Report;
- to carry forward the entire amount of profit for the year of YOOX S.p.A. totalling Euro 11,544,017.41;
- to acknowledge that the YOOX Group's consolidated financial statements as at 31 December 2014 show a profit of Euro 13,802,464.06.

Zola Predosa (BO), 25 February 2015
For the Board of Directors

Chairman of the Board of Directors
Federico Marchetti
(signed on the original)

ANNEXES TO THE DIRECTORS' REPORT

Annex 1: Incentive plans and impact on the reclassified consolidated income statement

Impact of incentive plans in the fourth quarter of 2014:

Thousand Euro	Q4 2014	% Total	Q4 2013	% Total
Fulfillment costs	**(8,963)**		**(8,834)**	
of which incentive plans	*-*	*0.0%*	*412*	*627.1%*
Sales and marketing costs	**(17,449)**		**(14,152)**	
of which incentive plans	*-*	*0.0%*	*157*	*239.3%*
General expenses	**(9,496)**		**(9,948)**	
of which incentive plans	*(310)*	*100%*	*(504)*	*-766.3%*
Incentive plans total	**(310)**	***100.0%***	**66**	***100.0%***

Impact of incentive plans in 2014:

Thousand Euro	31 Dec 2014	% Total	31 Dec 2013	% Total
Fulfillment costs	**(42,318)**		**(37,913)**	
of which incentive plans	*(97)*	*7.9%*	*47*	*-1.3%*
Sales and marketing costs	**(56,562)**		**(50,485)**	
of which incentive plans	*(4)*	*0.3%*	*(342)*	*9.2%*
General expenses	**(37,350)**		**(36,479)**	
of which incentive plans	*(1,134)*	*91.8%*	*(3,401)*	*92.0%*
Incentive plans total	**(1,236)**	***100.0%***	**(3,695)**	***100.0%***

CONSOLIDATED FINANCIAL STATEMENTS
YOOX GROUP

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CONSOLIDATED FINANCIAL STATEMENTS YOOX GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014, PREPARED IN ACCORDANCE WITH IFRS (1)

Consolidated income statement

Thousand Euro:	Notes	31 Dec 2014	31 Dec 2013
Net revenues	9.1	524,340	455,590
Cost of goods sold	9.2	(336,793)	(284,786)
Fulfillment costs	9.3	(49,279)	(43,711)
Sales and marketing costs	9.4	(56,569)	(50,495)
General expenses	9.5	(55,959)	(49,824)
Other income and expenses	9.6	(2,486)	(2,865)
Operating profit	**9.7**	**23,254**	**23,909**
Result of equity investments	9.8	(694)	(639)
Financial income	9.9	4,506	1,367
Financial expenses	9.9	(4,437)	(4,479)
Profit before tax		**22,629**	**20,157**
Taxes	9.10	(8,827)	(7,537)
Consolidated profit for the year		**13,802**	**12,620**
of which:			
Attributable to owners of the Parent Company		13,802	12,620
Basic earnings per share	9.11	0.23	0.22
Diluted earnings per share	9.11	0.18	0.20

(1) The financial statements, which were prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, are annexed to the notes to consolidated financial statements as at 31 December 2014.

Consolidated statement of comprehensive income

Thousand Euro:	Notes	31 Dec 2014	31 Dec 2013
Consolidated profit for the year		13,802	12,620
Other components of comprehensive income, net of tax effects			
Foreign currency translation differences for foreign operations	9.21	1,805	(1,415)
Profit/(loss) from cash flow hedges	9.21	26	342
Total other components of comprehensive income that will be (or may be) reclassified in the income statement		**1,831**	**(1,073)**
Profit/(loss) from exchange rate gains and actuarial losses for employee benefits	9.21	(14)	(42)
Total other comprehensive income that will not be reclassified in the income statement		**(14)**	**(42)**
Total consolidated comprehensive income for the year		**15,619**	**11,505**
of which:			
Attributable to owners of the Parent Company		15,619	11,505
Consolidated comprehensive net income attributable to Third Parties		-	-

Consolidated statement of financial position

Thousand Euro:	Notes	31 Dec 2014	31 Dec 2013
Non-current assets			
Property, plant and equipment	9.12	35,663	34,890
Intangible assets with finite useful life	9.13	35,685	27,093
Equity interests in associates	9.14	59	59
Deferred tax assets	9.15	10,021	8,272
Other non-current financial assets	9.16	999	910
Total non-current assets		**82,427**	**71,224**
Current assets			
Inventories	9.17	222,834	164,396
Trade receivables	9.18	14,732	13,460
Other current assets	9.19	7,510	4,070
Cash and cash equivalents	9.20	118,028	58,280
Current financial assets	9.20	9,539	8,742
Total current assets		**372,644**	**248,949**
Total assets		**455,071**	**320,173**
Shareholders' equity			
Share capital		620	582
Reserves		107,315	82,525
Retained earnings/(losses carried forward)		36,556	23,935
Consolidated profit for the year		13,802	12,620
Equity attributable to equity holders of the Parent Company	9.21	158,294	119,663
Equity attributable to Third Parties		-	-
Total consolidated equity		**158,294**	**119,663**
Non-current liabilities			
Medium-/long-term financial liabilities	9.23	66,072	33,848
Employee benefits	9.24	165	210
Provisions for risks and charges	9.26	-	-
Deferred tax liabilities	9.25	285	153
Total non-current liabilities		**66,522**	**34,211**
Bank loans and other current financial payables	9.23	30,759	12,904
Provisions for risks and charges	9.26	482	422
Trade payables	9.27	164,466	120,792
Tax liabilities	9.28	320	989
Other payables	9.29	34,228	31,193
Total current liabilities		**230,255**	**166,300**
Total consolidated equity and liabilities		**455,071**	**320,173**

Statement of changes in consolidated equity as at 31 December 2014 and 31 December 2013 – Note 9.21

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Treasury shares purchase reserve*	*Hedging reserve*	*IAS19 reserve*	*Stock option reserve*	*Translation reserve*	*Retained earnings or losses carried forward*	*Consolidated profit (loss)*	*Equity attributable to non-controlling interests*	***Total***
31 December 2012	**573**	**61,734**	**193**	**(1,136)**	**(177)**	**-**	**16,401**	**236**	**13,752**	**10,183**	**-**	**101,762**
Share capital increases	9	2,527	-	-	-	-	-	-	-	-	-	**2,536**
Increases in reserves for share-based payments	-	-	-	-	-	-	3,864	-	-	-	-	**3,864**
Total consolidated comprehensive income	-	-	-	-	342	(42)	-	(1,415)	-	12,620	-	**11,505**
Other changes	-	-	-	597	-	-	(597)	-	10,183	(10,183)	-	**-**
31 December 2013	**582**	**64,261**	**193**	**(538)**	**165**	**(42)**	**19,667**	**(1,181)**	**23,935**	**12,620**	**-**	**119,663**
Share capital increases	38	21,738	-	-	-	-	-	-	-	-	-	**21,776**
Increases in reserves for share-based payments	-	-	-	-	-	-	1,236	-	-	-	-	**1,236**
Total consolidated comprehensive income	-	-	-	-	26	(14)	-	1,805	-	13,802	-	**15,619**
Other changes	-	-	-	280	-	-	(280)	-	12,620	(12,620)	-	**-**
31 December 2014	**620**	**85,999**	**193**	**(257)**	**192**	**(56)**	**20,623**	**624**	**36,556**	**13,802**	**-**	**158,294**

Consolidated statement of cash flows

Thousand Euro:	Notes	31 Dec 2014	31 Dec 2013
Consolidated profit for the year	9.30	13,802	12,620
Adjustments for:			
Taxes for the year	9.30	8,827	7,537
Financial expenses	9.31	4,437	4,479
Financial income	9.31	(4,506)	(1,367)
Share of earnings from associates	9.31	694	639
Depreciation, amortisation and impairment losses	9.30	25,576	19,153
Fair value measurement of stock options	9.31	1,236	3,695
Unrealised effect of changes in foreign exchange rates	9.31	1,805	(1,415)
(Gains)/losses on sale of non-current assets	9.31	39	11
Employee benefits	9.31	25	65
Provisions for risks and charges	9.31	492	415
Payment of employee benefits	9.31	(70)	(68)
Use of provisions for risks and charges	9.31	(431)	(330)
Changes in inventories	9.32	(58,438)	(26,181)
Changes in trade receivables	9.32	(1,272)	(392)
Changes in trade payables	9.32	43,673	24,030
Changes in other current assets and liabilities	9.33	(794)	6,460
Cash flow from (used in) operating activities		**35,095**	**49,352**
Income tax paid	9.30	(11,112)	(9,921)
Interest and other financial expenses paid	9.31	(4,437)	(4,479)
Interest and other financial income received	9.31	4,506	1,367
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**24,052**	**36,319**
Investing activities			
Acquisition of property, plant and equipment	9.34	(14,560)	(18,013)
Acquisition of intangible assets	9.35	(23,865)	(18,386)
Acquisition of investments	9.36	(343)	(735)
Acquisition of other non-current financial assets	9.37	(89)	(194)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(38,857)**	**(37,328)**
Financing activities			
New short-term liabilities	9.40	18,894	2,738
Repayment of short-term liabilities	9.40	(7,189)	(2,001)
New medium-/long-term financial liabilities	9.39	43,663	23,251
Repayment of medium-/long-term financial liabilities	9.39	(1,793)	(580)
Treasury share acquisition	9.37	-	-
Increase in share capital and share premium reserve	9.38	21,775	2,536
Investments in financial assets	9.37	(797)	(2,600)
Variation through difference between cash effect and action of incentive plans	9.31	-	169
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**74,553**	**23,514**
TOTAL CASH FLOW FOR THE PERIOD		**59,748**	**22,505**
Cash and cash equivalents at the beginning of the year	9.20	58,280	35,775
Cash and cash equivalents at the end of the year	9.20	118,028	58,280
TOTAL CASH FLOW FOR THE PERIOD		**59,748**	**22,505**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

1. Group structure and activities

The YOOX Group (hereinafter “the Group”) includes, as well as the Parent Company YOOX S.p.A. (hereinafter “the Company” or “the Parent Company”), the companies YOOX Corporation, which are subject to US law and which manage sales activities in North America, and YOOX Japan, which is subject to Japanese law and which manages sales activities in Japan, Mishang Trading (Shanghai) Co. Ltd, which manages sales activities in China, and YOOX Asia Limited, which manages sales activities in the Asia-Pacific area.

The YOOX Group is active in electronic commerce and offers commercial services relating to clothing and fashion accessories, and more generally to anything that accessorises the person or the home, during free time, when relaxing or during leisure activities.

Information on individual operating segments pursuant to IFRS 8 is presented in Note 7.

2. Approval of the consolidated financial statements as at 31 December 2014

The consolidated financial statements as at 31 December 2014 were approved by the Board of Directors on 25 February 2015. They have been audited and will be presented at the Shareholders’ Meeting.

3. Statement of compliance with IFRS and general criteria used to prepare the consolidated financial statements

The YOOX Group prepared the consolidated financial statements as at 31 December 2014 in accordance with the IAS/IFRS standards of the International Accounting Standard Board (IASB) endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The consolidated financial statements as at 31 December 2014 were also drawn up in accordance with rules adopted by Consob on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other Consob rules and regulations concerning financial statements. The consolidated financial statements as at 31 December 2014 were compared with the consolidated financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as the explanatory notes.

Consolidated financial statements

In accordance with Consob Resolution 15519 of 27 July 2006 and Communication DEM/6064293 of 28 July 2006 relating to financial statements, specific income statements, statements of financial position and statements of cash flows have been included showing significant relationships with related parties, in order to improve readability.

As indicated above, the consolidated financial statements as at 31 December 2014 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

The income statement is classified by function, which is considered to provide more meaningful information than classification by nature since it is more consistent with the reporting system used by management when evaluating the performance of the business.

Statement of comprehensive income

The statement of comprehensive income presents, in a single statement, the components of profit (loss) for the year and income and expenses recognised directly in equity for transactions not involving owners of the Parent Company.

Statement of financial position

The statement of financial position presents current and non-current assets and current and non-current liabilities separately. For each item under assets and liabilities, a description is provided in the notes of the amounts expected to be settled or recovered within or after the 12-month period following the reporting date.

Statement of changes in equity

The statement of changes in equity reports the profit or loss for the year, including each item of revenue or cost, income or expense which, as required by IFRS and their interpretations, is recognised directly in equity, and the total of these items; total comprehensive profit or loss for the year, with separate presentation of the portion pertaining to owners of the Parent Company and any portion pertaining to non-controlling interests; the effect on each item of equity of changes to accounting standards and corrections of errors as required by the accounting treatment set out in IAS 8; and the balance of profit or loss carried forward at the start of the year and at the date of the financial statements, together with the changes during the year.

The notes to the financial statements also present the amounts deriving from transactions with owners of the Parent Company and a reconciliation between the carrying amount of each share class, the share premium reserve and other reserves at the start and end of the year, showing each change separately.

Statement of cash flows

The statement of cash flows presents the cash flows from operating, investing and financing activities. Operating cash flows are presented using the indirect method, whereby profit or loss for the year or for the period is adjusted for non-monetary transactions, for all deferrals or provisions relating to previous or future operating receipts or payments and for revenue items relating to cash flows from investing or financing activity.

4 Accounting standards and measurement criteria

4.1 Basis of preparation

The consolidated financial statements are presented in Euro and balances in the financial statements and in the notes to the financial statements are expressed in Euro, unless specifically indicated otherwise.

The consolidated financial statements were prepared on a historical cost basis (with the exception of derivative financial instruments, which are measured at fair value) and on the assumption that the business is a going concern. Despite the difficult macroeconomic environment in which it is operating, the Group believes that there are no significant uncertainties over business continuity (as defined under IAS 1.25), particularly given the strength of the Group’s financial situation.

The accounting standards are applied in the same way across all Group companies. Financial transactions are recognised according to the trade date.

The accounting policies adopted for the preparation of the consolidated financial statements as at 31 December 2014 were applied in the same way for all periods presented for comparison.

4.2 Use of estimates

In order to prepare the financial statements and related notes, the management is required to use estimates and assumptions which affect the carrying amount of assets and liabilities reported in the financial statements and the information regarding contingent assets and liabilities at the reporting date.

Actual results may differ from these estimates. Estimates are used to recognise allowances for credit risks, provisions for obsolete inventories, depreciation and amortisation, impairment losses on assets, employee benefits, tax and other provisions. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately recognised in the income statement.

Below is a summary of the critical measurement processes and the key assumptions used by management in applying accounting policies with regard to the future, and which could have significant effects on carrying amounts stated in the consolidated financial statements, or for which there is a risk that significant adjustments may be made to the carrying amount of assets and liabilities in the year following that under review.

Allowance for impairment

The allowance for impairment reflects a management estimate of losses on the portfolio of end customer receivables. It is estimated according to expected losses by the Group on the basis of past experience with similar receivables, current and historical overdue receivables, losses and receipts, close monitoring of the quality of receivables and economic and market forecasts. The continuation of the current economic and financial crisis, and any worsening of the situation, could lead to a further deterioration in the financial circumstances of the Group's debtors, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Provision for obsolete inventories

The provision for obsolete inventories reflects the management estimate of losses expected by the Group, calculated both on the basis of past experience and performance as well as anticipated market performance and also following specific actions implemented by the Company. The current economic and financial crisis could lead to a further deterioration in market conditions, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Recoverable amount of non-current assets

Non-current assets include property, plant and equipment, intangible assets and other financial assets. Management periodically reviews the carrying amount of non-current assets held and used and of assets for disposal, whenever circumstances demand. This is achieved by using estimates of anticipated cash flows from the use or sale of the asset, and appropriate discount rates to calculate present value. When the carrying amount of a non-current asset has been impaired, the Group enters an impairment loss amounting to the difference between the carrying amount of the asset and its recoverable amount via use or sale, calculated with reference to the most recent business plans.

The Group has considered the following factors in its outlook, in view of the current economic and financial crisis:

- In this context, for the purposes of preparing the consolidated financial statements as at 31 December 2014, and more specifically in carrying out the impairment tests for fixed and intangible assets, the Group has taken into consideration the forecast trends for 2015. For future years it has formulated specific forecasts for the progress of its business in a precautionary sense, taking into account the economic-financial context and the market, which is greatly changed as a result of the current crisis. On the basis of these forecasts, there is no apparent need for impairments.

- In addition, if assumptions based on forecasts were to get even worse, the following should be noted: with reference to fixed assets and intangible assets with a finite useful life (essentially development costs) of the Group, they refer to recent applications/platforms, with a high technological content, which therefore makes them competitive in the current economic context. It is therefore thought highly probable that the life-cycles of these assets could be prolonged, allowing the Group to achieve sufficient income flows to cover the investment made in the assets within the timeframe identified.

Defined benefit plans

The Parent Company provides personnel with a defined benefit plan (post-employment benefits). Management uses various statistical assumptions and evaluation factors to anticipate future events in order to calculate expenses, liabilities and plan assets. These assumptions concern the discount rate, the expected return on plan assets, where they exist, rates for future salary increases and trends in medical care costs. The Group's actuarial advisors also make use of subjective factors, such as mortality and resignation rates. However, further significant changes in corporate security yields, with a consequent effect on liabilities and on unrecognised actuarial gains/losses, cannot be ruled out, bearing in mind that there may also be contextual changes to the return on plan assets, where these exist.

Realisability of deferred tax assets

As at 31 December 2014, the Group has deferred tax assets of Euro 10,021 thousand entirely recorded in the financial statements. As at 31 December 2013, the Group had deferred tax assets of Euro 8,272 thousand entirely recorded in the financial statements. The evaluation of the realisability of deferred taxes took into consideration budget results and forecasts for subsequent years that are consistent with those used for the impairment test and which are described in the previous section on the recoverable amount of non-current assets. It should also be noted that allocated deferred taxes refer to temporary tax differences which, to a significant extent, can be recovered in the long-term, so they are therefore compatible with a context in which coming out of the crisis and the economic recovery were to take longer than the timeframe indicated in the above-mentioned forecasts.

Contingent liabilities

The Group is involved in legal and fiscal disputes that concern a wide range of issues and which are governed by the respective jurisdictions of various states. Given the uncertainties inherent in these issues, it is hard to make definite predictions about disbursements relating to the disputes. The disputes with and litigation against the Group often derive from complex and difficult legal issues that are subject to a different level of uncertainty, including the individual facts and circumstances of each case, the jurisdiction and the various laws in force. In the normal course of business, management consults its own legal advisors and legal and tax experts. The Group recognises a liability for such disputes when it believes it likely that a financial disbursement will be required, and when the amount of the losses involved can be reasonably estimated. In the event that a financial disbursement becomes likely but the amount involved cannot be determined, this is reported in the notes to the financial statements.

4.3 Basis of consolidation

Subsidiaries

A company is classed as a subsidiary when the Group exerts control over it and has the power, directly or indirectly, to determine financial and operational strategies and to profit from the company’s activities. Generally, a company in which the Group has a share of more than 50% of the voting rights is classed as a subsidiary, taking into account all potential voting rights that can presently be exercised.

The financial statements of subsidiaries, which were all formed rather than acquired, are fully consolidated from the time at which control is assumed until the date at which it ceases.

Any dormant subsidiaries, or subsidiaries with non-significant business volumes and whose influence on the Group’s financial statements is not substantial, are not fully consolidated.

Any portions of equity or profit attributable to non-controlling interests are shown separately in the statement of financial position and the income statement.

The reporting date for all of the Group’s companies is 31 December, and accounts are also prepared at 30 June in order to present the interim consolidated financial statements at this date.

A list of fully consolidated companies is provided in Note 6 of these notes to the consolidated financial statements.

Associates and companies under joint control

Associates are those companies in which the Group has a considerable influence, but not control of their management or the power to decide financial and operating policies and gain benefit from the activity of these companies. Usually, associates are companies in which the Group, either directly or indirectly, holds share capital or voting rights of between 20% and 50%, also taking into consideration for the determination potential voting rights which can be exercised or converted.
Associates are evaluated using the equity method from the date on which considerable influence was shown in management until it ceases. If any share of the losses of the associate pertaining to the Group exceeds the book value of the investment in the financial statements, the value of the investment is cancelled and the share of the further losses is noted in a special fund to the extent that the Group has the obligation with regard to the business invested in to cover its losses or to fulfil its obligations on their behalf. Unrealised profits and losses relating to transactions with associates are eliminated according to the share of the investment held.

Transactions eliminated on consolidation

Transactions between Group companies are eliminated in full. Unrealised profits and losses from transactions with subsidiaries are also eliminated in full. Any portions of equity and profit attributable to non-controlling interests are determined according to voting rights held, excluding potential voting rights. Any positive differences resulting from elimination of investments against the amount of equity booked at the date of initial consolidation are posted as maximum amounts under assets, liabilities and contingent liabilities, with the remainder posted to goodwill. Any negative differences resulting from elimination of investments against the amount of equity booked at the date of the initial consolidation are posted as minimum amounts under assets and liabilities, with the remainder entered in the income statement.

Treatment of foreign currency transactions

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the spot exchange rate on the transaction date. Monetary items denominated in foreign currencies at the reporting date are reconverted into the functional currency using the spot exchange rate on that date. Exchange rate gains or losses on monetary items consist of the difference between the amortised cost of the functional currency at the start of the year, adjusted to reflect actual interest and payments made during the year, and the amortised cost of the foreign currency, translated at the spot exchange rate on the reporting date. Exchange rate differences arising from translation are recorded in the income statement.

Financial statements of foreign operations

Assets and liabilities from foreign operations are translated to Euro using the spot exchange rate on the reporting date. For practical reasons, revenue and costs from foreign operations are translated to Euro using the average exchange rate for the year, if there are no significant differences with respect to translation using the exchange rates for the individual transactions.

Exchange rate differences arising from translation are posted directly to equity under “Translation reserve”. In the event of the partial or complete sale of a foreign operation, the related amount of differences accrued in this reserve is recognised in the income statement.

Exchange rate gains or losses arising from translation of cash receivables or payables for foreign operations, the receipt or payment of which is neither planned nor probable in the foreseeable future, are viewed as part of net investment in foreign operations and are booked directly under equity in the above reserve.

On the first-time adoption of IFRS, the cumulative translation differences generated by consolidation of foreign companies outside the Euro zone were reclassified to other reserves, as permitted under IFRS 1. Therefore the capital gains and losses deriving from the future sale of these companies will include only the translation differences arising from 1 January 2007 onwards (the date of the YOOX Group’s transition to IFRS).

The following table shows the exchange rates used as at 31 December 2014 and as at 31 December 2013 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.bancaditalia.it):

	Exchange rate as at 31 Dec 2014	**Average exchange rate for 2014**
USD	1.2141	1.3285
JPY	145.23	140.31
CNY	7.5358	8.1857
HKD	9.4170	10.302
GBP	0.7789	0.8061
RUB	72. 337	50.952

	Exchange rate as at 31 Dec 2013	Average exchange rate for 2013
USD	1.3791	1.3281
JPY	144.72	129.66
CNY	8.3491	8.1646
HKD	10.693	10.302
GBP	0.8337	0.8493
RUB	45.325	42.337

The foreign currencies are reported against Euro units.

Derivative financial instruments

The Group does not hold any derivative financial instruments for speculative purposes. However, in cases where derivative financial instruments do not satisfy all the necessary conditions set out for hedge accounting under IAS 39, changes in the fair value of these instruments are booked in the income statement as financial income and/or expenses.

Derivative financial instruments are booked according to the rules of hedge accounting when:

- at the start of the hedge, the hedging relationship is formally designated and documented;
- it is presumed that the hedge is highly effective;
- effectiveness can be measured reliably and the hedge remains highly effective throughout the designation period.

The Group uses derivative financial instruments to hedge its exposure to currency risks.

Derivatives are initially measured at fair value. The associated transaction costs are entered in the income statement when they are incurred. After initial recognition, derivatives are measured at fair value. Any changes are recognised as described below.

Cash flow hedging

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are posted directly to equity to the extent that the hedge is effective. For the ineffective portion, changes in fair value are reported in the income statement.

As indicated above, hedge accounting ceases prospectively if the instrument designated as a hedge:

- no longer satisfies the criteria required for hedge accounting;
- expires;
- is sold;
- is closed out or exercised.

Accumulated profits or losses are retained in equity until the prospective transaction takes place. If the hedged item is a non-financial asset, the amount entered under equity is transferred to the carrying amount of the asset when it is determined. In other cases, the amount entered under equity is transferred to the income statement in the same year in which the hedged item affects the income statement.

Property, plant and equipment

Valuation and measurement

Property, plant and equipment are measured at acquisition cost, including direct ancillary costs and net of accumulated depreciation and impairment losses.

Any financial expenses incurred in the acquisition or construction of capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the assets in question. All other financial expenses are entered in the income statement for the year in which they are incurred.

If an item of property, plant and equipment is made up of various components with differing useful lives, these components are booked separately (if they are significant components).

Any gain or loss generated by the sale of property, plant and equipment is calculated as the difference between the net proceeds from the sale and the residual net value of the asset, and is entered in the income statement under “Other income” or “Other expenses”.

Subsequent costs

Costs incurred after the acquisition of the assets and the cost of replacing some parts of the assets in this category are added to the carrying amount of the item to which they relate and are only capitalised if there is an increase in the future economic benefits intrinsic to the asset. All other costs are posted to the income statement as they are incurred.

When the cost of replacing parts of the assets is capitalised, the residual value of the replaced parts is posted to the income statement. Extraordinary maintenance expenses that extend the useful life of items of property, plant and equipment are capitalised and depreciated on the basis of the remaining useful life of the assets. Ordinary maintenance costs are posted to the income statement in the financial year in which they are incurred.

Assets under construction are entered at cost under “Assets under construction” until they are available for use. As soon as they are available for use, the cost is classified under the appropriate item and becomes subject to depreciation.

Assets under finance lease

Property, plant and equipment held under finance leases, for which the Group has substantially assumed all risks and rewards of ownership, are recognised at the start date of the lease as assets at their fair value, or, if lower, at the current value of the lease payments, depreciated according to estimated useful life and adjusted for any impairment losses calculated as described below. The amount payable to the lessor is entered in the financial statements under financial payables.

Amortisation

Items of property, plant and equipment are depreciated in the income statement on a straight-line basis over their useful life.

The financial and technical useful lives of these items are assessed as follows:

Equipment	15%
General plant	15%
Specialist plant	30%
Electronic office equipment	20%
Furniture and furnishings	15%

The depreciation methods, the useful lives and residual values are verified at the reference date of the financial statements and have not been modified in relation to the previous financial year.

Intangible assets

Development costs

Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Development expenses are incurred on the basis of a plan or project to create new or substantially improved products or processes. Development expenses are only capitalised if the criteria set out under IAS 38 – Intangible Assets are met, namely:

- the technical feasibility of the product can be demonstrated;
- the ability to use or sell the intangible asset can be demonstrated;
- the Group intends to complete the development project;
- the costs incurred for the project can reliably be calculated;
- the amounts entered can be recovered through anticipated future economic benefits resulting from the development project;
- adequate technical, financial and other resources are available.

Capitalised expenses include costs for services provided by third parties and the directly attributable personnel expense. Financial expenses incurred in developing capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the asset class in question. All other financial expenses are entered in the income statement for the year in which they are incurred. Other development expenses are entered in the income statement at the time they are incurred.

Capitalised development expenses are booked at cost, net of accumulated amortisation and impairment losses.

Development projects in progress are entered at cost under “Intangible assets under development” until the project is completed. When the project is completed, the cost is entered under the relevant item and is subject to amortisation.

Other intangible assets with finite useful life

Other intangible assets acquired by the Group with a finite useful life are stated at cost, net of accumulated amortisation and impairment losses.

Subsequent costs

Subsequent costs are only capitalised when there is an increase in the anticipated future economic benefits attributable to the assets in question. All other subsequent costs are entered in the income statement for the year in which they are incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible assets, from the time that the assets are available for use. The financial and technical useful lives of these items are assessed as follows:

Development costs	33%
Software and licences	33%
Brands and other rights	10%
Other intangible assets	33%

The useful lives and residual values are verified at the reference date of the financial statements and have not been modified in relation to the previous financial year.

Investments in associates

Associates are those companies in which the Group has a considerable influence, but not control of their management or the power to decide financial and operating policies and gain benefit from the activity of these companies. Usually, associates are companies in which the Group, either directly or indirectly, holds share capital or voting rights of between 20% and 50%, also taking into consideration for the determination potential voting rights which can be exercised or converted.
Associates are evaluated using the equity method from the date on which considerable influence was shown in management until it ceases. If any share of the losses of the associate pertaining to the Group exceeds the book value of the investment in the financial statements, the value of the investment is cancelled and the share of the further losses is noted in a special fund to the extent that the Group has the obligation with regard to the business invested in to cover its losses or to fulfil its obligations on their behalf.

Other non-current financial assets

This category includes guarantee deposits expected to be convertible to cash after 12 months.

Non-current financial assets are initially recognised at fair value on the trade date (being the same as the acquisition cost), net of transaction costs directly attributable to the acquisition.

After initial recognition, held-to-maturity financial instruments are measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that precisely discounts future cash flows, estimated over the expected life of the financial instrument, to its net carrying amount.

At every reporting date, every non-current financial asset is checked for objective evidence of impairment.

If there is objective evidence of impairment, the impairment loss is measured as the difference between the carrying amount of the held-to-maturity investment and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

The amount of the loss is immediately entered in the income statement.

If, in a subsequent year, the impairment loss decreases and this decrease is connected to an event after the impairment loss was recognised, the loss is reversed and the related reversal is entered in the income statement.

Current financial assets

Current financial assets and bonds held with the intention of keeping them until maturity are accounted for according to the settlement date and, at the time they are first recorded in the financial statement, they are valued at the purchase cost, including ancillary costs to the transaction.
Following the initial measurement, the financial instruments available for sale and those for trading are valued at the fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate evaluation techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the date of the financial statements.
The profits and losses for financial assets available for sale are measured directly under Other total profits (losses) until the time the financial asset is sold or impaired; at the time the asset is sold, the profits or accumulated losses, including those previously recorded under Other total profits (losses) are included in the income statement for the period; at the time the asset is impaired, the accumulated losses are included in the income statement. The profits and losses created by variations in the fair value of financial instruments classified as held for trading are recorded in the income statement for the period.
Bonds held with the intention of keeping them in the portfolio until maturity and all financial assets for which listings are not available in an active market and whose fair value cannot be determined in a reliable way, are valued, if they have a fixed term, at the amortized cost, using the effective interest method. When the financial assets do not have a fixed term, they are valued at the purchase cost. Loans with a term of more than a year, which are non-interest bearing or which mature with interest lower than market rates are discounted using the market rates.

Valuations are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could have suffered a reduction in value. If there is objective evidence, the loss in value should be recorded as a cost in the income statement for the period.

Inventories

Inventories are carried at the lesser of the purchase and/or production cost and the net realisable value based on market performance, including the relative ancillary selling costs. The cost of inventories, calculated according to the average cost method for each category of goods, includes purchase costs and costs incurred to bring the inventories to their present location and condition.

In order to represent the value of inventories appropriately in the statement of financial position, and to take into account impairment losses due to obsolete materials and slow inventory movement, obsolescence provisions have been posted, directly deducted from the carrying amount of the inventories.

Trade and other receivables

Trade and other receivables, which generally fall due within one year, are carried at the fair value of the initial consideration plus transaction costs. They are subsequently carried at amortised cost, and may be adjusted to reflect any impairment losses, calculated as the difference between the carrying amount and the amount of estimated future cash flows. If, in a subsequent year, the impairment loss decreases, the loss previously stated is partially or fully reversed and the amount of the receivable is reversed, for an amount not exceeding what would have been the amortised cost if the loss had not been recognised.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand, bank and postal deposits and equivalent items that can be sold in the very short term (within three months), stated at the nominal value, and stated at the spot exchange rate at year-end if in foreign currency, which corresponds to their fair value.

Impairment losses on assets

At every reporting date, the Group subjects the carrying amounts of property, plant and equipment and intangible assets to impairment tests if there is any evidence that these assets may have suffered impairment. In the event of such evidence, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are subjected to impairment tests every year, or more frequently if there is an indication that the asset might be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the test shows that the stated assets, or a cash-generating unit, are impaired, the recoverable amount is estimated and the difference between the carrying amount and the recoverable amount is entered in the income statement. The impairment loss of a CGU is therefore first charged against goodwill, where applicable, and then as a reduction in the carrying amount of the other assets.

The recoverable amount of an asset or a CGU is obtained by discounting the cash flows expected to derive from that asset or CGU. The discount rate used is the cost of capital, taking into account the specific risks associated with the asset or CGU. The recoverable amount of investments in held-to-maturity securities and of receivables stated at amortised cost corresponds to the present value of future cash flows, discounted at the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the greater of the selling price and the value in use, calculated by discounting estimated future cash flows at a rate that reflects market conditions.

Any impairment losses on receivables measured at amortised cost are reversed if the subsequent increase in recoverable amount can be objectively determined.

If an impairment loss on an asset, excluding goodwill, is subsequently decreased or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimated recoverable amount, which must not exceed the value that would have been calculated if no impairment had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

Share capital and other items of equity

The share capital is made up of the ordinary shares issued by the Parent Company.

Any costs arising from issuing new shares or options are recognised in equity (net of associated tax benefits) as a reduction of the income deriving from the issue of such instruments.

As required by IAS 32, if instruments representing own capital are repurchased, these instruments (treasury shares) are deducted directly from the “Other reserves” item within equity. No gains or losses are recognised in the income statement for the purchase, sale or cancellation of treasury shares.

The amount paid or received, including all costs directly attributable to the capital transaction, net of any associated tax benefit, is stated directly as a change in equity.

Any dividends paid to shareholders are recognised as liabilities in the period in which they are approved.

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of ancillary charges, and following the initial recognition are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment amount is posted to the income statement according to the duration of the liabilities based on interest accrued. Financial liabilities hedged by derivatives, where hedge accounting rules apply, are measured in the same way as the hedging instrument.

Employee benefits

Post-employment benefits for Italian companies are considered defined benefit plans for IAS 19. Guaranteed benefits to employees, in the form of post-employment benefits, provided to coincide with the end of the working relationship are recorded at the expected future value of the benefits that the employees will receive and which have matured in the current financial year and the previous ones. The benefits are discounted and the liability is stated net of the fair value of any pension plan assets. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and are evaluated at least once a year with the assistance of an independent actuary using the projected unit credit method.

From 1 January 2013 the option of deferring recognition of actuarial gains and losses using the corridor method was eliminated, requiring disclosure in the statement of financial position and income statement of the entire fund deficit or surplus, and separate recognition in the income statement of cost items linked to employment and net financial expenses, as well as the recognition of actuarial gains and losses deriving from the remeasurement each year of assets and liabilities under other comprehensive income.

Share-based payment transactions

YOOX Group awards additional benefits to some directors, managers, white-collars, consultants and other employees through stock option plans and the Company incentive plan. In accordance with IFRS 2 – Share-based payment, these are classified as equity settled. The total amount of the present value of the stock options and the Company incentive plan at the grant date is therefore recognised in the income statement as a cost. Changes to the present value after the grant date have no effect on the initial valuation. The remuneration cost, which amounts to the present value of the options at the grant date, is recognised under personnel costs on a straight-line basis during the period between the grant date and the vesting date, with a matching entry under equity.

Provisions for risks and charges

Provision for risks and charges is made for expenses for Group obligations that are legal or implicit (under contracts or otherwise), deriving from a past event. Provisions for risks and charges are stated if it is likely that resources will have to be used to fulfil the obligation, and if a reliable estimate of the obligation can be made. An implicit obligation is defined as an obligation that arises when the Group has notified other parties, via established practices, public company strategies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Group to honour the obligation. If it is estimated that these obligations will arise beyond 12 months and the related effects are significant, the obligations are discounted at a rate that takes account of the cost of money and the specific risk associated with the liability recognised. Any change in the estimated provisions is reflected in the income statement for the period in which it takes place. If obligations are discounted, the increase in the provision due to the passage of time and any effect arising from the change in the discount rate is entered as a financial charge.

Trade and other payables

Trade and other payables falling due within normal commercial terms, usually less than a year, are entered at the fair value of the initial amount plus transaction costs. After initial recognition they are measured at amortised cost, with any differences shown in the income statement for the life of the liability, in line with the effective interest rate method. Trade and other payables, which usually fall due within a year, are not discounted.

Revenue and income

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking into account any returns, allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and benefits associated with ownership of the assets are transferred to the purchaser, recoverability of the consideration is probable, the related costs or any return of goods can be reliably estimated, and if management ceases to exercise the level of continuous operation normally associated with ownership of the good sold.

The transfer of risks and rewards usually takes place when the goods are shipped to the customer, i.e. when the goods are handed over to the carrier.

Services

Revenue generated from the provision of services is posted to the income statement on the basis of the stage of completion of the service at the reporting date. The stage of completion is measured according to the work performed.

Commission

When the Group acts as a commercial intermediary rather than as a principal, the revenue stated corresponds to the net amount of the commission earned by the Group.

Dividends

Collectible dividends are recognised as income in the income statement at the date of their approval by the Shareholders’ Meeting of the company distributing the dividend. Conversely, dividends are shown as changes in equity in the year in which they are approved by the Shareholders’ Meeting.

Cost of goods sold

The cost of goods sold is the sum of the costs incurred by the Group in relation to all the assets on the basis of which it generates sales revenue, net of changes in finished product inventories. The cost of goods sold therefore includes the cost of purchasing the goods plus the direct and indirect ancillary costs, both internal and external, including transport costs and customs duties. Costs incurred for transporting goods are included under the cost of goods sold since they relate directly to sales revenue. The cost of goods purchased is carried at the fair value of the amount paid or agreed. Generally, the cost of goods purchased is therefore composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

The cost of goods purchased is adjusted to take account of any decisions to grant further discounts in addition to those contractually agreed, and any deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Group. In the latter case, the present value of the cost of goods purchased is represented by the future cash flow compounded using a market interest rate. Similarly, when additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of goods purchased is shown gross of this further discount, which is reported as interest income.

The change in product inventories records the difference between initial inventories (the closing inventories from the previous period) and the closing inventories of the accounting period under review.

The cost of goods sold also includes costs relating to revenue from assistance with the creation/maintenance of the online stores, which are invoiced to the Strategic Partners of the online stores in the Mono-brand business line.

Fulfilment costs

These are costs incurred for:

- digital production, cataloguing and quality control: this item classifies costs incurred for “making ready” the goods purchased (labelling, classification and warehouse storage). They include costs for personnel, insurance, consultancy and the purchase of consumables. They also include a portion of the cost of depreciating the assets involved in the process, vehicle hire costs and other expenses directly ascribable to the functions involved in the process;

- logistics: this item includes the cost of handling and packaging the goods, which comprises the costs of logistical warehouse management and related consultancy, as well as a portion of the amortisation/depreciation of property, plant and equipment and intangible assets, and the cost incurred for remuneration of personnel directly carrying out this function;

- customer services: these costs include all customer care expenses, including the costs of the call centre and the telephone and email services available to the customer, the costs of dedicated staff and the share of amortisation/depreciation of the related property, plant and equipment and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenditure for these items is calculated at the fair value of the consideration paid or agreed.

Generally, these costs are composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, these costs are recognised according to the price of the services stated on the invoice, net of rebates and discounts.

These costs are adjusted in the event of discounts on contractually agreed amounts and deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Group.

In this event, the present value of the cost of services consists of the future cash flow compounded using a market interest rate.

When additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of services provided is shown gross of this further discount, which is reported as interest income.

The cost is stated on an accruals basis (based on the stage of completion of the service at the reporting date).

Costs for which the Group believes it will incur a disbursement during the year, without being able to quantify the precise amount of the disbursement, are entered in the income statement as reasonable estimates.

Rental charges and operating lease payments

Rental charges and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the rented or leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum charges and the contract is therefore classified as onerous, the costs are recognised immediately in the income statement as the difference between the discounted charges and benefits.

Result of equity investments

Income and expenses from associates include the effects resulting from the evaluation using the equity method and capital gains and losses from the sale of investments in associates.

Financial income and expenses

Financial income includes interest earned on cash investments and gains on hedging instruments recognised in the income statement. Interest income is recorded in the income statement on an accrual basis using the effective interest method. Financial expenses include interest payable on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes the current tax liability and the deferred tax liability. Income taxes are recognised in the income statement, except for those relating to any transactions recognised directly in equity, which are recorded in the same way.

Current tax is the estimated amount of income tax owed, calculated on the basis of taxable income for the year by applying the tax rates in force or substantially in force at the reporting date together with any adjustments to the amounts from previous years.

Deferred tax is recorded according to the equity method by calculating temporary differences between the carrying amount of assets and liabilities entered in the statement of financial position and the corresponding amounts recognised for tax purposes. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the year in which the asset or liability will be realised or settled, based on the tax rates established under the regulations in force or substantively in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally exercisable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income tax levied by the same tax authority from the same taxable party or from different taxable parties that intend to settle their current tax assets and liabilities on a net basis, or to realise their tax assets and settle their tax liabilities at the same time.

Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is reviewed at the end of every year and is reduced to the extent that the related tax benefit is no longer likely to be realised.

Additional income tax resulting from any distribution of dividends is accounted for when the liability to pay dividends is recognised.

Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss pertaining to shareholders of the Parent Company to the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares in the portfolio. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption that all the options granted with a dilutive effect will be converted into ordinary shares. The Group has a category of potential ordinary shares with a dilutive effect for its stock option plans.

Segment reporting

A business segment is a group of separately identifiable activities and operations providing a set of related products and services, subject to risks and benefits that differ from those of other Group business segments.

Under IFRS 8, segment reporting must be based on the elements used by the Chief Operating Decision Maker (CODM) to analyse performance and make operational decisions.

Additional information about financial instruments

Pursuant to IFRS 7, additional information about financial instruments is provided for the purposes of assessing:

- the impact of financial instruments on the Group's statement of financial position, income statement and cash flows;
- the nature and scale of the risks deriving from financial instruments to which the company is exposed, and;
- the way in which these risks are managed.

5. Changes to accounting standards, new accounting standards, changes to estimates and reclassifications

The IASB published no amendments or new accounting standards during 2014.

Amendments and revised accounting standards applied by the Group for the first time

From 1 January 2014 the following international accounting standards and the interpretations, listed below, came into force. The initial application of the principles has not had significant impacts on the consolidated financial statements of the Group.

IFRS 10 – Consolidation and IFRS 12 – Disclosure of Interests in Other Entities

In May 2011 the Board:

- revised the definition of control and the related application guide so that all entities apply the same control model; and
- has improved the information provided about consolidated and non-consolidated entities.

The Board has provided the full guidelines for establishing in which circumstances a special purpose vehicle or an entity in which the majority of voting rights is not held (even potential ones) should or should not be consolidated.
To sum up, control is held where it can be demonstrated that the investor has the power to decide about the assets of the business it has invested in (investee), is exposed to the variable nature of the returns of the business, and therefore has the ability to use its own power to affect the returns. On 12 May 2011 the IASB published IFRS 12 Disclosure of Interests in Other Entities, along with IFRS 10 Consolidated Financial Statements.

The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IFRS 11 – Joint Arrangements

The Board has improved:

- the accounting of the joint venture agreements defining a principle-based approach in which the entity records the contractual rights and obligations of the agreement in its financial statements; and
- the information supplied to provide investors with a better understanding of the nature and the financial effects of the transaction that has taken place.

The IASB has separated the joint arrangements into three categories: joint operations, joint assets and joint ventures. To establish which category a joint arrangement comes under, the substance of the agreement needs to be considered beyond the structure. In joint operations and joint assets, the investor contractually acquires a right to a given asset (or to a share of an asset) and/or assumes a given liability (or a share of a liability), while in joint ventures, the investor acquires the right to obtain a share of the results produced by the group of assets and liabilities controlled jointly by all the venturers. The contracting party in a joint operation or a joint asset records the assets (or a share of the assets) that they acquire, the liabilities (or a share of the liabilities) that they take on following the contract and the related costs and revenues (or a share of the related costs and revenues) directly in their financial statements, while the contracting party in a joint venture records their share of the investment in the joint venture in their consolidated financial statements, applying the equity method, and therefore the proportional consolidation of joint ventures is no longer permitted. It is assumed that a business that is subject to joint control is a joint venture, unless the circumstances (i.e. the contractual rights and obligations) demonstrate otherwise.

The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IAS 27 – Consolidated and separate financial statements:

- the principle has been amended in the light of the introduction of IFRS 10. The amendment establishes that it is not compulsory to draw up separate financial statements, but if they are produced they come under the scope of this standard. The amendment involves: the accounting of investments in subsidiaries, associates and joint ventures at cost or in compliance with IFRS 9, the payment of dividends, reorganisations within the Group structure and information to be presented.

  The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IAS 32 – Offsetting of financial assets and liabilities

The Board has improved:

- some amendments to the principle in question to clarify the application of certain criteria for the offsetting of financial assets and liabilities in IAS 32.

  The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

Amendments and interpretations that came into effect from 01 January 2014 but that are not relevant for the Group

The IASB has not published any amendments or interpretations that came into effect from 1 January 2014 that are not relevant for the Group.

New accounting principles and amendments not applicable in 2014 and not adopted in advance

IFRIC 21 – Levies

The IASB issued IFRIC 21 – Levies, an interpretation of IAS 37 – Potential provisions, liabilities and assets. The interpretation provides clarifications on the recognition of liabilities for the payment of levies other than income taxes.

6. Scope of consolidation

The scope of consolidation as at 31 December 2014 comprises the following subsidiaries of YOOX S.p.A.:

– YOOX Corporation, formed in 2002 to manage sales activities in America;

– YOOX Japan, formed in 2004 to manage sales activities in Japan;

– Mishang Trading (Shanghai) Co. Ltd established in the fourth quarter of 2010 to manage sales in China;

– YOOX Asia Limited established in the second quarter of 2011 to manage sales in the Asia-Pacific area.

As at 31 December 2014, the scope of consolidation included the following companies:

Company	*Registered Office*	*Share capital at 31 Dec 2014 (Thousand Euro)*	*Percentage held as at 31 Dec 2014*
YOOX	Via Nannetti,1– 40069 Zola Predosa – Bologna, Italia	620	-
YOOX Corporation	15 East North Dover, Delaware 19901, USA	372	100%
YOOX Japan	4F Oak Omotesando, 3-6-1 Kita-aoyama, Minato-ku Tokyo 107-0061	75	100%
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No 223 Xikang Road, Jing-'an District 200050 Shanghai	6,000	100%
YOOX Asia Limited	Unit 2702 27/F The Centrium, 60 Wyndham Street Central, Hong Kong (CN)	91	100%

The scope of consolidation as at 31 December 2014 highlights the changes compared with 31 December 2013; on 31 October 2013 the merger by incorporation of YOOX Corporation and Y Services Ltd was approved by the Shareholders' Meetings of the two companies. From 1 January 2014, Y Services Ltd was therefore incorporated into YOOX Corporation.

7. Segment reporting (business lines)

The Group's operating segments were determined on the basis of the reporting information used by senior management when making strategic decisions. This reporting information, which also reflects the Group's current organisational structure, is based on the various products and services provided and was produced using the accounting standards described above (IFRS).

The operating segments generate revenue from the specific production and sales activities described below:

1. Multi-brand, which includes activities relating to the multi-brand online stores yoox.com, thecorner.com and, from March 2012, shoescribe.com, described in the Directors' Report.

2. Mono-brand, comprising the design, creation and management, on an exclusive basis, of the online stores of some of the leading global fashion brands. The Group is therefore the strategic partner for these brands in this specific sales channel. The goods available in the online stores are sold and invoiced directly to end customers by YOOX.

The Group also has a Corporate and Central Services Area that directs and coordinates the Group's activities. This Area also plays a key role in facilitating the operational integration of the various Areas and in supporting the activities directly associated with the operating segments. This Area includes Group management and the administrative, finance and control, legal, general services, human resources, communication and image, technology, investor relations and internal audit departments.

The Group evaluates the performance of its operating segments according to their operating results, these being the results generated by ordinary operations.

The segment revenues shown are those directly generated by or attributable to the segment and derive from its core activity. They include solely the revenue earned from transactions with third parties, since no revenue is generated from transactions with other segments. Segment costs comprise the direct costs charged by third parties in relation to the operating activities of the segment or directly attributable to the segment. No costs are incurred in relation to other operating segments.

The operational reporting system used by senior management to evaluate business performance does not provide for the allocation of amortisation, depreciation and non-monetary income and expenses to the operating segments, and the information presented here is consistent with this reporting system.

General expenses and other non-recurring income and expenses, financial income and expenses and taxes incurred in Group operations remain the responsibility of the Corporate Area since they are not related to the operations of the segments, and are posted under Corporate.

All the income components presented are measured using the same accounting criteria as those adopted to prepare the Group's condensed interim consolidated financial statements.

Income statement figures for each operating segment as at 31 December 2014, with a reconciliation of entries with the Group's income statement, are presented below:

Description	**Multi-brand**		**Mono-brand**		**Corporate**		**Group total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Segment net revenues	**381,716**	**328,171**	**142,624**	**127,419**			**524,340**	**455,590**
Segment operating profit	**59,208**	**55,332**	**29,459**	**27,074**			**88,666**	**82,406**
Reconciliation with Group results:								
General expenses					(55,959)	(49,824)	**(55,959)**	**(49,824)**
Other depreciation and amortisation not attributable to operating segments					(6,967)	(5,808)	**(6,967)**	**(5,808)**
Other income and expenses					(2,486)	(2,865)	**(2,486)**	**(2,865)**
Non-recurring expenses					-	-	**-**	**-**
Other items								
Group operating profit/(loss)	**59,208**	**55,332**	**29,459**	**27,074**	**(65,412)**	**(58,497)**	**23,254**	**23,909**
Result of equity investments					(694)	(639)	**(694)**	**(639)**
Financial income					4,506	1,367	**4,506**	**1,367**
Financial expenses					(4,437)	(4,479)	**(4,437)**	**(4,479)**
Profit before tax							**22,629**	**20,157**
Taxes					(8,827)	(7,537)	**(8,827)**	**(7,537)**
Profit for the year							**13,802**	**12,620**

Segment assets are assets that are used by the segment to conduct its core business, or which could reasonably be allocated to its core business. Since the operational reporting system used by senior management to assess business performance solely allocates inventory value by segment, the following information is provided according to this reporting system:

	Multi-brand		**Mono-brand**		**Unallocated items**		**Group total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Segment assets (inventories)	222,834	164,396	-	-	-	-	**222,834**	**164,396**
Other current assets					149,810	84,553	**149,810**	**84,553**
Non-current assets					82,427	71,224	**82,427**	**71,224**
Total Group assets							**455,071**	**320,173**

Inventories as at 31 December 2014 solely comprise goods connected to the Multi-brand business line, which are acquired and put up for sale.

8. Information by geographical area

Revenues generated by the Group from transactions with third-party customers break down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013
Italy	86,082	70,582
Europe (excluding Italy)	248,651	218,742
North America	115,191	102,765
Japan	36,793	34,400
Other countries	28,808	21,803
Not country-related	8,815	7,028
Total	**524,340**	**455,590**

The “Not country-related” item comprised the set-up and maintenance activities for the online stores, media partnership projects in the Multi-brand business line as well as web marketing and web design services in the Mono-brand business line, and other web marketing services offered for Mono-brand online stores.

The table showing revenue by geographical area complies with the Group control model: in the actual control model only sales to online customers are allocated by country.

In 2013 and in 2014, revenue generated from transactions with the largest third-party customer did not exceed 10% of the Group’s total revenues.

The total value of non-current assets, excluding deferred tax assets, in Italy and the rest of the world is as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013
Non-current assets – Italy	70,974	61,725
Non-current assets – US	607	583
Non-current assets – Japan	483	324
Non-current assets- China	193	176
Non-current assets – Hong Kong	149	144
Total	**72,406**	**62,952**

9. Notes to the statement of financial position, income statement and statement of cash flows

Consolidated income statement

9.1 Net revenues from sales

The Group’s net revenues from sales and the provision of services as at 31 December 2014 and 31 December 2013 break down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Net revenues from sales	503,454	436,856	66,579
Revenue from the provision of services	20,906	18,734	2,171
Total	**524,340**	**455,590**	**68,750**

Net revenue from sales increased by 15%, from Euro 503,454 thousand as at 31 December 2013 to Euro 436,856 thousand as at 31 December 2014. Net revenue includes all revenue arising from the sale of goods, net of customer discounts and returns.

The rise in net revenue from sales in 2014 is mainly due to the uptrend in sales volumes.

For further details on the breakdown of revenue by geographical area and by operating segment, please see Note 7 Segment reporting and Note 8 Information by geographical area.

Revenue from the sale of goods is presented net of sales returns, amounting to Euro 194,536 thousand in 2014, or 28.4% of 2014 gross revenue (revenue from the sale of goods before customer returns in 2014) and Euro 171,658 thousand in 2013, or 28.6% of 2013 gross revenue (revenue from the sale of goods before customer returns in 2013). Returns are an inherent part of the Group's business activities, resulting from legislation safeguarding consumers in the countries where the Group operates in relation to mail order sales, and in particular e-commerce.

Revenue from the provision of services, which rose by 12% from Euro 18,734 thousand in 2013 to Euro 20,906 thousand in 2014, mainly comprises:

- the recharging of transport services, net of any discounts, for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold;
- revenue from the set-up fees charged to create the online stores and fees charged to Strategic Partners in the Mono-brand business line for assistance in maintaining the online stores;
- revenue generated from the sale of media partnership projects and web marketing services.

9.2 Cost of goods sold

The cost of goods sold stood at Euro 336,793 thousand (64.2% of net revenues) for the year ended 31 December 2014 compared with Euro 284,786 thousand (62.5% of net revenues) for 2013, an increase of Euro 52,007 thousand. The item includes costs deriving from the purchase of goods for sale, the cost of services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Change in inventories of goods	50,517	26,508	24,008
Purchase of goods	(341,267)	(272,549)	(68,717)
Cost of services	(42,679)	(35,716)	(6,963)
Other costs	(3,364)	(3,029)	(334)
Total	**(336,793)**	**(284,786)**	**(52,007)**

The cost of goods purchased increased by 25.2%, from Euro 341,267 thousand in 2013 to Euro 272,549 thousand in 2014. The cost of goods purchased comprises costs for the procurement of goods for resale and its absolute value directly correlates to volumes sold.

Service costs increased by 19.5%, from Euro 42,679 thousand in 2013 to Euro 35,716 thousand in 2014. This item includes transportation costs for sales and returns. A portion of the transportation costs is invoiced directly to the end customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 11.0%, from Euro 3,029 thousand in 2013 to Euro 3,364 thousand in 2014. These costs mainly comprise transportation costs for purchases, and the internal personnel costs and external supplier costs incurred to set-up and maintain the websites of Mono-brand Strategic Partners.

9.3 Fulfillment costs

Fulfillment costs came in at Euro 49,279 thousand (9.4% of net revenue) in 2014, compared with Euro 43,711 thousand (9.6% of net revenue) in 2013, an increase of Euro 5,568 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services.

The following table shows the breakdown of fulfillment costs:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Service costs and other costs	(35,572)	(31,549)	(4,023)
Personnel expenses	(6,746)	(6,364)	(382)
Depreciation and amortisation	(6,961)	(5,798)	(1,162)
Total	**(49,279)**	**(43,711)**	**(5,568)**

Service costs and other costs increased by 12.8%, from Euro 31,549 thousand in 2013 to Euro 35,572 thousand in 2014. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses rose from Euro 6,364 thousand in 2013 to Euro 6,746 thousand in 2014, representing an increase of 6.0%, resulting from the overall impact of the rise in the number of personnel employed in this area. This number increased from 148 as at 31 December 2013 to 176 as at 31 December 2014, with 27 persons employed at overseas offices (23 persons on 31 December 2013). The cost of stock option plans and the Company incentive plan went from Euro 47 thousand positive in 2013 to Euro 97 thousand negative in 2014. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

9.4 Sales and marketing costs

Sales and marketing costs increased by Euro 6,074 thousand in the year ended 31 December 2014 to Euro 56,569 thousand (10.8% of revenue), compared with Euro 50,495 thousand (11.1% of revenue) for 2013.

These expenses relate to departments operating in sales. A portion of the costs are for personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

The following table shows the breakdown of sales and marketing costs:

Description	Balance as at 31/12/2014	Balance as at 31/12/2013	Change
Cost of services	(39,910)	(35,045)	(4,865)
Personnel expenses	(13,597)	(12,642)	(955)
Depreciation and amortisation	(6)	(9)	3
Other costs	(3,054)	(2,798)	(256)
Total	**(56,569)**	**(50,495)**	**(6,074)**

Service costs increased by 13.9%, from Euro 35,045 thousand in 2013 to Euro 39,910 thousand in 2014. The main components of service costs incurred in 2014 are:

- web marketing costs of Euro 11,974 thousand (Euro 9,332 thousand in 2013). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements and the development of new partnerships and the commercial and technical management of existing partnerships, mainly for the Multi-brand business line;
- expenses for credit card transactions of Euro 8,816 thousand (Euro 8,179 thousand in 2013);
- import and export duties totalling Euro 12,262 thousand (Euro 11,914 thousand in 2013).

Personnel expenses rose from Euro 12,642 thousand in 2013 to Euro 13,597 thousand in 2014, representing an increase of 7.6%, resulting from the overall impact of the rise in the number of personnel employed in this area. This number increased from 228 as at 31 December 2013 to 282 as at 31 December 2014, with 42 persons employed at overseas offices in 2014 (40 persons in 2013). The cost of stock option plans and the Company incentive plan went from Euro 342 thousand in 2013 to Euro 4 thousand in 2014. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Other costs increased by 9.2%, from Euro 2,798 thousand in 2013 to Euro 3,054 thousand in 2014. This item mainly comprises costs incurred for fraud relating to online sales, which went from Euro 1,245 thousand in 2013 to Euro 1,274 thousand in 2014.

9.5 General expenses

General expenses include all the overhead costs of the Group's various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

General expenses rose by Euro 6,135 thousand in 2013, coming in at Euro 55,959 thousand compared with Euro 49,824 thousand in 2013.

General expenses can be broken down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Cost of services	(22,942)	(19,824)	(3,117)
Personnel expenses	(14,409)	(16,655)	2,246
Depreciation and amortisation	(18,609)	(13,345)	(5,264)
Total	**(55,959)**	**(49,824)**	**(6,135)**

Service costs increased by 15.7%, from Euro 19,824 thousand in 2013 to Euro 22,942 thousand in 2014.

Personnel expenses went from Euro 16,55 thousand in 2013 to Euro 14,409 thousand in 2014 a 13.5% fall caused by the decrease in the cost of the Stock Option plans and the Company Incentive Plan granted, which went from Euro 3,401 thousand in 2013 to Euro 1,134 thousand in 2014. The number of personnel employed in this area increased, going from 338 persons as of 31 December 2013 to 427 persons as of 31 December 2014, of which 19 members of staff were located in offices overseas (22 in 2013). In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Depreciation and amortisation increased by 39.4%, from Euro 13,345 thousand in 2013 to Euro 18,609 thousand in 2014.

9.6 Other income and expenses

Other income and expenses increased by Euro 379 thousand, to a total negative figure of Euro 2,486 thousand for the year ended as at 31 December 2014 compared with a negative figure of Euro 2,865 thousand for 2013.

Other income and expenses can be broken down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Extraordinary income/liabilities	(822)	(1,006)	184
Theft and losses	(1,238)	(1,090)	(148)
Other tax charges	(353)	(236)	(117)
Other income/expenses	9	(273)	282
Provisions for sundry risks	(185)	(263)	78
Reimbursements	101	2	99
Total	**(2,486)**	**(2,865)**	**379**

The prior year income balance went from Euro 1,006 thousand (liabilities) in 2013 to Euro 822 thousand (liabilities) in 2014. This item includes income and expenses from ordinary management activities.

The Theft and losses item relates to occurrences of theft or loss of goods sent to end customers that are already identified as missing by year end.

Other tax charges decreased by 49.6%, from Euro 236 thousand in 2013 to Euro 353 thousand in 2014.

Provisions for sundry risks in 2013 relate to estimated charges incurred due to theft and loss of goods not identified as missing as of year-end.

9.7 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating margin.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Net revenues	524,340	455,590	68,750
Change in inventories	50,517	26,508	24,008
Purchase of goods	(341,267)	(272,549)	(68,717)
Services	(141,104)	(122,134)	(18,970)
Personnel expenses	(34,752)	(35,661)	909
Amortisation, depreciation and impairment losses	(25,576)	(19,153)	(6,423)
Other costs and revenues	(8,904)	(8,693)	(212)
Operating profit	**23,254**	**23,909**	**(655)**

Operating profit increased from Euro 23,909 thousand in 2013 to Euro 23,254 thousand in 2014. The operating margin went from 5.2% in 2013 to 4.4% in 2014.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2014, unused leave and accruals to legal reserves required under collective agreement, as well as related social security contributions and the contributions to the post-employment benefits for Parent Company employees. These costs also include the fair value of stock options and the Company incentive plan for employees, between the allocation and vesting dates, with a direct matching entry in equity and payables to staff.

As at 31 December 2014, the Group headcount was 24% higher than in the same period of the previous year, corresponding to a net increase of 171 employees. The table below shows a breakdown of the headcount as at 31 December 2014 compared with that of 31 December 2013[35].

Description	31 Dec 2014	31 Dec 2013
Managers	31	28
Junior managers	66	53
Employees and trainees	700	548
Abroad	88	85
Total	**885**	**714**

9.8 Result of equity investments

The result of equity investments as at 31 December 2014 is equal to Euro 694 thousand and relates to the loss for 2014 for the share of the investment in the associate. For more information, refer to section 9.14.

[35] The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or consultants.

9.9 Financial income and expenses

Financial income decreased from Euro 1,367 thousand in 2013 to Euro 4,506 thousand in 2014.

The following table shows the breakdown of financial income:

Description	31 December 2014	31 December 2013	Change
Exchange rate gains	4,245	1,268	2,977
Other financial income	16	8	8
Interest income on current account	224	70	154
Interest income to associate	22	21	1
Total	**4,506**	**1,367**	**3,139**

Exchange rate gains fell from Euro 1,268 thousand in 2013 to Euro 4,245 thousand in 2014. They mainly relate to the translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other financial income went from Euro 8 thousand in 2013 to Euro 16 thousand in 2014, while current account interest income went from Euro 70 thousand in 2013 to Euro 224 thousand in 2014.

Financial expenses increased from Euro 4,479 thousand in 2013 to Euro 4,437 thousand in 2014.
The following table shows the breakdown of financial expenses:

Description	31 December 2014	31 December 2013	Change
Exchange rate losses	(2,464)	(3,231)	768
Other financial expenses	(661)	(407)	(254)
Interest expenses	(1,312)	(840)	(472)
Total	**(4,437)**	**(4,479)**	**42**

Exchange rate losses, realised and unrealised, went from Euro 3,231 thousand in 2013 to Euro 2,464 thousand in 2014. They mainly relate to the translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other financial expenses went from Euro 407 thousand in 2013 to Euro 661 thousand in 2014. These expenses refer to the issue by credit institutions of sureties in favour of third parties on behalf of the Group. This item includes premiums paid on exchange rate hedging contracts as well as the fair value entries of these premiums.

Interest expenses, of Euro 1,312 thousand as at 31 December 2014 have increased by Euro 472 thousand, in line with borrowings during the year.

9.10 Tax

Income tax for the year can be broken down as follows:

Description	31 December 2014	31 December 2013	Change
Current corporate income tax – Parent Company (1)	(3,295)	(5,080)	1,785
Current regional income tax - Parent Company (2)	(1,405)	(1,588)	183
Current income tax - foreign companies	(4,959)	(3,805)	(1,154)
Deferred taxes	833	2.936	(2,103)
Total taxes	**(8,827)**	**(7,537)**	**(1,290)**

(1) IRES: Imposta sul Reddito delle Società (Corporate or Company Tax)
(2) IRAP: Imposta Regionale sulle Attivita Produttive (Regional Tax on Production Activities)

The Group has incurred a greater tax burden in absolute terms compared with the situation as at 31 December 2013. Current taxes have decreased from Euro 10,473 thousand to Euro 9,659 thousand.
IRAP taxes decreased 12% for the Parent Company from Euro 1,588 thousand as at 31 December 2013 to Euro 1,405 thousand as at 31 December 2014. IRES taxes for the Parent Company amounted to Euro 3,295 thousand. Taxes for Group overseas companies for the period to 31 December 2014 amounted to approximately Euro 4,959 thousand.

The Group also recognised deferred tax assets totalling Euro 7,981 thousand and deferred tax liabilities of Euro 213 thousand. Deferred tax assets of Euro 6,991 thousand and deferred tax liabilities of Euro 56 thousand that were recognised in 2013 were also reversed.

The following table shows the reconciliation between theoretical taxes calculated at the tax rate in effect in Italy and the taxes entered in the consolidated financial statements.

(Thousand Euro)	31 December 2014	31 December 2013
Profit before tax	22,629	20,157
Rate	27.50%	27.50%
Theoretical tax	6,223	5,543
Effective tax	8,827	7,537
Difference	**2,604**	**1,994**
Effects attributable to Parent Company		
IRAP	1,405	1,588
Permanent taxes	(1,555)	387
Deferred taxes	1,392	(685)
Total effects attributable to Parent Company	**1,242**	**1,290**
Effects attributable to foreign companies and differential with respect to the tax rate in effect in Italy	**1,362**	**704**
Total difference	**2,604**	**1,994**

9.11 Basic and diluted earnings per share

The table below contains the basic earnings per share (Basic EPS) and diluted earnings per share (Diluted EPS) reported in the consolidated income statement table.

Calculation of basic EPS	31 December 2014	31 December 2013
Basic earnings which can be granted	13,802	12,620
Basic average number of ordinary shares	59,112,123	57,682,520
Basic EPS	**0.23**	**0.22**

Calculation of diluted EPS	31 December 2014	31 December 2013
Basic earnings which can be granted	13,802	12,620
Basic average number of ordinary shares	59,112,123	57,682,520
Average number of shares granted without consideration	16,807,703	5,207,948
Total	75,919,826	62,890,467
Diluted EPS	**0.18**	**0.20**

The average number of shares granted without consideration as at 31 December 2014 and 31 December 2013 used to calculate the diluted EPS relates to the shares granted as part of existing stock option plans which, as stated in IFRS 2, can be converted on the basis of vesting conditions in the respective financial years.

In calculating the basic earnings per share (basic EPS) and the diluted earnings per share (diluted EPS) given in the table above, the repurchase of 162,000 treasury shares which took place between 2 July 2010 and 7 November 2011 has been taken into account. Treasury shares repurchased were deducted in the calculation of the average number of outstanding ordinary shares net of 31,338 shares, 4,801 shares, 20,255 shares, 378 shares, 48,464 shares, 4,829 and 24,596 relating to the Company incentive plan, granted respectively on 6 August

2012, 10 January 2013, 27 May 2013, 3 June 2013, 1 August 2013 to 45 beneficiaries, 14 January 2014 and 13 May 2014 to 46 beneficiaries.

Statement of financial position

9.12 Property, plant and equipment

As at 31 December 2014 property, plant and equipment totalled Euro 35,663 thousand. The following is a summary of changes therein in 2014:

Description	Historical cost as at 31 Dec 2013	Increases	Decreases	Historical cost as at 31 Dec 2014	Acc. amortisation as at 31 Dec 2013	Amort.	Utilisation	Acc. amortisation as at 31 Dec 2014	Net carrying amount as at 31 Dec 2013	Net carrying amount as at 31 Dec 2014
Plant and equipment	**33,529**	**5,108**	**(186)**	**38,451**	**(10,187)**	**(5,613)**	**75**	**(15,725)**	**23,342**	**22,726**
Buildings	**7,301**	**976**	**-**	**8,277**	**(3,588)**	**(1,344)**	**-**	**(4,932)**	**3,713**	**3,345**
Leasehold improvements	7,301	976	-	8,277	(3,588)	(1,344)	-	(4,932)	3,713	3,345
Industrial and commercial equipment	**2,867**	**919**	**(84)**	**3,702**	**(1,458)**	**(485)**	**70**	**(1,874)**	**1,409**	**1,828**
Other assets	**12,396**	**4,063**	**(594)**	**15,865**	**(5,970)**	**(2,721)**	**590**	**(8,101)**	**6,426**	**7,764**
Furniture and furnishings	1,684	611	(117)	2,177	(1,140)	(472)	103	(1,510)	543	668
Electronic equipment	10,583	3,453	(471)	13,565	(4,715)	(2,243)	485	(6,474)	5,868	7,091
Other tangible assets	128	-	(6)	122	(115)	(6)	3	(118)	14	4
Assets under construction and payments on account	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General total	**56,094**	**11,066**	**(864)**	**66,295**	**(21,203)**	**(10,163)**	**735**	**(30,632)**	**34,890**	**35,663**

The overall increase in tangible assets in 2014 was equal to Euro 773 thousand.

Investments in intangible assets are mainly linked to investments in the highly automated techno-logistical platform, a project in which the Group has been investing since the fourth quarter of 2010.
This involved the increase in the item “Plant and equipment” of Euro 5,108 thousand as well as the item “Buildings” for a sum equal to Euro 976 thousand.

The overall increase in the “Other Assets” category equal to Euro 4,063 thousand is due to the investments in new servers, PCs and monitors, held also through finance leasing agreements.

Amortisation in the period totalled Euro 10,163 thousand.

Note that as at 31 December 2014 there were no liens or mortgages on YOOX Group tangible assets.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2014. In the period under review, no borrowing costs were ascribed to asset entries in the statement of financial position.

9.13 Intangible assets with finite useful life

Intangible assets amounted to Euro 35,685 thousand as at 31 December 2014.

The following is a summary of changes in intangible assets with finite useful life in 2014:

Description	Historical cost as at 31 Dec 2013	Increases	Decreases	Historical cost as at 31 Dec 2014	Acc. amortisation as at 31 Dec 2013	Amort.	Acc. amortisation as at 31 Dec 2014	Net carrying amount as at 31 Dec 2013	Net carrying amount as at 31 Dec 2014
Development costs	**46,657**	**22,225**	**-**	**68,882**	**(21,829)**	**(13,541)**	**(35,370)**	**24,828**	**33,512**
Software and licences	**6,973**	**1,808**	**-**	**8,781**	**(5,065)**	**(1,736)**	**(6,801)**	**1,907**	**1,980**
Brands and other rights	**378**	**-**	**-**	**378**	**(193)**	**(34)**	**(227)**	**186**	**151**
Trademarks and patents	378	-	-	378	(193)	(34)	(227)	186	151
Intangible assets under development	**45**	**-**	**(45)**	**-**	**-**	**-**	**-**	**45**	**-**
Other	**1,962**	**-**	**-**	**1,962**	**(1,833)**	**(86)**	**(1,918)**	**128**	**44**
Other intangible assets	1,962	-	-	1,962	(1,833)	(86)	(1,918)	128	44
General total	**56,015**	**24,033**	**(45)**	**80,003**	**(28,921)**	**(15,396)**	**(44,317)**	**27,093**	**35,685**

The principal changes in these items during the year are described below.

Development costs

This item increased by Euro 8,684 thousand in 2014. The Group made consistent long-term investments in development projects for a total amount of Euro 22,225 thousand. These are costs incurred by YOOX S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. Development projects have been classified according to the area in which the various initiatives take place: platform e-commerce functional development, management development of productivity and development of service security and continuity.
These costs relate both to internal personnel costs and to the costs of services provided by third parties. In line with the strategy defined in previous years, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Software and licences

The increase of Euro 1,808 thousand in this item includes expenditure with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the online stores.

The amortisation for intangible assets with a finite useful life stood at Euro 15,396 thousand.

9.14 Investments in associates

The non-current item as at 31 December 2014 stood at Euro 59 thousand.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Investments in associates	59	59	-
Total	**59**	**59**	**-**

The portion of the loss in the Group investment accounted for using the net equity method during the course of the year is equal to Euro 639 thousand and was covered through a loan to hedge future losses which was used for that amount.

Investment	End of year date	Ownership %	Investment	Investment Profit/loss	Investment equity	Share of profit (loss)
E_Lite S.p.A (associate)	31 December	49%	59	(1,417)	(1,546)	(694)
Total			**59**	**(1,417)**	**(1,546)**	**(694)**

9.15 Deferred tax assets

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Deferred tax assets	10,021	8,272	1,749
Total	**10,021**	**8,272**	**1,749**

Changes in deferred tax assets during 2014 are shown in the following table:

Description	Balance as at 31 Dec 2013	Increases	Utilisation	Exchange rate effect from consolidation	Balance as at 31/12/2014
Deferred tax assets	8,272	8,557	(7,350)	543	10,021
Total	**8,272**	**8,557**	**(7,350)**	**543**	**10,021**

The following table shows a breakdown of deferred tax assets as at 31 December 2014:

Description of taxable item	Balance as at 31 Dec 2014	2014 tax rate	Tax recorded in 2014
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	60	31.4%	19
Provisions	7,037	Diverse%	2,341
Unissued credit notes	1,367	Diverse%	414
Unrealised exchange rate losses	251	27.5%	69
Unpaid remuneration of directors	484	27.5%	133
Fair value derivatives	155	27.5%	56
Profit in stock	731	45.0%	329
Royalties	11,549	37.10%	4,285
Other items	7,250	Diverse%	2,320
Total	**29,084**		**10,021**

Deferred tax assets rose by 21.15% from Euro 8,272 thousand as at 31 December 2013 to Euro 10,021 thousand as at 31 December 2014.

Deferred tax assets as at 31 December 2014 were recognised in relation to:

- the allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- unissued and non-deductible credit notes;
- unrealised exchange rate losses;
- unrealised exchange rate gains;
- fair value derivatives as at 31 December 2014;
- independent auditors' fees;
- profit in stock as at 31 December 2014;
- royalties reinvoiced by the YOOX S.p.A. Parent Company to subsidiaries.

Deferred tax assets posted to allowances for impairment, provisions for obsolete inventories and provisions for risks and charges also include the amount relating to the provisions recorded by the Group's foreign companies.

9.16 Other non-current financial assets

Other non-current financial assets totalled Euro 999 thousand as at 31 December 2014 (Euro 910 thousand as at 31 December 2013) and mainly relate to guarantee deposits, as broken down below:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Guarantee deposits	669	620	49
Deposit paid to Paymentech US	329	290	39
Total	**999**	**910**	**89**

Guarantee deposits as at 31 December 2014 relate to the signing of rental contracts and contracts for the supply of electricity and gas, and to the existing relationships with Paymentech relating to retentions to guarantee the repayments due for returns made against sales. 2014 saw an increase of Euro 89 thousand (equal to 9.8%). Other non-current financial assets are due to be repaid in more than 5 years' time.

9.17 Inventories

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Inventories	222,834	164,396	58,438
Total	**222,834**	**164,396**	**58,438**

Inventories as at 31 December 2014 and 31 December 2013 break down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Inventories of raw materials, consumables and supplies	1,372	1,375	(3)
Total	**1,372**	**1,375**	**(3)**
Finished products and goods	228,239	171,486	56,753
Provision for obsolete finished products and goods	(6,778)	(8,465)	1,687
Total	**221,461**	**163,021**	**58,440**
Total net inventories	**222,834**	**164,396**	**58,438**

Inventories rose by 35.5% from Euro 164,396 thousand as at 31 December 2013 to Euro 222,834 thousand as at 31 December 2014 and relate to goods that have been purchased for subsequent resale online.

The increase that can be observed is only partly connected to the growth in sales in 2014. The Group's business model makes provision for the early procurement of the goods which may take place in the year prior to the sales season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate also takes into account the anticipated effects of new sales policies.

The amount of the provision in 2014 for obsolete inventories and changes in the provision are shown below:

Description	Balance as at 31 Dec 2013	Increases	Decreases	Final balance effect	Balance as at 31 Dec 2014
Provision for obsolete inventories	(8,465)	-	1,920	(233)	(6,778)
Total	**(8,465)**	**-**	**1,920**	**(233)**	**(6,778)**

The reserve for obsolete inventories has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand.

9.18 Trade receivables

The breakdown of trade receivables as at 31 December 2014 is as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due from customers	6,753	7,092	(338)
Other trade receivables	8,104	6,481	1,623
Allowance for impairment	(126)	(112)	(13)
Total	**14,732**	**13,460**	**1,272**

The receivables due from customers are fully recoverable within 12 months and relate to trade receivables for the sale of goods to individuals.

Other trade receivables mainly relate to receivables from online stores, chiefly for the provision of services. This item includes, among other things, services which refer to set up fees incurred by the Group in relation to strategic partners for the design and implementation activities the Group carries out for online stores.

The table below shows changes in the allowance for impairment in 2014:

Description	Balance as at 31 Dec 2013	Increases	Decreases	Balance as at 31 Dec 2014
Allowance for impairment	(112)	(13)	-	(126)
Total	**(112)**	**(13)**	**-**	**(126)**

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made during the periods adjust the receivables to their estimated realisable value. Euro 13 thousand was set aside during 2014 to cover credit risks.

Pursuant to IFRS 7, Note 10 provides information on the maximum credit risk classed according to due dates, gross of the allowance for impairment.

9.19 Other current assets

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Other current assets	7,510	4,070	3,440
Total	**7,510**	**4,070**	**3,440**

The following is a breakdown of other current assets as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Other receivables	590	461	130
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	153	132	20
Advances to employees	8	98	(89)
Prepayments and accrued income	4,390	3,103	1,287
Tax receivables	2,589	498	2,091
Total	**7,510**	**4,070**	**3,440**

Other receivables includes:

- mainly credit notes received from suppliers for which the latter must still refund money to the Company and from advance payments to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g. payments on order, pre-payments).

The allowance for impairment – receivables from others, as previously mentioned, relates to the loan to the Greek tax representative, which is deemed unrecoverable.

Advances to employees includes debt to employees for solidarity contributions, already cashed by the company in January 2015.

Accrued income mainly includes costs of future years whose financial manifestation has already taken place during 2014. It mainly involves software licence fees, insurance costs, lease costs, accrued income for royalties paid for using brands and accrued income for professional consultancies. The increase compared with 2013 is consistent with the increase in business volumes.

Tax receivables, which are fully recoverable by the end of the following year, comprise receivables for direct and indirect taxes.

9.20 Cash and cash equivalents and financial assets that are not fixed assets

The breakdown of the item Cash and cash equivalents as at 31 December 2014 is as follows:

Description	Balance as at 31 Dec 2014	Balanceas at 31 Dec 2013	Change
Bank and postal accounts	118,017	58,267	59,751
Cash and cash equivalents on hand	11	13	(2)
Total	**118,028**	**58,280**	**59,749**

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The following is a breakdown of current financial assets as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due from acquirers	8,855	8,522	333
Due from associates	42	219	(177)
Financial deferrals	642	-	642
Total	**9,539**	**8,742**	**797**

9.21 Equity attributable to equity holders of the Parent Company

The breakdown of changes in equity as at 31 December 2014 is presented in a separate table.

The share capital equal to Euro 620 thousand as at 31 December 2014 (Euro 582 thousand as at 31 December 2013) increased during 2014 following the exercising of the Stock Options by the beneficiaries in question. In regard to the above it should be pointed out that on 16 January 2014 100,880 ordinary shares were granted following the exercising of 1,940 options relating to the 2004-2006, 2006-2008, 2007-2012 and 2009-2014 plans; on 10 February 2014, 9,412 ordinary shares were granted following the exercising of 181 options relating to the 2009-2014 plan; on 3 March 2014, 335,368 ordinary shares were granted following the exercising of 6,834 options relating to the 2003-2205, 2004-2006 and 2009-2014 plans; on 28 April 2014, 34,424 ordinary shares were granted following the exercising of 662 options relating to the 2009-2014 plan; on 9 May 2014, 74,048 ordinary shares were granted following the exercising of 1,424 options relating to the 2009-2014 plan; on 25 June 2014, 18,772 ordinary shares were granted following the exercising of 361 options relating to the 2009-2014 plan; on 7 July 2014, 384,020 ordinary shares were granted following the exercising of 7,385 options relating to the 2001-2003, 2006-2008 and 2009-2014 plans; on 28 August 2014, 107,796 ordinary shares were granted following the exercising of 2,073 options relating to the 2006-2008 and 2009-2014 plans; on 9 September 2014, 308,412 ordinary shares were granted following the exercising of 5,931 options relating to the 2009-2014 plan; on 8 October 2014, 104,312 ordinary shares were granted following the exercising of 2006 options relating to the 2009-2014 plan; on 6 November 2014, 39,572 ordinary shares were granted following the exercising of 761 options relating to the 2009-2014 plan; on 18 November 2014, 1,600,248 ordinary shares were granted following the exercising of 30,774 options relating to the 2009-2014 plan; on 12 December 2014, 250,588 ordinary shares were granted following the exercising of 4,819 options relating to the 2009-2014 plant and on 22 December 2014, 28,496 ordinary shares were granted following the exercising of 548 options relating to the 2009-2014 plan with an overall effect of Euro 38 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 85,999 thousand as at 31 December 2014 (Euro 64,130 thousand as at 31 December 2013); this reserve increased over 2014 following the exercising of Stock Options on the part of the beneficiaries in question. In regard to the above it should be pointed out that on 16 January 2014 100,880 ordinary shares were granted following the exercising of 1,940 options relating to the 2004-2006, 2006-2008, 2007-2012 and 2009-2014 plans; on 10 February 2014, 9,412 ordinary shares were granted following the exercising of 181 options relating to the 2009-2014 plan; on 3 March 2014, 355,368 ordinary shares were granted following the exercising of 6,834 options relating to the 2003-2205, 2004-2006 and 2009-2014 plans; on 28 April 2014, 34,424 ordinary shares were granted following the exercising of 662 options relating to the 2009-2014 plan; on 9 May 2014, 74,048 ordinary shares were granted following the exercising of 1,424 options relating to the 2009-2014 plan; on 25 June 2014, 18,772 ordinary shares were granted following the exercising of 361 options relating to the 2009-2014 plan; on 7 July 2014, 384,020 ordinary shares were granted following the exercising of 7,385 options relating to the 2001-2003, 2006-2008 and 2009-2014 plans; on 28 August 2014, 107,796 ordinary shares were granted following the exercising of 2,073 options relating to the 2006-2008 and 2009-2014 plans; on 9 September 2014, 308,412 ordinary shares were granted following the exercising of 5,931 options relating to the 2009-2014 plan; on 8 October 2014, 104,312 ordinary shares were granted following the exercising of 2006 options relating to the 2009-2014 plan; on 6 November 2014, 39,572 ordinary shares were granted following the exercising of 761 options relating to the 2009-2014 plan; on 18 November 2014, 1,600,248 ordinary shares were granted following the exercising of 30,774 options relating to the 2009-2014 plan; on 12 December 2014, 250,588 ordinary shares were granted following the exercising of 4,819 options relating to the 2009-2014 plan and on 22 December 2014, 28,496 ordinary shares were granted following the exercising of 548 options relating to the 2009-2014 plan with an overall effect of Euro 21,869 thousand;

- legal reserve, which totalled Euro 193 thousand as at 31 December 2014 (Euro 193 thousand as at 31 December 2013), consists of accruals of 5% of Parent Company profits every year. This reserve did not increase in 2014 since it had reached the limit imposed by Article 2430 of the Civil Code as at 31 December 2010 and which remains as at 31 December 2014;

- translation reserve, which had a positive balance of Euro 624 thousand as at 31 December 2014 (compared with negative Euro 1,181 thousand as at 31 December 2013), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. The change as at 31 December 2014 is positive for Euro 1,805 thousand;

- reserve for future increases in share capital, which was entirely repaid as at 31 December 2014 (Euro 132 thousand as at 31 December 2013), includes liabilities to individuals who had paid to exercise stock options as at 31 December 2014, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- the purchase of treasury shares, with a negative balance of Euro 257 thousand, is recorded under the direct decrease in net equity in compliance with the arrangements of IAS 32. A treasury share purchase plan was launched to implement the resolution approved by the Shareholders' Meeting on 7 October 2009 and by the Board of Directors on 1 July 2010. The treasury share purchase plan is aimed at creating the necessary share provision to service the 2009-2014 incentive plan for employees of the Parent Company and its subsidiaries;

- other reserves, equal to Euro 20,759 thousand as at 31 December 2014 (Euro 19,790 thousand as at 31 December 2013) include the fair value reserve for stock options at Euro 20,623 as at 31 December 2014 (Euro 19,667 thousand as at 31 December 2013), the cash flow hedge reserve equal to a positive figure of Euro 192 thousand (a negative Euro 165 thousand as at 31 December 2013) and the reserve for actuarial gains and losses from the post-employments benefits evaluation for a negative Euro 56 thousand (negative Euro 42 thousand as at 31 december 2013);

- retained earnings (losses carried forward) amount to a loss carried forward of Euro 35,556 thousand as at 31 December 2014 (Euro 23,935 thousand as at 31 December 2013), an increase of Euro 12,620 thousand due to the allocation of profit for 2013.

9.22 Stock option plans and Company incentive plans

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of stock option plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised, except for the 2012-2015 stock option plan which provides for the ratio of one share for every option exercised.

With reference to the stock option plans and Company incentive plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2014 the Board of Directors had granted the following options, outlined in the table below:

Stock option plans	Granted (a)	Lapsed (b)	Exercised c)	Total granted not lapsed or not exercised (d = a-b-c)	Granted not vested	Granted vested not exercised	Granted vested and exercised
2001 – 2003	80,575	31,560	49,015	0	0	0	0
2003 – 2005	36,760	3,000	32,760	1,000	0	0	1,000
2004 – 2006	32,319	12,650	19,169	500	0	0	500
2006 – 2008	31,303	200	25,115	5,988	0	0	5,988
2007 – 2012	102,600	3,650	65,036	33,914	0	0	33,914
2009 – 2014	94,448	24,599	69,849	0	0	0	0
Total	**378,005**	**75,659**	**260,944**	**41,402**	**0**	**0**	**41,402**

The table below illustrates the exact strike prices of the options granted not lapsed or not exercised.

Strike prices in Euro

	46.48	59.17	106.50	277.68	305.24	360.88	407.16	441.48	489.32	499.20	512.20	521.56	578.24	582.92	Total options	Total shares
2001-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-2005	0	0	1,000	0	0	0	0	0	0	0	0	0	0	0	1000	52,000
2004-2006	0	0	500	0	0	0	0	0	0	0	0	0	0	0	500	26,000
2006-2008	0	5,988	0	0	0	0	0	0	0	0	0	0	0	0	5,988	311,376
2007-2012	0	32,814	1,100	0	0	0	0	0	0	0	0	0	0	0	33,914	1,763,528
2009-2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**38,802**	**2,600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**41,402**	**2,152,904**

During 2014 the Company's Board of Directors did not approve grants under the YOOX S.p.A. stock option plans.

With reference to the 2012-2015 stock option plan, approved by the Shareholders' Meeting on 29 June 2012, on 21 September 2012 the Company's Board of Directors approved the plan and the proposal of the Remuneration Committee for granting the CEO Federico Marchetti 1,500,000 options valid for the subscription of 1,500,000 YOOX ordinary shares (in the ratio of 1 new ordinary share for every 1 option exercised) at a subscription price for each single share of Euro 9.60, corresponding to the weighted average of the prices recorded for YOOX ordinary shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the 30 (thirty) days trading on the stock exchange prior to the option grant date.

The Board of Directors granted the following option rights as detailed in the table below:

Stock option plan	Granted (a)	Lapsed (b)	Exercised c)	Total granted not lapsed or not exercised (d = a-b-c)	Granted not vested	Granted vested not exercised	Granted vested and exercised
2012-2015	1,500,000	200,000	0	1,300,000	300,000	0	1,000,000
Total	**1,500,000**	**200,000**	**0**	**1,300,000**	**300,000**	**0**	**1,000,000**

The table below illustrates the exact strike prices of the options granted not lapsed or not exercised.

	Strike prices	Total options	Total shares
2012-2015	€ 9.60	1,300,000	1,300,000
Total	**€ 9.60**	**1,300,000**	**1,300,000**

Granting of shares

On 1 July 2010, the Board of Directors of the Parent Company approved the 2009-2014 incentive plan in compliance with the approval of the Shareholders' Meeting on 8 September 2009.

A share purchase programme was set up for this purpose in order to comply with the decision of the Meeting on 7 October 2009 and the Board of Directors on 1 July 2010. The share purchase programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent Company and its subsidiaries.

Specifically, on 5 May 2011, the YOOX S.p.A. Ordinary Shareholders' Meeting granted authorisation for the purchase and disposal of treasury shares, pursuant to Articles 2357, 2357-*ter* of the Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions.

Specifically and in compliance with the YOOX S.p.A. Shareholders' Meeting resolution of 5 May 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum value of Euro 3,000,000.

Under the scope of the treasury shares purchase programme to service the YOOX S.p.A. 2009-2014 incentive plan, the Company bought:

- in the period from 2 July 2010 to 7 July 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total value of Euro 361,862.06;
- in the period from 5 August 2011 to 8 August 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total value of Euro 575,674.30;
- on 6 September 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total value of Euro 47,547.50;
- on 4 October 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total value of Euro 259,670.39;
- on 17 November 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total value of Euro 71,138.08.

On 17 April 2014, the Shareholders' Meeting approved the authorisation to purchase treasury shares, pursuant to Articles 2357, 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions, following the revocation of the resolution approved by the Shareholders' Meeting of 19 April 2013 for the part not executed.
The purpose of the authorisation to buy and sell treasury shares is to allow the Board of Directors to possibly use the treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a bank of shares allowed by Consob pursuant to Article 180, paragraph 1, c) of Legislative Decree 16839 of 19 March 2009, and therefore (i) for the possible use of shares as payment in extraordinary transactions, including share swaps with other parties as part of transactions in the Company's interest, or (ii) for the use of the purchased treasury shares to service stock option and share-based plans dedicated to directors, employees and consultants of the Company or its subsidiaries, as well as programs to grant shares free-of-charge to individual beneficiaries under these plans. Authorisation to buy and sell treasury shares was also granted for the purpose of lending treasury shares to the Specialist operator, so that it can meet its contractual obligations to the Company in the settlement of transactions carried out on ordinary YOOX shares, under the terms and conditions laid down in the applicable provisions.
Authorisation was granted for the purchase of YOOX ordinary shares in one or more tranches with no nominal value, up to a maximum number that, taking into account the YOOX ordinary shares held at any time by the Company and its subsidiaries in its portfolio, does not in total exceed 10% of the share capital (and therefore less than the maximum limit established by the applicable legislation of 20% of the share capital, pursuant to Article 2357, paragraph 3 of the Italian Civil Code).
With regard to this the Board of Directors was given the mandate to identify the number of shares to purchase in relation to each of the purposes set out above, before the launch of each individual purchase programme within

the maximum limit indicated above under the terms and conditions set out in Article 144-*bis*, paragraph 1b) of Consob Regulation 11971/1999, as later amended. These purchases must be made at a price that does not exceed the highest price between the price of the latest independent transaction and the highest independent offer price on the market where the purchase takes place, while the unit price must not, in any case, be more than 15% lower or higher than the official price recorded by the YOOX share on the trading day preceding each purchase transaction.
The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-*ter* of the Italian Civil Code, to make use of the treasury shares purchased on the basis of this resolution or in the Company portfolio, at any time, in full or in part, and on one or more occasions, through the sale of said shares on- or off-market, and, if necessary, through the sale of real and/or personal rights including, for example, the loan of shares.
The authorisation for such purchases was granted for a period of 18 months from the date of the resolution. The authorisation for the use of treasury shares was granted without time limits.

As at 31 December 2014 the Company held 27,339 treasury shares in its portfolio equal to 0.0441% of the share capital following the payment to 46 beneficiaries of a total of 134,661 ordinary shares. Specifically, 31,338 ordinary shares were granted on 6 August 2012, 4,801 ordinary shares on 10 January 2013, 20,255 ordinary shares on 27 May 2013, 378 ordinary shares on 3 June 2013, 48,464 ordinary shares on 1 August 2013, 48,464 ordinary shares on 14 January 2014 and 24,596 ordinary shares on 13 May 2014 relating to the company incentive plan.

As at 31 December 2014, 19 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 60,916 ordinary shares.

Share capital increases to service stock option plans and company incentive plans

Note that on 29 June 2012, the YOOX S.p.A. Shareholders’ Meeting took place at first call, with both ordinary and extraordinary sessions. The Shareholders' Meeting, in ordinary session, approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, the establishment of a new incentive and loyalty scheme known as the 2012 - 2015 Stock Option Plan exclusively for executive directors of YOOX S.p.A., to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
In its extraordinary session, the Shareholders’ Meeting approved the divisible paid-in capital increase for a maximum amount of Euro 15,000.00 to be transferred to the share capital, with the exclusion of the option right pursuant to Article 2441, paragraph 4, point 2 of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the 2012-2015 stock option plan above.
The strike price of each option, for the subscription of 1 new issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty days trading prior to the option allocation date.

On 17 April 2014, the Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree the establishment of a new incentive and loyalty scheme known as the 2014 - 2020 Stock Option Plan exclusively for employees of YOOX S.p.A. and its companies, directly or indirectly controlled, to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
In extraordinary session, the Shareholders’ Meeting approved the capital increase through payment in cash in one or more tranches, of a maximum amount of Euro 5,000.00 attributable to the capital, increased by any premium, with the exclusion of option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, to be reserved exclusively for subscription by employees of YOOX S.p.A. and subsidiary companies as beneficiaries of the above Stock Option Plan.
The strike price of each option, for the subscription of 1 new issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty days trading prior to the option allocation date.
The 2014 – 2020 Stock Option Plan involves the granting of a total of 500,000 YOOX ordinary shares, equal to approximately 0.81% of the current share capital of the Company (equal to Euro 619,640.32 and represented by 61,964,032 ordinary shares with no par value).

Establishment of and amendments to the Company stock option and incentive plans

On 27 April 2012 the Shareholders’ Meeting, pursuant to Article 114-*bis* of Legislative Decree 58/1998, approved the establishment of a new incentive and loyalty plan known as the stock grant plan for employees of YOOX

S.p.A. and companies directly or indirectly controlled by it, to be implemented through the allocation, free of charge, of a total of 550,000 YOOX S.p.A. ordinary shares, giving the Board of Directors the mandate to adopt the regulation.

On 29 June 2012 the YOOX S.p.A. Shareholders’ Meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, the establishment of a new incentive and loyalty scheme known as the 2012-2015 stock option plan for YOOX S.p.A. executive directors, to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised). The 2012-2015 stock option plan involves the granting of a total of 1,500,000 YOOX ordinary shares.

On 21 September, the Company’s Board of Directors approved the plan and, on the proposal of the Remuneration Committee, the allocation in favour of the CEO Federico Marchetti of 1,500,000 options valid for the subscription of 1,500,000 YOOX ordinary shares (in the ratio of 1 new ordinary share for every 1 option exercised).

On 17 April 2014, the Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998 the establishment of a new incentive and loyalty scheme known as the 2014 - 2020 Stock Option Plan exclusively for employees of YOOX S.p.A. and its companies, directly or indirectly controlled, to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
The 2014-2020 Stock Option Plan includes the allocation of a total of 500,000 ordinary shares.

9.23 Medium-/long-term financial liabilities – bank loans and other current financial payables

Bank loans and other financial liabilities stood at Euro 96,831 thousand, an increase of Euro 50,081 thousand compared with 31 December 2013 (Euro 46,752 thousand).

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Medium-/long-term financial liabilities	66,072	33,848	32,224
Bank loans and other current financial liabilities	30,759	12,904	17,855
Total	**96,831**	**46,752**	**50,081**

The following table shows the breakdown of debt as at 31 December 2014:

Lending institution	Remaining amount	Nature of facility	Rate	Short-term portion	Medium-/long-term portion
BNL - BNP Paribas Group	20,000		Euribor + diverse%	11,500	8,500
Banca Sella	4,583		Euribor + 2.3%	1,667	2,917
Mediocredito	23,000		Euribor + 2.6%	5,750	17,250
BEI	45,000		Euribor + diverse%	8,837	36,163
De Lage Landen	330		Fixed	201	129
FACTOR (IFITALIA)	556		Euribor + 1.7%	556	-
Financial leases	3,137		Euribor + diverse%	2,024	1,113
Accrued liabilities	*225*			*225*	-
Total	**96,831**			**30,759**	**66,072**

The summarised details of loan agreements and lines of credit stipulated in 2014 are given below:

<u>BNL loan</u>
On 30 December 2013 an unsecured loan was signed, with Banca Nazionale del Lavoro S.p.A. (the “Bank”) for an amount equal to Euro 15,000 thousand divided into one tranche of Euro 10,000 thousand for 60 months, which can be supplied up to 12 months from the date of signing with half-yearly repayment in arrears, and one tranche of Euro 5,000 thousand for 48 months, which can be supplied in the form of revolving credit from the date of signing for the entire term of the loan. In December 2014, the tranche of 10,000 thousand was supplied together with 5,000 thousand through the short-term revolving loan. Prior to the supply, on 23 October 2014, a spread from 2.5% to 1.6% for the tranche of 10,000 thousand and from 2.5% to 1.8% for the tranche of 5,000 thousand was negotiated with the bank.

EIB loan
On 11 September 2014, a loan agreement was signed with the European Investment Bank. This loan was is divided into two tranches, one of Euro 20,000 thousand and the other of Euro 25,000 thousand, secured by SACE, both supplied on 11 December 2014. This loan has a duration of 60 months from the supply date for both tranches.

IFITALIA loans
An agreement was signed on 27 February 2014 with IFITALIA for supplier support factoring operations (or reverse factoring). Access to short-term loans for a grace period for repayments for invoices sold by suppliers can also be obtained through this agreement.

Commitments of a financial nature (covenants)

The Company, also for the purposes of Article 1461 of the Civil Code, recognises the essential nature of complying with the financial parameters, as payment in the consolidated financial statements in the name of YOOX S.p.A., accepting that the "Bank" can terminate the contracts if the financial situation recorded in the consolidated financial statements does not comply with these parameters, or even with only one of them.

Below are the finance parameters for the loan agreed with Banca Nazionale del Lavoro, UniCredit and Mediocredito:

1) the ratio of the net financial position to EBITDA excluding incentive plans must not be greater than 2.5 times, until the total repayment of the loan;
2) the ratio of the net financial position to shareholders' equity must not be greater than 1, until the total repayment of the loan.

The financial parameter applicable to the loan agreed with the European Investment Bank is also reported:

1) the ratio between the net financial position and the EBITDA excluding the incentive plans should not be more than 2.0 times the total loan repayment;
2) the ratio between the net financial position and the Shareholders' Equity should not be more than 0.8 the total loan repayment.

YOOX S.p.A. will notify the "Banks" of the above financial parameters on a half-yearly frequency as at 30 June and 31 December every year until the due date.
If even only one of the above-mentioned parameters is not complied with, YOOX S.p.A. stops the right of the "Bank" to terminate the contract, undertakes to agree the financial and management operations, with the actual "Bank" within 30 working days of the actual request, to ensure that the parameters in question come under the set terms, or, alternatively, to repay the loan in advance at the due date of the period of interest in progress.

In relation to the above-mentioned loans agreed, it should be noted that as at 31 December 2014, like at 31 December 2013, the above-mentioned financial parameters were complied with by the Group.

As at 31 December 2014 financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

Net financial position

The table below gives a breakdown of net financial position as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Cash and cash equivalents	118,028	58,280	59,748
Current financial assets	9,539	8,742	797
Other current financial assets	419	510	(91)
Bank loans and other borrowings	(30,759)	(12,904)	(17,856)
Other current financial liabilities	(155)	(283)	128
Net short-term financial position	**97,071**	**54,346**	**42,726**
Medium-/long-term financial liabilities	(66,072)	(33,848)	(32,224)
Net financial position [36]	**31,000**	**20,498**	**10,502**

During 2014 the Group's net financial position improved by Euro 10,502 thousand, going from Euro 20,498 thousand as at 31 December 2013 to Euro 31,000 thousand as at 31 December 2014.

9.24 Employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. Changes in defined benefit plans for employees in 2014 are summarised below:

Description	Balance as at 31 Dec 2013	Provision	Utilisation	Balance as at 31 Dec 2014
Liability for employee benefits	210	25	70	165
Total	**210**	**25**	**70**	**165**

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits as at 31 December 2014 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2010
Annual probability of death other than by death in service	5.30%
Probability of requests for advances	13.28%
Age for retirement suitably modified taking into consideration latest legislation	
Actualisation rate	0.91% corresponding to the rate of return of Euro zone corporate bonds with AA rating and 10+ maturity (iBoxx € Corporates AA 7-10)
Maximum % of accrued staff post-employment benefits in advance	70%
Annual increase in the cost of living	1.5%

[36] Net debt (or net financial position) is defined as the sum of cash and cash equivalents, other current financial assets, net of bank loans and borrowings and other financial payables due within one year and other current financial liabilities and medium and long-term financial liabilities. Net debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The criterion applied by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained may not be comparable with those calculated by such groups. For details of the items that make up net financial debt (or net financial position), see the table above in the section "Net financial position". "Other current financial assets" are not governed by the definition of net debt (or net financial position) of the CESR. The Group believes this definition should be integrated including claims vs. acquirer and logistics operators from whom cash on delivery is required under "other current financial assets".

9.25 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities as at 31 December 2014:

Description	Balance as at 31 Dec 2013	Increases	Utilisation	Balance as at 31 Dec 2014
Deferred tax liabilities	153	328	(196)	285
Total	**153**	**328**	**(196)**	**285**

Description of taxable item	Balance as at 31 Dec 2014	2014 tax rate	Tax recorded in 2014
Unrealised exchange rate gains 2014	776	27.5%	213
Positive fair value (CFH) of derivatives	260	27.5%	72
Total	**1,036**		**285**

9.26 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities as at 31 December 2014, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2014:

Description	Balance as at 31 Dec 2013	Increases	Adjustments	Utilisation	Balance as at 31 Dec 2013
Provision for theft and loss	182	198	-	(202)	178
Provision for fraud	240	294	-	(229)	304
Total provisions for current risks and charges	**422**	**492**	**-**	**(431)**	**482**

During the year, Euro 202 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 198 thousand, following a new estimate.

During the year, Euro 229 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 294 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical incidence of the value of fraud in relation to the value of sales.

9.27 Trade payables

The following table shows a breakdown of trade payables as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due to suppliers	124,956	94,571	30,386
Credit notes to be received from suppliers	(3,628)	(2,943)	(686)
Invoices to be received from suppliers	43,101	29,134	13,968
Due to credit card operators	37	30	7
Total	**164,466**	**120,792**	**43,675**

During 2014 trade payables increased by 36.2%, from Euro 120,792 thousand as at 31 December 2013 to Euro 164,466 thousand as at 31 December 2014.

Trade payables are all payables relating to purchases of goods and services from the Group’s suppliers. Payables are recorded at their nominal value. Since all payables fall due within one year, none are subject to discounting. The Trade payables item includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

The increase during the year is linked to the rise in sales volumes, which, due to the Group’s business model, necessitates the purchase of goods in advance of the selling season.

9.28 Tax liabilities

Current tax liabilities relate exclusively to the current income tax liability of the foreign subsidiaries, net of payments on account.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Current income taxes	320	989	(669)
Total	**320**	**989**	**(669)**

This debit balance which, in 2014 decreased by Euro 669 thousand, going from Euro 989 thousand as at 31 December 2013 to Euro 320 thousand as at 31 December 2014, is entirely represented by the current taxes of foreign companies.

9.29 Other payables

The following table shows a breakdown of payables as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due to social security institutions	2,792	2,251	541
Credit notes to be issued to customers	10,462	9,954	508
Due to directors	18	458	(440)
Due to employees	3,994	4,076	(82)
Due to tax representatives	7,695	6,893	802
Other payables	9,037	7,157	1,880
Accrued expenses and deferred income	230	404	(173)
Total	**34,228**	**31,193**	**3,035**

The item Due to social security institutions reflects contributions payable to social security institutions, mainly on the amounts recognised to employees at the end of the reporting period.

Credit notes to be issued to customers are part of certain payables for services relating to sales made during 2014. This item increased in 2014 in line with the increase in sales volumes compared with the previous period.

The item Due to tax representatives reflects indirect tax liabilities. Sales carried out in European countries during 2014 and 2013 exceeded the threshold set in Article 41, paragraph 1, letter b) of Decree-Law 331/93, which requires payment of VAT in the destination country for goods sold. In order to comply with this requirement, the Company has opened VAT accounts in these countries.

Consolidated statement of cash flows

9.30 Profit for the year, taxes for the year, income taxes paid

Details of consolidated profit for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 9.3, 9.4, 9.5, 9.12 and 9.13 respectively.

In relation to the tax charge in 2014 of Euro 8,827 thousand (Euro 7,537 thousand in 2013), tax payments amounting to Euro 11,112 thousand were made (Euro 9,921 thousand in 2013) relating to tax outstanding for the previous year and payments on account, calculated according to the respective tax regulations in force in the various countries in which the Group operates.

9.31 Other net non-monetary income and expenses

Other net non-monetary income and expenses include non-monetary items on the income statement apart from income tax, depreciation and amortisation and provisions that are classified as a direct deduction from asset items (allowance for impairment and provisions for obsolescence). This includes provisions for defined benefit plans for employees (TFR), the measurement at fair value of stock option plans, provisions for risks and charges, capital gains and capital losses, unrealised foreign exchange fluctuations and recognised interest income and expenses. In relation to these last items, interest received and interest paid are presented separately.

9.32 Change in trade receivables, inventories and trade payables

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows generated by or used in investing activities.

9.33 Change in other current assets and liabilities

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

9.34 Acquisition of property, plant and equipment and proceeds from the sale of property, plant and equipment

Cash flow from the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment payables.

9.35 Acquisition of other intangible assets

Cash flow for acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 9.13). Capitalisations are classified among cash flow from/used in investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

9.36 Acquisition of stakes in associates

The cash flow absorbed by investment activity also includes the payment of Share Capital equal to Euro 59 thousand to the extent of 49% of the investment. In addition, at the end of the year the operating loss of the associate for the amount due equal to Euro 694 thousand was hedged.

9.37 Acquisition of and proceeds from disposal of other non-current financial assets

Other non-current financial assets as at 31 December 2014 stood at a total of Euro 999 thousand (Euro 910 thousand as at 31 December 2013).
Guarantee deposits as at 31 December 2014 relate to the signing of rental contracts and contracts for the supply of electricity and gas, and to the existing relationships with Paymentech relating to retentions to guarantee the repayments due for returns made against sales. Other non-current financial assets are due to be repaid in more than 5 years' time.

9.38 Increase in share capital and share premium reserve

For information on total receipts for increases in share capital and the share premium reserve, see section 9.21 Group Shareholders' Equity.

9.39 Arrangement and repayment of non-current financial liabilities

Repayments of other non-current financial liabilities relate to loans from banks and other lenders, as described in Note 9.23.

9.40 Arrangement and repayment of short-term financial payables

The change in short-term bank exposure is included in the change in short-term financial payables, since these are forms of short-term borrowing, as described in Note 9.23.

10. Disclosure of financial risks

In August 2005, the IASB issued the new accounting standard IFRS 7 – "*Financial instruments: disclosures"* and an amendment to IAS 1 – *"Presentation of the Financial Statements: disclosures relating to capital*". IFRS 7 requires additional information on the significance of financial instruments in relation to the performance and financial position of a business.

This information incorporates certain requirements previously included in accounting principle IAS 32 – *"Financial Instruments: exposure in the Financial Statements and disclosures".* The new accounting standard requires further information on the level of risk exposure arising from the use of financial instruments, and a description of the objectives, policies and procedures established by management to manage these risks. The amendment to IAS 1 introduces disclosure requirements in relation to capital. IFRS 7 and the amendment to IAS 1 came into effect as at 1 January 2007.

In accordance with the requirements of IFRS 7, an analysis of the nature and extent of the risks associated with financial instruments to which the Group is exposed is provided below, as well as the methodologies used to manage these risks.

The main risks are reported and discussed by the Group's senior management in order to put in place provisions to cover and insure against them and to measure residual risk.

Market risk

Market risk arises from the probability of changes in the fair value of the future cash flows deriving from a financial instrument due to fluctuations in market prices.

In the Group's consolidated financial statements as at 31 December 2014, market risk takes the form of currency risk and interest rate risk.

Financial risk deriving from currency fluctuations

The Euro is the functional currency of the Group and is used in the presentation of its financial information.

The YOOX Group operates internationally, and the sale of goods in countries whose currency is not the Euro exposes the Group to currency risk, in terms of both transactions and translation. Group policy is to concentrate all currency risk within the Parent Company, YOOX S.p.A. Since the YOOX Group is essentially an exporter, the main risk exposure consists of depreciation of foreign currencies against the Euro. The Group is principally exposed towards the US dollar, the Japanese yen and the UK pound. During 2014, the incidence of gains and losses on currency was positiva by Euro 1,823 thousand of which Euro 443 thousand was for retained earnings adjustment of revenues and Euro 1,380 thousand for financial income under the exchange rate gains and losses.

Currency transaction risks were hedged in 2014 by forward sales contracts arranged with the leading domestic and international banks used by YOOX on a daily basis.
In the last quarter of 2014, plain vanilla options in U.S. dollars known as collars or corridors were used, which allow the right to use the most advantageous market exchange rates in a period in which the North American currency was strong.
Outstanding contracts and those negotiated during the year only hedge receivables denominated in Japanese yen, for the equivalent of Euro 7,850 thousand (Euro 6,024 thousand as at 31 December 2013). Existing agreements to hedge anticipated monetary flows expressed in U.S. dollars as at 31 December 2014 were worth Euro 15,402 thousand. No speculative derivative contracts were concluded in 2014.

Group companies are located in countries that are not part of the European Monetary Union, in particular the US, Japan, China and Hong Kong. Since, as mentioned above, the Group's functional currency is the Euro, the income statements of these companies are translated into Euro at the average exchange rate for the period. Holding revenue and profits constant in their local currencies, changes in the exchange rates concerned may have an effect on the Euro amount of their revenue, costs and financial results. This translation effect as at 31 December 2014 was positive in the amount of Euro 1,805 thousand.

The Euro value of assets and liabilities of consolidated companies whose accounting currency is not the Euro may vary depending on exchange rate movements. In accordance with IFRS, the effects of these changes are recognised directly in equity, under the Translation reserve.

The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the financial statements as at 31 December 2014 have been analysed, particularly in relation to:

– foreign currency receivables and payables;

– financial assets held to hedge currency risk (whether subject to hedge accounting rules or not);

– cash.

The following tables provide a summary of:

a) currency risk exposure as at 31 December 2014

Thousand Euro	31 December 2014				
	USD	**JPY**	**GBP**	**CNY**	**CAD**
Receivables	349	-	374	-	-
Payables	(2,680)	(225)	(506)	-	(208)
Cash	119	190	2,466	85	-
Gross exposure in the statement of financial position	**(2,212)**	**(35)**	**(2,334)**	**85**	**(208)**
Hedging contracts	(13)	419	-	-	-
Net exposure	**(2,225)**	**384**	**2,334**	**85**	**(208)**

b) the sensitivity analysis as at 31 December 2014, assuming a variation in currencies over the course of the year equal to +10% and -10% and a variation of +5% and -5% compared to the European Central Bank exchange rate is as follows

1st currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	(32)	39	(17)	18
Payables	244	(298)	128	(141)
Cash	(11)	13	(6)	6
USD	**201**	**(246)**	**105**	**(116)**

2nd currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	-	-	-	-
Payables	20	(25)	11	(12)
Cash	(17)	21	(9)	10
JPY	**3**	**(4)**	**2**	**(2)**

3rd currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	(34)	42	(18)	20
Payables	46	(56)	24	(27)
Cash	(224)	274	(117)	130
GBP	**(212)**	**259**	**(111)**	**123**

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	-	-	-	-
Cash	(8)	9	(4)	4
CNY	**(8)**	**9**	**(4)**	**4**

5th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	19	(23)	10	(11)
Cash	-	-	-	-
CNY	**19**	**(23)**	**10**	**(11)**

c) The effects of the sensitivity analysis on the income statement and equity

Appreciation of the Euro by 10%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	201
JPY	-	3
GBP	-	(212)
CNY	-	(8)
CAD		19
Hedging contracts	-	-
USD	1	-
JPY	(38)	-
Total	**(37)**	**3**

Depreciation of the Euro by 10%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	(246)
JPY	-	(4)
GBP	-	259
CNY	-	9
CAD		(23)
Hedging contracts	-	-
USD	(1)	-
JPY	47	-
Total	**46**	**(4)**

Appreciation of the Euro by 5%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	105
JPY	-	2
GBP	-	(111)
CNY		(4)
CAD		10
Hedging contracts	-	-
USD	1	-
JPY	(20)	-
Total	**(19)**	**2**

Depreciation of the Euro by 5%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	(116)
JPY	-	(2)
GBP	-	123
CNY	-	4
CAD		(11)
Hedging contracts	-	-
USD	(1)	-
JPY	22	-
Total	**21**	**(2)**

The financial instruments in place as at 31 December 2014 are forward contracts stated at fair value in the reserve assets, as set out in IAS 39.

Financial risk deriving from interest rate fluctuations

Interest rate risk arises when a change in interest rates adversely affects performance for the year.

Funding and credit lines available to the YOOX Group are indexed at the Euribor, and therefore the Group is exposed to an increase in interest rates. During 2014, the YOOX Group felt it advisable to manage the interest rate risk through recourse to an interest rate swap covering medium-/long-term funding only agreed for financing the new techno-logistics platform.
Passive interest on funding for 2014 came to Euro 1,312 thousand, an increase compared with 2013 following greater use of credit lines. The interest cost of the majority of the Group's bank borrowing is roughly equal to Euribor + 1.50%, in line with the previous year.

The sensitivity analysis was applied to the items in the statement of financial position that could vary as a result of interest rate fluctuations.

The following tables provide a summary of:

a) interest rate risk exposure as at 31 December 2014

Thousand Euro	**31 December 2014**
Financial receivables	9,539
Financial payables	(96,831)
Cash and cash equivalents in c/c	118,028
Gross exposure in the statement of financial position	**30,736**
Hedging contracts	264
Net exposure	**31,000**

b) the sensitivity analysis as at 31 December 2014, assuming a variation in the Euribor at 3 months during the year equal to +10% and -10% and a variation equal to +5% and -5%

Appreciation in the 3-month Euribor of 10%

Thousand Euro **31 December 2014**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	8
Hedging contracts	-	-
Total	**-**	**8**

Depreciation in the 3-month Euribor of 10%

Thousand Euro **31 December 2014**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	(8)
Hedging contracts	-	-
Total	**-**	**(8)**

Appreciation in the 3-month Euribor of 5%

Thousand Euro **31 December 2014**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	4
Hedging contracts	-	-
Total	**-**	**4**

Depreciation in the 3-month Euribor of 5%

Thousand Euro **31 December 2014**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	(4)
Hedging contracts	-	-
Total	**-**	**(4)**

The financial instruments in place as at 31 December 2014 are interest rate swaps at fair value in reserve assets, as set out in IAS 39.

Liquidity risk

The Group aims to maintain appropriate levels of liquidity and available funds to sustain the growth of the business and ensure the timely fulfilment of its obligations. Specifically, YOOX on account of the dynamic nature of the business in which it operates, has recourse to credit lines which are committed on one side, in other words they do not include the possibility of the lenders asking for repayment before a preset date, and on the other side are revolving, in other words the Group has the possibility of repaying the individual uses rebuilding their availability.

YOOX ended 2014 with a positive net financial position of Euro 31,000 thousand of which Euro 118,028 was cash and cash equivalents.

The table below illustrates the credit lines available to the Group and their drawdown. Over the 12 months loans amounting to Euro 30,759 thousand have to be repaid.

Thousand Euro	Currency	Nominal interest rate	Expiry year	Nominal value 31 Dec 2014	Use as at 31 Dec 2014
Guaranteed loans					
BNL (1) *Ammortizing*	Euro	Euribor + 1.00%	2016	5,000	5,000
BNL (2) *Ammortizing*	Euro	Euribor + 1.60%	2018	10,000	10,000
BNL (2) *Revolving*	Euro	Euribor + 1.80%	2017	5,000	5,000
De Lage Landen	Euro	Fixed (3.99%)	2017	331	331
Banca Sella	Euro	Euribor + 2.3%	2017	4,583	4,583
BEI	Euro	Fixed (1.62%)	2019	20,000	20,000
BEI *Secured Sace*	Euro	Fixed (1.7%)	2019	25,000	25,000
Mediocredito	Euro	Euribor + 2.6%	2018	23,000	23,000
Unicredit *Ammortizing*	Euro	Euribor + 1.5%	2020	30,000	-
Unicredit *Revolving*	Euro	Euribor + 1.8%	2018	30,000	-
Total loans	**Euro**			**152,914**	**92,914**

Credit risk with financial counterparties

The YOOX Group has obtained lines of credit from leading Italian and international banks of high standing. The balances on the current accounts held in the name of YOOX S.p.A. with banks not based in Italy are insignificant.

The Group's foreign companies have commercial relations with primary lending institutions in the countries in which they operate. Specifically, YOOX Japan makes use of JP Morgan Chase Manhattan Bank and Mitsubishi Bank of Tokyo in Japan, while the US company, YOOX Corporation principally uses JP Morgan Chase Manhattan Bank. In China, where the group has been operating since the end of 2010, it operates with Banca Intesa Shanghai, JP Morgan Chase Manhattan Bank Shanghai and the China Construction Bank.

Credit risk with commercial counterparties

On account of the Group's type of business, exposure to credit risk is limited because cash is received at the time of the sale (credit card payments) or on delivery in the case of payment when the goods are delivered (COD).
Credit risk related to doubtful accounts subject to legal action or to overdue accounts is monitored centrally on a daily basis and reported each month.

Credit risk

The Group's maximum theoretical exposure to credit risk is represented by the carrying amount of the financial assets entered in the statement of financial position.
The maximum theoretical exposure to credit risk of the YOOX Group as at 31 December 2014 is represented by the carrying amount of the financial assets reported in the statement of financial position, as well as by the nominal value of the guarantees issued as set out in Note 12.

The existing receivables at year end are chiefly due from customers, Group companies, other commercial counterparties and tax authorities.

There are no significant overdue balances.

Hedge accounting – cash flow hedging

The Group performs prospective and retrospective tests of the effectiveness of the derivative financial instruments recorded, using the rules of hedge accounting.

Effectiveness is ensured if the ratio of the change in the fair value of the hedging instrument to the change in the fair value of the hedged instrument falls within the range of 80%-125%.

In 2014 the Group set up cash flow hedging related to a highly probable planned operation.

The financial instruments in place as at 31 December 2014 are forward contracts stated at fair value in the reserve assets, as set out in IAS 39.

Fair value

The Group uses established assessment techniques, widely used in the market, to calculate the fair value of financial instruments when there is no regulated market for them. These techniques determine the carrying amount that the instruments would have had at the reference date in an arm's-length transaction between knowledgeable and independent parties.

Financial assets and liabilities measured at amortised cost

The following are measured on an amortised cost basis: held-to-maturity assets, trade receivables and payables, time deposits, loans and other liabilities and assets measured at amortised cost (such as other receivables and payables).

Pursuant to IFRS 7, the fair value of these items is re-measured by calculating the present value of the contractually-expected flows of principal and interest, with reference to the yield curve for government securities at the measurement date.

Investments in repurchase agreements, mentioned previously, come under financial assets valued at amortised cost.

The carrying amount of trade payables and receivables represents a reasonable approximation of their fair value.

Financial assets and liabilities measured at fair value

Hedging financial instruments and financial instruments held for trading (those not designated as hedges, in accordance with IAS 39) are measured at fair value.

Hierarchical levels of fair value measurement

IFRS 7 requires that the carrying amounts of financial instruments entered in the statement of financial position at fair value are classified according to a hierarchy of levels reflecting the input used in the fair value calculation. The levels are:

Level 1 – assets or liabilities measured using quoted prices in active markets;

Level 2 – inputs different from quoted prices as above, that are based on directly observable (prices) or indirectly observable (price-derived) market data;

Level 3 – inputs not based on observable market data.

Financial instruments measured at fair value as at 31 December 2014 are calculated using the methods in level 2. There were no level transfers in 2014.

Categories of financial assets and liabilities

The following tables present the carrying amounts of the financial assets and liabilities reported in the statement of financial position, classified according to IAS 39 and compared with the corresponding fair values:

Statement of financial position items as at 31 December 2014	Loans and receivables	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
		Financial assets designated at fair value on initial recognition	Held-for-trading financial assets					
Other non-current financial assets	999	-	-	-	-	-	999	999
Trade receivables	14,732	-	-	-	-	-	14,732	14,732
Other current assets	7,091	-	-	-	-	419	7,510	7,510
Cash and cash equivalents	118,028	-	-	-	-	-	118,028	118,028
Medium-/long-term financial liabilities	(66,072)	-	-	-	-	-	(66,072)	(66,072)
Bank loans and other current financial payables	(30,759)	-	-	-	-	-	(30,759)	(30,759)
Other current financial liabilities	(34,073)	-	-	-	-	(155)	(34,228)	(34,228)
TOTAL	**9,946**	**-**	**-**	**-**	**-**	**264**	**10,210**	**10,210**

Statement of financial position items as at 31 December 2013	Loans and receivables	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
		Financial assets designated at fair value on initial recognition	Held-for-trading financial assets					
Other non-current financial assets	910	-	-	-	-	-	910	910
Trade receivables	13,460	-	-	-	-	-	13,460	13,460
Other current assets	3,560	-	-	-	-	510	4,070	4,070
Cash and cash equivalents	58,280	-	-	-	-	-	58,280	58,280
Medium-/long-term financial liabilities	(33,848)	-	-	-	-	-	(33,848)	(33,848)
Bank loans and other current financial payables	(12,904)	-	-	-	-	-	(12,904)	(12,904)
Other current financial liabilities	(30,910)	-	-	-	-	(283)	(31,193)	(31,193)
TOTAL	**(1,452)**	**-**	**-**	**-**	**-**	**(227)**	**(1,225)**	**(1,225)**

Financial derivative instruments outstanding at year end

The following table shows transactions outstanding as at 31 December 2014 and 31 December 2013 and the related fair values:

	Nature of hedged risk	Notional value		Fair value derivatives		Current financial assets		Other financial payables	
FINANCIAL INSTRUMENT		**31 Dec 14**	**31 Dec 13**	**31 Dec 14**	**31 Dec 13**	**31 Dec 14**	**31 Dec 13**	**31 Dec 14**	**31 Dec 13**
Hedging									
Forward sales	currencies	8,683	6,025	419	510	410	510	-	-
IRS	rate	23,253	12,380	(155)	(283)	-	-	(155)	(283)
Total		**31,936**	**18,405**	**264**	**227**	**410**	**510**	**(155)**	**(283)**

11. Information pursuant to IAS 24 on management remuneration and on related parties

Transactions with related parties, as defined under IAS 24, as at 31 December 2014 and at 31 December 2013 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. The transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the "Entity") as indicated in IAS 24:

a) entities that directly or indirectly:

   (i) control the Entity, or
   (ii) are controlled by the Entity, or
   (iii) are subject to joint control with the Entity, or
   (iv) have significant influence over the Entity, or
   (v) have joint control over the Entity.

b) entities related to the Entity according to the definition set out in IAS 28 – Investments in Associates;

c) joint ventures in which the Entity has a shareholding;

d) managers with strategic responsibilities for the Entity or its parent company, including the directors and statutory auditors of the Entity;

e) the close family members of any physical persons included in points a) to d) above;

f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; i.e. entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;

g) pension funds for employees of the Entity or any other entity related to it.

11.1 Intra-Group transactions

In order to provide more information on the extent of relationships within the Group, the following tables present transactions taking place between Group companies and cancelled out in the financial statements as at 31 December 2014 and 31 December 2013.

The main relationships between the Parent Company and Group companies are chiefly commercial in nature and can be summarised as follows:

1. the Parent Company supplies the Group companies with products for sale in the US, Japanese, Asian-Pacific and Chinese online stores;

2. the Parent Company provides the Group companies with website maintenance, support services and updates;

3. the Parent Company provides the Group companies with administrative, financial and legal services;

4. the Parent Company provides the Group companies with customer service support (via a customer care service located at the Italian head office that interfaces with customers of Group companies);

5. consulting and support services in the area of fashion, marketing, advertising and professional training provided by the Parent Company to subsidiaries.

None of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables show the relationships in terms of receivables and payables between the Group companies as at 31 December 2014 and at 31 December 2013. Receivables from and payables to subsidiaries are expressed in USD, JPY, CNY and HKD and translated to Euro at the exchange rate in effect at year end. Revenue and costs are expressed in USD, JPY, CNY and HKD and translated to Euro at the average exchange rate for the year in question.

31 December 2014

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
YOOX SpA	39,745	3,975	26	2,478	121,443	83
YOOX Corporation	23	-	24,347	1,240	33	82,214
YOOX Japan	-	692	4,815	-	18	25,121
YOOX Mishang Trading (Shanghai)	2	-	6,940	2,735	16	3,771
YOOX Asia Ltd	1	1,786	3,642	-	15	10,337
Totale società controllate	**39,771**	**6,453**	**39,771**	**6,453**	**121,526**	**121,526**

31 December 2013

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
YOOX S.p.A.	27,723	2,885	52	2,265	100,750	67
YOOX Corporation	16	-	14,163	1,102	24	66,168
Y Services Ltd	-	-	621	-	9	1,503
YOOX Japan	35	693	6,262	-	21	23,470
Mishang Trading (Shanghai)	-	-	4,204	1,783	-	2,431
YOOX Asia Ltd	1	1,572	2,472	-	13	7,177
Total subsidiaries	**27,775**	**5,150**	**27,775**	**5,150**	**100,817**	**100,817**

11.2 Remuneration of senior managers and other key persons within the Group

Senior management and key persons with strategic responsibilities for management, planning and administration in the Group are identified, as well as executive directors and non-executive directors and also the Chief Financial Officer, General Manager and Chief Operating Officer, and Joint General Manager.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses and fringe benefits) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2014

Description	Current benefits	Long-term benefits	Stock option plans and incentive plans
Directors	1,539	-	1,009
Statutory Auditors	76	-	-
Managers with strategic responsibilities	776	44	121
Total	**2,391**	**44**	**1,130**

31 December 2013

Description	Current benefits	Long-term benefits	Stock option plans and incentive plans
Directors	1,517	485	2,998
Statutory Auditors	68	-	-
Managers with strategic responsibilities	872	43	45
Total	**2,457**	**528**	**3,043**

Finally, no close family members of any of the natural persons indicated above are related parties of the Issuer and/or the companies of the Group, as defined in IAS 24.

11.3 Transactions with other related parties

The following tables list the main financial and commercial relationships between the companies of the Group and related parties other than Group companies, as at 31 December 2014 as well as 31 December 2013, excluding intra-Group relationships, which are described above. Commercial transactions with these entities are carried out under normal market conditions, and all transactions are carried out in the interests of the Group.

31 December 2014

Description	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
D'Urso Gatti e Bianchi Studio Legale Associato			28			488
Tarter Krinsky e Drogin LLP			85			236
Bizmatica Sistemi S.p.A.			119			276
Nagamine Accounting Office			1			15
E_Lite	72	42	4,473		12,207	-
Total related parties	**72**	**42**	**4,706**		**12,207**	**1,015**

31 December 2013

Description	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
D'Urso Gatti e Bianchi Studio Legale Associato	-	-	159	-	-	644
Tarter Krinsky e Drogin LLP	-	-	93	-	-	232
KK TPI	-	-	-	-	-	9
Bizmatica Sistemi S.p.A.	-	-	74	-	-	251
Nagamine Accounting Office	-	-	1	-	-	18
E_Lite	688	940	4,151	-	7,459	0
Total related parties	**688**	**940**	**4,478**	**-**	**7,459**	**1,154**

The above entities are regarded as related parties of the Group for the following reasons:

- D'Urso Gatti e Bianchi Studio Legale Associato, since a partner of that law firm is a director of the Parent Company;
- Tarter Krinsky and Drogin LLP, since a partner in that legal firm is a member of the Board of Directors of one of the Group's companies (YOOX Corporation);
- KK TPI and Nagamine Accounting Office, since the owner of both these consultancy firms is a member of the Board of Directors of a Group company (YOOX Japan);
- Bizmatica Sistemi S.p.A. since the chairman of that company is the son of a member of the Board of Directors of the Group (YOOX S.p.A.);
- E_Lite as it is a 49% subsidiary.

None of the transactions that took place with related parties in 2014 and 2013 were significant (except as mentioned above), atypical and/or unusual.

12. Other information

Commitments and guarantees

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013
Third-party assets held by the Group	136,069	124,629
Sureties given to others	2,468	2,670
Commitments under hedging contracts (nominal value)	31,936	18,405

The warehouses of Group companies hold goods worth Euro 136,069 thousand received on a sale-or-return basis from YOOX's partners. The increase by comparison with the previous year reflects the opening of new online stores in 2014, as well as an expansion of procurement on a sale-or-return basis in the Multi-brand business line.

The sureties, all given by the Parent Company, relate to the following contracts:

– the contract entered into by the Parent Company with SINV, with effect from 2 November 2010, for a period of six years, for the rental of office premises in 17 Via Morimondo, Milan. The surety amounts to Euro 192,500 and will expire on 31 January 2017;

– the contract entered into by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 26 June 2013, for a period of six years, relating to office premises at 1 Via Nannetti in Zola Predosa. The amount of the surety is Euro 47,500 expiring on 31 March 2019;

– the contract entered into by the Company with MM. Kerr and MM. Naret to guarantee compliance with obligations under a rental contract for office premises in Paris, with effect from 1 August 2008. The surety amounts to Euro 52,000 and expires on 31 July 2014;

– the contract entered into by the Company with Oslavia, with effect from 19 September 2014 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2015;

– the contract entered into by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after BNP Paribas issued a bank guarantee for the same amount, expiring on 30 April 2015;

– the contract entered into with Logistica Bentivoglio S.r.l. with effect from 28 December 2010 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interport for Euro 564,052;

– the contract entered into by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 14 April 2010, for a period of six years, relating to office premises at 1 Via Nannetti in Zola Predosa. The amount of the surety is Euro 58,500 expiring on 1 February 2016;

– the contract entered into with SBLC Callison LLC with effect from 8 January 2013 and expiring on 15 June 2016 to guarantee compliance with obligations under a rental contract for the New York offices for USD 227,753, equal to Euro 187,590, as at 31 December 2014;

– the contract entered into with Geodis Logistic S.p.A. with effect from 1 January 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interport for Euro 103,621;

– the contract entered into by the Company with Angel Guerra to guarantee compliance with obligations under a rental contract for office premises in Madrid, with effect from 21 May 2013. The surety amounts to Euro 10,200 and expires on 30 April 2016;

– the contract entered into with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019 for the rental of office premises in Casalecchio di Reno. The amount of the surety is Euro 31,140.

The hedging contracts relate to:

- forward sales set up by the Parent Company to cover the currency risk connected to intra-Group sales in US dollars and Japanese yen. The nominal amount of these commitments, translated to Euro at the exchange rate in effect at the reporting date, is Euro 23,253 thousand;
- interest rate swaps signed by the Parent Company to hedge the interest rate risk related to the medium-/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the closing date of the financial statements is Euro 8,683 thousand.

13. Significant events after the 2014 year-end

<u>Allocation of shares relating to the YOOX S.p.A. 2009-2014 incentive plan</u>
After the end of the period, on 16 January 2015 the Company had paid over 10,000 ordinary shares relating to the Company incentive plan to one beneficiary.

<u>Mono-brand online stores</u>
On 11 February 2015, the partnership with Aeffe Retail S.p.A. for the management of the albertaferretti online stores in Europe, the United States and Japan was renewed for a further 5 years until 17 March 2020.
In addition, before they expired naturally, the contracts with Staff International S.p.A. (OTB Group) the partnership for the management of the Maison Martin Margiela and Just Cavalli Mono-brand online stores were renewed until 31 December 2020 in all the markets in which they operate.

On 26 February 2015, the Lanvin store made its debut in Europe, the United States and the major Asia-Pacific area countries.
In addition, the new release of marni.com “Powered by YOOX Group” was just launched. The creative concept was developed by the YOOX creative agency.

Lastly, the Brioni online store was extended to the Chinese market on 5 February 2015.

<u>New logistics space dedicated to footwear</u>
In line with the logistics strategy that involves the opening of specialist stores by goods category based on the Groups' growth requirements (so-called “lego strategy”), in January 2015 a new semi-automated space dedicated to footwear was inaugurated at the Interporto logistics hub (Bologna).

Annex 1

Consolidated income statement as at 31 December 2014 prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 December 2014			31 December 2013		
Consolidated income statement	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items:						
Net revenue	524,340	12,207	2.3%	455,590	7,459	1.6%
Cost of goods sold	(336,793)			(284,786)		
Fulfillment costs	(49,279)	(226)	0.5%	(43,711)	(485)	1.1%
Sales and marketing costs	(56,569)	(297)	0.5%	(50,495)	(315)	0.6%
General expenses	(55,959)	(4,044)	7.2%	(49,824)	(6,434)	12.9%
Other income and expenses	(2,486)			(2,865)		
Non-recurring expenses						
Operating profit	**23,254**			**23,909**		
Result of equity investments	(694)			(639)		
Financial income	4,506	22	0.5%	1,367	21	1.5%
Financial expenses	(4,437)			(4,479)		
Profit before tax	**22,629**			**20,157**		
Taxes	(8,827)			(7,537)		
Consolidated profit for the year	**13,802**			**12,620**		
Of which: Attributable to owners of the Parent Company	13,802			12,620		
Attributable to Third Parties	-			-		

Annex 2

Consolidated statement of financial position as at 31 December 2014, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 December 2014			31 December 2013		
Consolidated statement of financial position	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items						
Non-current assets						
Property, plant and equipment	35,663			34,890		
Intangible assets with finite useful life	35,685			27,093		
Investment in associates	59			59		
Deferred tax assets	10,021			8,272		
Other non-current financial assets	999			910		
Total non-current assets	**82,427**			**71,224**		
Current assets						
Inventories	222,834			164,396		
Trade receivables	14,732	72	0.5%	13,460	688	2.6%
Other current assets	7,510			4,070		
Cash and cash equivalents	118,028			58,280		
Current financial assets	9,539	42	0.5%	8,742	240	2.7%
Total current assets	**372,644**			**248,949**		
Total assets	**455,071**			**320,173**		

Consolidated statement of financial position	31 December 2014 Balances	of which with related parties	% Weighting	31 December 2013 Balances	of which with related parties	% Weighting
Shareholders' equity						
Share capital	620			582		
Reserves	107,315			82,525		
Retained earnings/(losses carried forward)	36,556			23,935		
Consolidated profit for the year	13,802			12,620		
Equity attributable to equity holders of the Parent Company	158,294			119,663		
Equity attributable to Third Parties						
Total consolidated equity	**158,294**			**119,663**		
Non-current liabilities						
Medium-/long-term financial liabilities	66,072			33,848		
Employee benefits	165			210		
Provisions for risks and charges	-			-		
Deferred tax liabilities	285			153		
Total non-current liabilities	**66,522**			**34,211**		
Bank loans and other current financial payables	30,759			12,904		
Provisions for risks and charges	482			422		
Trade payables	164,466	4,706	2.9%	120,792	4,478	3.9%
Tax liabilities	320			989		
Other payables	34,228			31,193		
Total current liabilities	**230,255**			**166,300**		
Total consolidated equity and liabilities	**455,071**			**320,173**		

Annex 3

Consolidated statement of cash flows as at 31 December 2014, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 December 2014			31 December 2013		
Consolidated statement of cash flows	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items						
Consolidated profit for the year	13,802			12,620		
Adjustments for:						
Taxes for the year	8,827			7,537		
Financial expenses	4,437			4,479		
Financial income	(4,506)			(1,367)		
Interests of associates	694			639		
Depreciation, amortisation and impairment losses	25,576			19,153		
Fair value measurement of stock option plans	1,236			3,695		
Unrealised effect of changes in foreign exchange rates	1,805			(1,415)		
Capital gains/(losses) on sale of non-current assets	39			11		
Employee benefits	25			65		
Provisions for risks and charges	492			415		
Payment of employee benefits	(70)			(68)		
Use of provisions for risks and charges	(431)			(330)		
Changes in inventories	(58,438)			(26,181)		
Changes in trade receivables	(1,272)	(616)	-48.4%	(392)	688	>100%
Changes in trade payables	43,673	228	0.5%	24,030	4,007	16.7%
Changes in other current assets and liabilities	(794)			6,460		
Cash flow from (used in) operating activities	**35,095**			**49,352**		
Income tax paid	(11,112)			(9,921)		
Interest and other financial expenses paid	(4,437)			(4,479)		
Interest and other financial income received	4,506			1,367		
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**24,052**			**36,319**		

Consolidated statement of cash flows	31 December 2014 Balances	of which with related parties	% Weighting	31 December 2013 Balances	of which with related parties	% Weighting
Investing activities						
Acquisition of property, plant and equipment	(14,560)			(18,013)		
Acquisition of intangible assets	(23,865)			(18,386)		
Acquisition of stakes in equity investments	(343)			(735)		
Acquisition of other non-current financial assets	(89)			(194)		
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(38,857)**			**(37,328)**		
Financing activities						
New short-term liabilities	18,894			2,738		
Repayment of short-term liabilities	(7,189)			(2,001)		
New medium-/long-term financial liabilities	43,663			23,251		
Repayment of medium-/long-term financial liabilities	(1,793)			(580)		
Treasury shares acquisition	-			-		
Increase in share capital and share premium reserve	21,775			2,536		
Investments in financial assets	(797)			(2,600)		
Variation through difference between cash effect and action of incentive plans	-			169		
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**74,553**			**23,514**		
TOTAL CASH FLOW FOR THE PERIOD	**59,748**			**22,505**		
Cash and cash equivalents at the beginning of the year	58,280			35,775		
Cash and cash equivalents at the end of the year	118,028			58,280		
TOTAL CASH FLOW FOR THE PERIOD	**59,748**			**22,505**		

Annex 4

Summary of fees paid during the year for services provided to the Group by the independent auditors and the entities within the independent auditors' network, prepared in accordance with Article 149-*duodecies* of Issuer Regulation 11971 of 13 May 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent Company	244
Auditing	KPMG S.p.A.	Subsidiaries	50
Certification services	KPMG S.p.A.	Parent Company	2
Other services*	KPMG network	Parent Company	286
Total			**582**

* Checks on operational effectiveness of IT controls.

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF 14 MAY 1999 AS AMENDED

The undersigned, Federico Marchetti, as Chief Executive Officer, and Francesco Guidotti, as Director in charge of preparing corporate accounting documents of YOOX S.p.A. hereby certify, with due regard for the provisions of Article 154-bis(3 and 4) of Legislative Decree No. 58 of February 24, 1998:

- the adequacy, with respect to the Company's characteristics, and
- the actual application

of administrative and accounting procedures for the preparation of the consolidated financial statements during 2014.

They further certify that:
the consolidated financial statements at December 31, 2014:

- were prepared in accordance with applicable IFRS endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer and all companies included in consolidation;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer and all companies included in consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Chief Executive Officer

Federico Marchetti
(signed on the original)

Director in charge of preparing
corporate accounting documents

Francesco Guidotti
(signed on the original)

REPORT OF THE INDEPENDENT AUDITORS

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX S.p.A.

1 We have audited the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2014, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 14 March 2014 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the YOOX Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with

KPMG

YOOX Group
Report of the auditors
31 December 2014

the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the YOOX Group as at and for the year ended 31 December 2014.

Bologna, 18 March 2015

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

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SEPARATE FINANCIAL STATEMENTS
YOOX S.p.A.

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SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014, PREPARED IN ACCORDANCE WITH IFRS (1)

Income statement

Thousand Euro	Notes	31 Dec 2014	31 Dec 2013
Net revenue	6.1	435,387	381,641
Cost of goods sold	6.2	(314,995)	(267,558)
Fulfillment costs	6.3	(39,968)	(35,670)
Sales and marketing costs	6.4	(28,888)	(26,022)
General expenses	6.5	(32,112)	(33,611)
Other income and expenses	6.6	(2,434)	(1,877)
Operating profit	**6.7**	**16,991**	**16,902**
Result of equity investments	6.8	2,162	(639)
Financial income	6.9	2,801	1,222
Financial expenses	6.9	(4,318)	(2,908)
Profit before tax		**17,636**	**14,576**
Taxes	6.10	(6,092)	(5,418)
Profit for the year		**11,544**	**9,158**
Basic earnings per share*	6.11	0.23	0.22
Diluted earnings per share*	6.11	0.18	0.20

(1) The financial statements, which were prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006, are annexed to the notes to the separate financial statements as at 31 December 2014.

* Earnings per share is calculated on the basis of the consolidated profit for the year.

Statement of comprehensive income

Thousand Euro	Notes	31 Dec 2014	31 Dec 2013
Profit for the year		11,544	9,158
Other components of comprehensive income, net of tax effects			
Profit/(loss) from cash flow hedges	6.22	26	342
Total other components of the comprehensive income statement that will be (or may be) reclassified in the income statement		**26**	**342**
Profit/(loss from exchange rate gains and actuarial losses for employee benefits	6.22	(14)	(42)
Total other components of the comprehensive income statement that will not be reclassified in the income statement		**(14)**	**42**
Total comprehensive income for the year		**11,556**	**9,458**

Statement of financial position

Thousand Euro	Notes	31 Dec 2014	31 Dec 2013
Non-current assets			
Property, plant and equipment	6.12	35,176	34,591
Intangible assets with finite useful life	6.13	35,640	27,011
Investments in subsidiaries	6.14	6,538	6,538
Investments in associates	6.15	59	59
Deferred tax assets	6.16	1,874	3,139
Other non-current financial assets	6.17	100	64
Total non-current assets		79,387	71,402
Current assets			
Inventories	6.18	181,968	134,844
Trade receivables	6.19	48,727	37,277
Other current assets	6.20	9,908	6,376
Cash and cash equivalents	6.21	91,001	39,960
Current financial assets	6.21	3,845	3,346
Total current assets		**335,449**	**221,803**
Total assets		**414,836**	**293,205**
Shareholders' equity			
Share capital		620	582
Reserves		106,692	83,706
Retained earnings/(losses carried forward)		24,640	15,481
Profit for the year		11,544	9,158
Total equity	**6.22**	**143,495**	**108,928**
Non-current liabilities			
Medium-/long-term financial liabilities	6.24	66,072	33,848
Employee benefits	6.25	165	210
Provisions for risks and charges	6.27	-	-
Deferred tax liabilities	6.26	285	153
Total non-current liabilities		**66,522**	**34,211**
Bank loans and other current financial payables	6.24	30,759	12,904
Provisions for risks and charges	6.27	273	269
Trade payables	6.28	146,475	109,790
Tax liabilities	6.29	-	1,023
Other payables	6.30	27,312	26,081
Total current liabilities		**204,820**	**150,067**
Total equity and liabilities		**414,836**	**293,205**

Statement of changes in equity as at 31 December 2014 and 31 December 2013 – Note 6.22

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Treasury shares purchase reserve*	*Cash flow hedging reserve*	*IAS 19 reserve*	*Stock option reserve*	*Retained earnings or losses carried forward*	*Net profit*	*Total*
31 December 2012	**573**	**61,734**	**193**	**(1,136)**	**(177)**	**-**	**16,401**	**7,289**	**8,194**	**93,072**
Share capital increases	9	2,527	-	-	-	-	-	-	-	**2,535**
Increases in reserves for share-based payments	-	-	-	-	-	-	3.864	-	-	**3,864**
Total comprehensive income	-	-	-	-	342	(42)	-	-	9,158	**9,458**
Other changes	-	-	-	597	-	-	(597)	8,194	(8,194)	**-**
31 December 2013	**582**	**64,261**	**193**	**(538)**	**165**	**(42)**	**19,667**	**15,483**	**9,158**	**108,928**
Share capital increases	38	21,738	-	-	-	-	-	-	-	**21,776**
Increases in reserves for share-based payments	-	-	-	-	-	-	1,236	-	-	**1,236**
Total comprehensive income	-	-	-	-	26	(14)	-	-	11,544	**11,556**
Other changes	-	-	-	280	-	-	(280)	9,158	(9,158)	**-**
31 December 2014	**620**	**85,999**	**193**	**(257)**	**192**	**(56)**	**20,623**	**24,641**	**11,544**	**143,495**

Statement of cash flows

Thousand Euro	Notes	31 Dec 2014	31 Dec 2013
Profit for the year	6.31	11,544	9,158
Adjustments for:			
Taxes for the year	6.31	6,092	5,418
Financial expenses	6.32	4,318	2,908
Financial income	6.32	(2,801)	(1,222)
Dividends paid out in the year		(2,856)	-
Interests of associates	6.32	694	639
Depreciation, amortisation and impairment losses	6.31	25,364	18,995
Fair value measurement of stock options	6.32	1,236	3,695
Capital gains/(losses) on sale of non-current assets	6.32	20	11
Employee benefits	6.32	25	65
Provisions for risks and charges	6.32	273	269
Payment of employee benefits	6.32	(70)	(68)
Use of provisions for risks and charges	6.32	(269)	(200)
Changes in inventories	6.33	(47,124)	(19,469)
Changes in trade receivables	6.33	(11,450)	(13,426)
Changes in trade payables	6.33	36,684	25,316
Changes in other current assets and liabilities	6.34	(2,644)	4,022
Cash flow from (used in) operating activities		**19,036**	**36,113**
Income tax paid	6.31	(5,718)	(6,787)
Interest and other financial expenses paid	6.32	(4,318)	(2,908)
Interest and other financial income received	6.32	2,801	1,222
Dividends Cashed		2,856	
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**14,658**	**27,640**
Investing activities			
Acquisition of property, plant and equipment	6.35	(14,228)	(17,808)
Acquisition of intangible assets	6.36	(23,861)	(18,263)
Acquisition of stakes in subsidiaries	6.37	-	(2,000)
Acquisition of stakes in associates	6.37	(343)	(735)
Acquisition of other non-current financial assets	6.38	(36)	12
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(38,467)**	**(38,794)**
Financing activities			
New short-term liabilities	6.41	18,894	2,738
Repayment of short-term liabilities	6.41	(7,189)	(2,001)
New medium-/long-term financial liabilities	6.40	43,663	23,251
Repayment of medium-/long-term financial liabilities	6.40	(1,793)	(580)
Treasury share acquisition		-	-
Capital injection for share capital increase and share premium reserve	6.39	21,775	2,536
Investments in other financial assets	6.21	(499)	(1,326)
Variation through difference between cash effect and action of incentive plans	6.23	-	169
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**74,851**	**24,787**
TOTAL CASH FLOW FOR THE PERIOD		**51,042**	**13,633**
Cash and cash equivalents at the beginning of the year	6.21	39,960	26,327
Cash and cash equivalents at the end of the year	6.21	91,001	39,960
TOTAL CASH FLOW FOR THE PERIOD		**51,042**	**13,633**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

1. Company structure and activities

YOOX S.p.A. (hereinafter "the Company" or "the Parent Company") is the parent company of the YOOX Group. It is subject to Italian law and its registered offices are in Zola Predosa, Italy. The Company is active in e-commerce and offers commercial services relating to clothing and fashion accessories, and more generally to anything that accessorises the person or the home, during free time, when relaxing or during leisure activities.

Information on individual operating segments is presented at Group level in section 7 of the consolidated financial statements.

2. Approval of the separate financial statements as at 31 December 2014

The separate financial statements as at 31 December 2014 were approved by the Board of Directors on 25 February 2015. They have been audited and will be presented at the Shareholders' Meeting.

3. Statement of compliance with IAS/IFRS and general criteria used to prepare the separate financial statements

YOOX S.p.A. prepared the financial statements as at 31 December 2014 in accordance with the IAS/IFRS standards of the International Accounting Standard Board (IASB) endorsed by the European Union. The acronym IFRS also includes all the interpretations of International Financial Reporting Standards Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The financial statements as at 31 December 2014 were also drawn up in accordance with rules adopted by Consob on financial statements pursuant to Article 9 of Legislative Decree 38/2005 and other Consob rules and regulations concerning financial statements. The financial statements as at 31 December 2014 were compared with the previous financial statements for the previous year and are made up of the income statement, the statement of comprehensive income, the statement of financial position and the statement of changes in equity, as well as the explanatory notes.

Separate financial statements

In accordance with Consob Resolution 15519 of 27 July 2006 and Communication DEM/6064293 of 28 July 2006 relating to financial statements, specific income statements, statements of financial position and statements of cash flows have been included showing significant relationships with related parties, in order to improve readability.

As indicated above, the separate financial statements as at 31 December 2014 were drawn up in accordance with the IFRS endorsed by the European Union, and comprise the following:

Income statement

The income statement is classified by function, which is considered to provide more meaningful information than classification by nature since it is more consistent with the reporting system used by management when evaluating the performance of the business.

Statement of comprehensive income

The statement of comprehensive income presents, in a single statement, the components of profit (loss) for the year and income and expenses recognised directly in equity for transactions not involving shareholders.

Statement of financial position

The statement of financial position presents current and non-current assets and current and non-current liabilities separately. For each item under assets and liabilities, a description is provided in the notes of the amounts expected to be settled or recovered within or after the 12-month period following the reporting date.

Statement of changes in equity

The statement of changes in equity reports the profit or loss for the year or the period, including each item of revenue or cost, income or expense which, as required by the IAS/IFRS and their interpretations, is recognised directly in equity, and the total of these items; total comprehensive profit or loss for the year, with separate presentation of the portion pertaining to shareholders and any portion pertaining to non-controlling interests; the effect on each item of equity of changes to accounting standards and corrections of errors as required by the accounting treatment set out in IAS 8; and the balance of profit or loss carried forward at the start of the year and at the date of the financial statements, together with the changes during the year.

The notes to the financial statements also present the amounts deriving from transactions with shareholders and a reconciliation between the carrying amount of each share class, the share premium reserve and other reserves at the start and end of the year, showing each change separately.

Statement of cash flows

The statement of cash flows presents the cash flows from operating, investing and financing activities. Operating cash flows are presented using the indirect method, whereby profit or loss for the year or for the period is adjusted for non-monetary transactions, for all deferrals or provisions relating to previous or future operating receipts or payments and for revenue items relating to cash flows from investing or financing activity.

4. Accounting standards and measurement criteria

Basis of preparation

The separate financial statements are presented in Euro and balances in the financial statements and in the notes thereto are expressed in Euro, unless specifically indicated otherwise.

The separate financial statements were prepared on a historical cost basis (with the exception of derivative financial instruments, which are measured at fair value) and on the assumption that the business is a going concern. Despite the difficult macroeconomic environment in which it is operating, the Company believes that there are no significant uncertainties over business continuity (as defined under IAS 1.25), particularly given the strength of the Company's financial situation.

Financial transactions are recognised according to the trade date.

The accounting standards adopted for the preparation of the separate financial statements as at 31 December 2014 were applied in the same way for all periods presented for comparison.

Use of estimates

In order to prepare the financial statements and related notes, the management is required to use estimates and assumptions which affect the carrying amount of assets and liabilities reported in the financial statements and the information regarding contingent assets and liabilities at the reporting date.

Actual results may differ from these estimates. Estimates are used to recognise allowances for credit risks, provisions for obsolete inventories, depreciation and amortisation, impairment losses on assets, employee benefits, tax and other provisions. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately recognised in the income statement.

Below is a summary of the critical measurement processes and the key assumptions used by management in applying accounting policies with regard to the future, and which could have significant effects on carrying amounts stated in the financial statements, or for which there is a risk that significant adjustments may be made to the carrying amount of assets and liabilities in the year following that under review.

Allowance for impairment

The allowance for impairment reflects a management estimate of losses on the portfolio of end customer receivables. It is estimated according to expected losses by the Company on the basis of past experience with similar receivables, current and historical overdue receivables, losses and receipts, close monitoring of the quality of receivables and economic and market forecasts. The continuation of the current economic and financial crisis, and any worsening of the situation, could lead to a further deterioration in the financial circumstances of the Parent Company's debtors, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Provision for obsolete inventories

The provision for obsolete inventories reflects the management estimate of losses expected by the Company, calculated both on the basis of past experience and performance as well as anticipated market performance and also following specific actions implemented by the Company. The current economic and financial crisis could lead to a further deterioration in market conditions, in addition to that taken into consideration in setting the provisions entered in the financial statements.

Recoverable amount of non-current assets

Non-current assets include property, plant and equipment, intangible assets and other financial assets. Management periodically reviews the carrying amount of non-current assets held and used and of assets for disposal, whenever circumstances demand. This is achieved by using estimates of anticipated cash flows from the use or sale of the asset, and appropriate discount rates to calculate present value. When the carrying amount of a non-current asset has been impaired, the Company enters an impairment loss amounting to the difference between the carrying amount of the asset and its recoverable amount via use or sale, calculated with reference to the most recent business plans.

The Company has considered the following factors in its outlook, in view of the current economic and financial crisis:

- In this context, for the purposes of preparing the financial statements as at 31 December 2014, and more specifically in carrying out the impairment tests for fixed and intangible assets, the Company has taken into consideration the forecast trends for 2015. For future years it has formulated specific forecasts for the progress of its business in a precautionary sense, taking into account the economic-financial context and the market, which is greatly changed as a result of the current crisis. On the basis of these forecasts, there is no apparent need for significant impairments.
- In addition, if assumptions based on forecasts were to get even worse, the following should be noted: with reference to tangible assets and intangible assets with a finite useful life (essentially development costs) of the Company, they refer to recent applications/platforms, with a high technological content, which therefore makes them competitive in the current economic context. It is therefore thought highly probable that the life-cycles of these products could be prolonged, allowing the Company to achieve sufficient income flows to cover the investment made in the products within the timeframe identified.

Defined benefit plans

The Parent Company provides personnel with a defined benefit plan (post-employment benefits). Management uses various statistical assumptions and evaluation factors to anticipate future events in order to calculate expenses, liabilities and assets related to this plan. These assumptions concern the discount rate, the expected return on plan assets, where they exist, rates for future salary increases and trends in medical care costs. The Company's actuarial advisors also make use of subjective factors, such as mortality and resignation rates. However, further significant changes in corporate security yields, with a consequent effect on liabilities and on unrecognised actuarial gains/losses, cannot be ruled out, bearing in mind that there may also be contextual changes to the return on plan assets, where these exist.

Contingent liabilities

The Company is involved in legal disputes that concern a wide range of issues. Given the uncertainties inherent in these issues, it is hard to make definite predictions about disbursements relating to the disputes. The disputes with and litigation against the Company often derive from complex and difficult legal issues that are subject to a different level of uncertainty, including the individual facts and circumstances of each case, the jurisdiction and the various laws in force. In the normal course of business, management consults its own legal advisors and legal and tax experts. The Company recognises a liability for such disputes when it believes it likely that a financial disbursement will be required, and when the amount of the losses involved can be reasonably estimated. In the event that a financial disbursement becomes likely but the amount involved cannot be determined, this is reported in the notes to the financial statements.

Treatment of foreign currency transactions

Foreign currency transactions

Monetary items denominated in foreign currencies at the reporting date are reconverted into the functional currency using the spot exchange rate on that date. Exchange rate gains or losses on monetary items consist of the difference between the amortised cost of the functional currency at the start of the year, adjusted to reflect actual interest and payments made during the year, and the amortised cost of the foreign currency, translated at the spot exchange rate on the reporting date. Exchange rate differences arising from translation are recorded in the income statement.

The following table shows the exchange rates used as at 31 December 2014 and 31 December 2013 for the translation of items in the statement of financial position denominated in foreign currencies (source: www.bancaditalia.it).

	Exchange rate as at 31 Dec 2014	**Average exchange rate for 2014**
USD	1.2141	1.3285
JPY	145.23	140.31
CNY	7.5358	8.1857
HKD	9.4170	10.302
GBP	0.7789	0.8061
RUB	72.337	50.952

	Exchange rate as at 31 Dec 2013	**Average exchange rate for 2013**
USD	1.3791	1.3281
JPY	144.72	129.66
CNY	8.3491	8.1646
GBP	10.693	10.302
HKD	0.8337	0.8493
RUB	45.325	42.337

The foreign currencies are reported against Euro units.

Derivative financial instruments

The Company does not hold any derivative financial instruments for speculative purposes. However, in cases where derivative financial instruments do not satisfy all the necessary conditions set out for hedge accounting under IAS 39, changes in the fair value of these instruments are booked in the income statement as financial income and/or expenses.

Derivative financial instruments are booked according to the rules of hedge accounting when:

- at the start of the hedge, the hedging relationship is formally designated and documented;
- it is presumed that the hedge is highly effective;
- effectiveness can be measured reliably and the hedge remains highly effective throughout the designation period.

The Company uses derivative financial instruments to hedge its exposure to currency risks.

Derivatives are initially measured at fair value. The associated transaction costs are entered in the income statement when they are incurred. After initial recognition, derivatives are measured at fair value. Any changes are recognised as described below.

Cash flow hedging

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are posted directly to equity to the extent that the hedge is effective. For the ineffective portion, changes in fair value are reported in the income statement.

As indicated above, hedge accounting ceases prospectively if the instrument designated as a hedge:

- no longer satisfies the criteria required for hedge accounting;
- expires;
- is sold;
- is closed out or exercised.

Accumulated profits or losses are retained in equity until the prospective transaction takes place. If the hedged item is a non-financial asset, the amount entered under equity is transferred to the carrying amount of the asset when it is determined. In other cases, the amount entered under equity is transferred to the income statement in the same year in which the hedged item affects the income statement.

Property, plant and equipment

Valuation and measurement

Property, plant and equipment are measured at acquisition cost, including direct ancillary costs and net of accumulated depreciation and impairment losses.

Any financial expenses incurred in the acquisition or construction of capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the assets in question. All other financial expenses are entered in the income statement for the year in which they are incurred.

If an item of property, plant and equipment is made up of various components with differing useful lives, these components are booked separately (if they are significant components).

Any gain or loss generated by the sale of property, plant and equipment is calculated as the difference between the net proceeds from the sale and the residual net value of the asset, and is entered in the income statement under “Other income” or “Other expenses”.

Subsequent costs

Costs incurred after the acquisition of the assets and the cost of replacing some parts of the assets in this category are added to the carrying amount of the item to which they relate and are only capitalised if there is an increase in the future economic benefits intrinsic to the asset. All other costs are posted to the income statement as they are incurred.

When the cost of replacing parts of the assets is capitalised, the residual value of the replaced parts is posted to the income statement. Extraordinary maintenance expenses that extend the useful life of items of property, plant and equipment are capitalised and depreciated on the basis of the remaining useful life of the assets. Ordinary maintenance costs are posted to the income statement in the financial year in which they are incurred.

Assets under construction are entered at cost under “Assets under construction” until they are available for use. As soon as they are available for use, the cost is classified under the appropriate item and becomes subject to depreciation.

Assets under finance lease

Property, plant and equipment held under finance leases, for which the Parent Company has substantially assumed all risks and rewards of ownership, are recognised at the start date of the lease as assets at their fair value, or, if lower, at the current value of the lease payments, depreciated according to estimated useful life and adjusted for any impairment losses calculated as described below. The amount payable to the lessor is entered in the financial statements under financial payables.

Depreciation

Items of property, plant and equipment are depreciated in the income statement on a straight-line basis over their useful life.

The financial and technical useful lives of these items are assessed as follows:

Equipment	15%
General plant	15%
Specialist plant	30%
Electronic office equipment	20%
Furniture and furnishings	15%

The depreciation methods, the useful lives and residual values are verified at the reference date of the financial statements and have not been modified in relation to the previous financial year.

Intangible assets

Development costs

Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Development expenses are incurred on the basis of a plan or project to create new or substantially improved products or processes. Development expenses are only capitalised if the criteria set out under IAS 38 – Intangible Assets are met, namely:

– the technical feasibility of the product can be demonstrated;

– the ability to use or sell the intangible asset can be demonstrated;

– the Company intends to complete the development project;

– the costs incurred for the project can reliably be calculated;

– the amounts entered can be recovered through anticipated future economic benefits resulting from the development project;

– adequate technical, financial and other resources are available.

Capitalised expenses include costs for services provided by third parties and the directly attributable personnel expense. Financial expenses incurred in developing capitalised assets that normally require a fixed period of time to be prepared for use or sale are capitalised and amortised over the life of the asset class in question. All other financial expenses are entered in the income statement for the year in which they are incurred. Other development expenses are entered in the income statement at the time they are incurred.

Capitalised development expenses are booked at cost, net of accumulated amortisation and impairment losses.

Development projects in progress are entered at cost under "Intangible assets under development" until the project is completed. When the project is completed, the cost is entered under the relevant item and is subject to amortisation.

Other intangible assets with finite useful life

Other intangible assets acquired by the Parent Company with a finite useful life are stated at cost, net of accumulated amortisation and impairment losses.

Subsequent costs

Subsequent costs are only capitalised when there is an increase in the anticipated future economic benefits attributable to the assets in question. All other subsequent costs are entered in the income statement for the year in which they are incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible assets, from the time that the assets are available for use. The financial and technical useful lives of these items are assessed as follows:

Development costs	33%
Software and licences	33%
Brands and other rights	10%
Other intangible assets	33%

The useful lives and the residual values are verified at the reference date of the financial statements and have not been changed in relation to the previous financial year.

Investments in subsidiaries and associates

In the separate financial statements of the Parent Company, investments in subsidiaries and associates (not classed as held for sale) are measured at cost, adjusted for any impairment losses, and converted to Euro at historical exchange rates if referring to investments in foreign companies whose financial statements are prepared in a currency other than the Euro.
Any positive differences that emerge during the acquisition of the investments between the price and the portion of equity are maintained at the carrying amount of the investments. The carrying amount of the acquisition or sale of investments, business units or company assets under joint control is measured using the historical-cost method without the recognition of capital gains or losses.
Whenever there is any indication that the investments may be impaired, they are subjected to impairment tests and an impairment loss is recognised where necessary. In order for the impairment to be charged to the income statement, there must be objective evidence that events have taken place that impact the estimated future cash flows from the investments. Any losses in excess of the carrying amount of the investments arising from legal or implicit obligations to cover losses incurred by the subsidiaries are posted under provisions for risks or charges. The original value is reversed in subsequent years if the reasons for the impairment no longer apply.

The relevant dividends are posted under financial income from investments at the time when the right to receive dividends is established, generally at the same time as approval is granted by the Shareholders' Meeting.

Other non-current financial assets

This category includes guarantee deposits expected to be convertible to cash after 12 months.

Non-current financial assets are initially recognised at fair value on the trade date (being the same as the acquisition cost), net of transaction costs directly attributable to the acquisition.

After initial recognition, held-to-maturity financial instruments are measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that precisely discounts future cash flows, estimated over the expected life of the financial instrument, to its net carrying amount.

At every reporting date, every non-current financial asset is checked for objective evidence of impairment.

If there is objective evidence of impairment, the impairment loss is measured as the difference between the carrying amount of the held-to-maturity investment and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset.

The amount of the loss is immediately entered in the income statement.

If, in a subsequent year, the impairment loss decreases and this decrease is connected to an event after the impairment loss was recognised, the loss is reversed and the related reversal is entered in the income statement.

Current financial assets

Current financial assets and bonds held with the intention of keeping them until maturity are accounted for according to the settlement date and, at the time they are first recorded in the financial statement, they are valued at the purchase cost, including ancillary costs to the transaction.
Following the initial measurement, the financial instruments available for sale and those for trading are valued at the fair value. If the market price is not available, the fair value of the financial instruments available for sale is measured using the most appropriate evaluation techniques, such as, for example the analysis of discounted cash flows, made using the market information available at the date of the financial statements.
The profits and losses for financial assets available for sale are measured directly under “Other total profits (losses)” until the time the financial asset is sold or impaired; at the time the asset is sold, the profits or accumulated losses, including those previously recorded under “Other total profits (losses)” are included in the income statement for the period; at the time the asset is impaired, the accumulated losses are included in the income statement. The profits and losses created by variations in the fair value of financial instruments classified as held for trading are recorded in the income statement for the period.
Bonds held with the intention of keeping them in the portfolio until maturity and all financial assets for which listings are not available in an active market and whose fair value cannot be determined in a reliable way, are valued, if they have a fixed term, at the amortised cost, using the effective interest method. When the financial assets do not have a fixed term, they are valued at the purchase cost. Loans with a term of more than a year, which are non-interest bearing or which mature with interest lower than market rates are discounted using the market rates.
Valuations are made regularly in order to check whether there is objective evidence that a financial asset or group of assets could have suffered a reduction in value. If there is objective evidence, the loss in value should be recorded as a cost in the income statement for the period.

Inventories

Inventories are carried at the lesser of the purchase and/or production cost and the net realisable value based on market performance, including the relative ancillary selling costs. The cost of inventories, calculated according to the average cost method for each category of goods, includes purchase costs and costs incurred to bring the inventories to their present location and condition.

In order to represent the value of inventories appropriately in the financial statements, and to take into account impairment losses due to obsolete materials and slow inventory movement, obsolescence provisions have been posted, directly deducted from the carrying amount of the inventories.

Trade and other receivables

Trade and other receivables, which generally fall due within one year, are carried at the fair value of the initial consideration plus transaction costs. They are subsequently carried at amortised cost, and may be adjusted to reflect any impairment losses, calculated as the difference between the carrying amount and the amount of estimated future cash flows. If, in a subsequent year, the impairment loss decreases, the loss previously stated is partially or fully reversed and the amount of the receivable is reversed, for an amount not exceeding what would have been the amortised cost if the loss had not been recognised.

Cash and cash equivalents

Cash and cash equivalents include all cash on hand, bank and postal deposits and equivalent items that can be sold in the very short term (within three months), stated at the nominal value, and stated at the spot exchange rate at year-end if in foreign currency, which corresponds to their fair value.

Impairment losses on assets

At every reporting date, the Company subjects the carrying amounts of property, plant and equipment and intangible assets to impairment tests if there is any evidence that these assets may have suffered impairment. In the event of such evidence, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Intangible assets not yet available for use are subjected to impairment tests every year, or more frequently if there is an indication that the asset might be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the test shows that the stated assets, or a cash-generating unit, are impaired, the recoverable amount is estimated and the difference between the carrying amount and the recoverable amount is entered in the income statement. The impairment loss of a CGU is therefore first charged against goodwill, where applicable, and then as a reduction in the carrying amount of the other assets.

The recoverable amount of an asset or a CGU is obtained by discounting the cash flows expected to derive from that asset or CGU. The discount rate used is the cost of capital, taking into account the specific risks associated with the asset or CGU. The recoverable amount of investments in held-to-maturity securities and of receivables stated at amortised cost corresponds to the present value of future cash flows, discounted at the effective interest rate calculated at initial recognition. The recoverable amount of other assets is the greater of the selling price and the value in use, calculated by discounting estimated future cash flows at a rate that reflects market conditions.

Any impairment losses on receivables measured at amortised cost are reversed if the subsequent increase in recoverable amount can be objectively determined.

If an impairment loss on an asset, excluding goodwill, is subsequently decreased or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimated recoverable amount, which must not exceed the value that would have been calculated if no impairment had been recognised. The reversal of an impairment loss is immediately recognised in the income statement.

Share capital and other items of equity

The share capital is made up of the ordinary outstanding shares of the Parent Company.

Any costs arising from issuing new shares or options are recognised in equity (net of associated tax benefits) as a reduction of the income deriving from the issue of such instruments.

As required by IAS 32, if instruments representing own capital are repurchased, these instruments (treasury shares) are deducted directly from the “Other reserves” item within equity. No gains or losses are recognised in the income statement for the purchase, sale or cancellation of treasury shares.

The amount paid or received, including all costs directly attributable to the capital transaction, net of any associated tax benefit, is stated directly as a change in equity.

Any dividends paid to shareholders are recognised as liabilities in the period in which they are approved.

Financial liabilities

Financial liabilities are initially recognised at their fair value, net of ancillary charges, and following the initial recognition are measured at amortised cost using the effective interest method. The difference between the amortised cost and the repayment amount is posted to the income statement according to the duration of the liabilities based on interest accrued. Financial liabilities hedged by derivatives, where hedge accounting rules apply, are measured in the same way as the hedging instrument.

Employee benefits

Post-employment benefits for Italian companies are considered defined benefit plans for IAS 19. Guaranteed benefits to employees, in the form of post-employment benefits, provided to coincide with the end of the working relationship are recorded at the expected future value of the benefits that the employees will receive and which have matured in the current financial year and the previous ones. The benefits are discounted and the liability is stated net of the fair value of any pension plan assets. These net obligations are calculated separately for each plan on the basis of actuarial assumptions, and are evaluated at least once a year with the assistance of an independent actuary using the projected unit credit method.

From 1 January 2013 the option of deferring recognition of actuarial gains and losses using the corridor method was eliminated, requiring disclosure in the statement of financial position and income statement of the entire fund deficit or surplus, and separate recognition in the income statement of cost items linked to employment and net financial expenses, as well as the recognition of actuarial gains and losses deriving from the remeasurement each year of assets and liabilities under Other total profits (losses).

Share-based payment transactions

YOOX S.p.A. awards additional benefits to some directors, managers, office workers, consultants and other employees through stock option plans and the Company incentive plan. In accordance with IFRS 2 – Share-based payment, these are classified as equity settled. The total amount of the present value of the stock options and the Company incentive plan at the grant date is therefore recognised in the income statement as a cost. Changes to the present value after the grant date have no effect on the initial valuation. The remuneration cost, which amounts to the present value of the options at the grant date, is recognised under personnel costs on a straight-line basis during the period between the grant date and the vesting date, with a matching entry under equity.

Provisions for risks and charges

The provisions for risks and charges are made for expenses for Company obligations that are legal or implicit (under contracts or otherwise), deriving from a past event. Provisions for risks and charges are stated if it is likely that resources will have to be used to fulfil the obligation, and if a reliable estimate of the obligation can be made. An implicit obligation is defined as an obligation that arises when the Company has notified other parties, via established practices, public company strategies or a sufficiently explicit announcement, that it will accept the obligation, in such a way that the third party expects the Company to honour the obligation. If it is estimated that these obligations will arise beyond 12 months and the related effects are significant, the obligations are discounted at a rate that takes account of the cost of money and the specific risk associated with the liability recognised. Any change in the estimated provisions is reflected in the income statement for the period in which it takes place. If obligations are discounted, the increase in the provision due to the passage of time and any effect arising from the change in the discount rate is entered as a financial charge.

Trade and other payables

Trade and other payables falling due within normal commercial terms, usually less than a year, are entered at the fair value of the initial amount plus transaction costs. After initial recognition they are measured at amortised cost, with any differences shown in the income statement for the life of the liability, in line with the effective interest rate method. Trade and other payables, which usually fall due within a year, are not discounted.

Revenue and income

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or due, taking into account any returns, allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and benefits associated with ownership of the assets are transferred to the purchaser, recoverability of the consideration is probable, the related costs or any return of goods can be reliably estimated, and if management ceases to exercise the level of continuous operation normally associated with ownership of the good sold.

The transfer of risks and rewards usually takes place when the goods are shipped to the customer, i.e. when the goods are handed over to the carrier.

Services

Revenue generated from the provision of services is posted to the income statement on the basis of the stage of completion of the service at the reporting date. The stage of completion is measured according to the work performed.

Commission

When the Company acts as a commercial intermediary rather than as a principal, the revenue stated corresponds to the net amount of the commission earned by the Company.

Dividends

Collectible dividends are recognised as income in the income statement at the date of their approval by the Shareholders' Meeting of the company distributing the dividend. Conversely, dividends are shown as changes in equity in the year in which they are approved by the Shareholders' Meeting.

Cost of goods sold

The cost of goods sold is the sum of the costs incurred by the Group in relation to all the assets on the basis of which it generates sales revenue, net of changes in finished product inventories. The cost of goods sold therefore includes the cost of purchasing the goods plus the direct and indirect ancillary costs, both internal and external, including transport costs and customs duties. Costs incurred for transporting goods are included under the cost of goods sold since they relate directly to sales revenue. The cost of goods purchased is carried at the fair value of the amount paid or agreed. Generally, the cost of goods purchased is therefore composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, the cost of goods purchased is recognised according to the purchase price of the goods stated on the invoice, net of rebates, discounts and allowances.

The cost of goods purchased is adjusted to take account of any decisions to grant further discounts in addition to those contractually agreed, and any deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Company. In the latter case, the present value of the cost of goods purchased is represented by the future cash flow compounded using a market interest rate. Similarly, when additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of goods purchased is shown gross of this further discount, which is reported as interest income.

The change in product inventories records the difference between initial inventories (the closing inventories from the previous period) and the closing inventories of the accounting period under review.

The cost of goods sold also includes costs relating to revenue from assistance with the creation/maintenance of the online stores, which are invoiced to the Strategic Partners of the online stores in the Mono-brand business line.

Fulfillment costs

These are costs incurred for:

- digital production, cataloguing and quality control: this item classifies costs incurred for “making ready” the goods purchased (labelling, classification and warehouse storage). They include costs for personnel, insurance, consultancy and the purchase of consumables. They also include a portion of the cost of depreciating the assets involved in the process, vehicle hire costs and other expenses directly ascribable to the functions involved in the process;

- logistics: this item includes the cost of handling and packaging the goods, which comprises the costs of logistical warehouse management and related consultancy, as well as a portion of the amortisation and depreciation of property, plant and equipment and intangible assets, and the cost incurred for remuneration of personnel directly carrying out this function;

- customer services: these costs include all customer care expenses, including the costs of the call centre and the telephone and email services available to the customer, the costs of dedicated staff and the share of amortisation and depreciation of the related property, plant and equipment and intangible assets.

Sales and marketing costs and general and administrative expenses

Expenditure for these items is calculated at the fair value of the consideration paid or agreed.

Generally, these costs are composed of cash and cash equivalents paid or payable in future on normal payment terms. On this basis, these costs are recognised according to the price of the services stated on the invoice, net of rebates and discounts.

These costs are adjusted in the event of discounts on contractually agreed amounts and deferral of payments beyond 12 months that effectively represent a loan from the supplier to the Company.
In this event, the present value of the cost of services consists of the future cash flow compounded using a market interest rate.

When additional discounts for early cash payment are applied to the agreed terms of payment in the contract or invoice, the present value of the cost of services provided is shown gross of this further discount, which is reported as interest income.

The cost is stated on an accruals basis (based on the stage of completion of the service at the reporting date).

Costs for which the Company believes it will incur a disbursement during the year, without being able to quantify the precise amount of the disbursement, are entered in the income statement as reasonable estimates.

Rental charges and operating lease payments

Rental charges and operating lease payments are recognised in the income statement on an accruals basis (at the time when the economic benefits deriving from the rented or leased assets are recognised). In the event that the economic benefits are lower than the unavoidable minimum charges and the contract is therefore classified as onerous, the costs are recognised immediately in the income statement as the difference between the discounted charges and benefits.

Result of equity investments

Income and expenses from associates include the effects resulting from the evaluation using the equity method and capital gains and losses from the sale of investments in associates: the item also includes write-downs related to losses in the value of financial assets and any reversal of impairments on equity investments, provisions for equity investment risks and income from cashing dividends.

Financial income and expenses

Financial income includes interest earned on cash investments and gains on hedging instruments recognised in the income statement. Interest income is recorded in the income statement on an accrual basis using the effective interest method. Financial expenses include interest payable on loans and losses on hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Income taxes

The tax burden for the year includes the current tax liability and the deferred tax liability. Income taxes are recognised in the income statement, except for those relating to any transactions recognised directly in equity, which are recorded in the same way.

Current tax is the estimated amount of income tax owed, calculated on the basis of taxable income for the year by applying the tax rates in force or substantially in force at the reporting date together with any adjustments to the amounts from previous years.

Deferred tax is recorded according to the equity method by calculating temporary differences between the carrying amount of assets and liabilities entered in the financial statements and the corresponding amounts recognised for tax purposes. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the year in which the asset or liability will be realised or settled, based on the tax rates established under the regulations in force or substantively in force at the reporting date. Deferred tax assets and liabilities are offset if there is a legally exercisable right to offset current tax assets against current tax liabilities, and if the deferred tax assets and liabilities relate to income tax levied by the same tax authority from the same taxable party or from different taxable parties that intend to settle their current tax assets and liabilities on a net basis, or to realise their tax assets and settle their tax liabilities at the same time.

Deferred tax assets are recognised to the extent to which it is likely that future taxable income will be sufficient for these assets to be used. The carrying amount of deferred tax assets is reviewed at every reporting date and is reduced to the extent that the related tax benefit is no longer likely to be realised.

Additional income tax resulting from any distribution of dividends is accounted for when the liability to pay dividends is recognised.

Earnings per share

Basic earnings per share are calculated as the ratio of the profit or loss pertaining to shareholders of the Parent Company and to the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares in the portfolio. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption that all the options granted with a dilutive effect will be converted into ordinary shares. The Parent Company has a category of potential ordinary shares with a dilutive effect for its stock option plans.

5. Changes to accounting standards, new accounting standards, changes to estimates and reclassifications

The IASB published no amendments or new accounting standards during 2014.

Amendments and revised accounting standards applied by the Group for the first time

From 1 January 2014 the following international accounting standards and the interpretations, listed below, came into force. The initial application of the principles has not had significant impacts on the consolidated financial statements of the Group.

IFRS 10 – Consolidation and IFRS 12 – Disclosure of Interests in Other Entities

In May 2011 the Board:

- revised the definition of control and the related application guide so that all entities apply the same control model; and it has
- improved the information provided about consolidated and non-consolidated entities.

The Board has provided the full guidelines for establishing in which circumstances a special purpose vehicle or an entity in which the majority of voting rights is not held (even potential ones) should or should not be consolidated.
To sum up, control is held where it can be demonstrated that the investor has the power to decide about the assets of the business it has invested in (investee), is exposed to the variable nature of the returns of the business, and therefore has the ability to use its own power to affect the returns. On 12 May 2011 the IASB published IFRS 12 Disclosure of Interests in Other Entities, along with IFRS 10 Consolidated Financial Statements.

The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IFRS 11 – Joint Arrangements

The Board has improved:

- the accounting of the joint venture agreements defining a principle-based approach in which the entity records the contractual rights and obligations of the agreement in its financial statements; and
- the information supplied to provide investors with a better understanding of the nature and the financial effects of the transaction that has taken place.

The IASB has separated the joint arrangements into three categories: joint operations, joint assets and joint ventures. To establish which category a joint arrangement comes under, the substance of the agreement needs to be considered beyond the structure. In joint operations and joint assets, the investor contractually acquires a right to a given asset (or to a share of an asset) and/or assumes a given liability (or a share of a liability), while in joint ventures, the investor acquires the right to obtain a share of the results produced by the group of assets and liabilities controlled jointly by all the venturers. The contracting party in a joint operation or a joint asset records the assets (or a share of the assets) that they acquire, the liabilities (or a share of the liabilities) that they take on following the contract and the related costs and revenues (or a share of the related costs and revenues) directly in their financial statements, while the contracting party in a joint venture records their share of the investment in the joint venture in their consolidated financial statements, applying the equity method, and therefore the proportional consolidation of joint ventures is no longer permitted. It is assumed that a business that is subject to joint control is a joint venture, unless the circumstances (i.e. the contractual rights and obligations) demonstrate otherwise.

The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IAS 27 – Consolidated and separate financial statements:

- the principle has been amended in the light of the introduction of IFRS 10. The amendment establishes that it is not compulsory to draw up separate financial statements, but if they are produced they come under the scope of this standard. The amendment involves: the accounting of investments in subsidiaries, associates and joint ventures at cost or in compliance with IFRS 9, the payment of dividends, reorganisations within the Group structure and information to be presented.

The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

IAS 32 – Offsetting of financial assets and liabilities

The Board has improved:

- several amendments to the principle in question to clarify the application of certain criteria for the offsetting of financial assets and liabilities in IAS 32.

  The possible adoption of this principle in the comparable accounting periods would not have involved differences on the financial statement balances.

Amendments and interpretations that came into effect from 01 January 2014 but that are not relevant for the Group

The IASB has not published any amendments or interpretations that came into effect from 1 January 2014 that are not relevant for the Group.

New accounting principles and amendments not applicable in 2014 and not adopted in advance

IFRIC 21 – Levies

The IASB issued IFRIC 21 – Levies, an interpretation of IAS 37 – Potential provisions, liabilities and assets. The interpretation provides clarifications on the recognition of liabilities for the payment of levies other than income taxes.

6. Notes to the statement of financial position, income statement and statement of cash flows

Income statement

6.1 Net revenues

The Parent Company's net revenue from sales and the provision of services as at 31 December 2014 and 31 December 2013 breaks down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Net revenues from sales	414,136	366,614	47,522
Revenue from the provision of services	21,251	15,027	6,224
Total	**435,387**	**381,641**	**53,746**

Net revenue increased by 13.0%, from Euro 366,614 thousand as at 31 December 2013 to Euro 414,136 thousand as at 31 December 2014. Net revenue includes all revenue arising from the sale of goods, net of customer discounts and returns.

The significant increase in net revenue for the sale of goods in 2014 is essentially attributable to the positive trend in sales volumes linked to the increase in the number of orders.

Revenue from the sale of goods is presented net of sales returns, amounting to Euro 115,708 thousand in 2014, or 26.2% of 2014 gross revenue (revenue from the sale of goods before customer returns in 2014) and Euro 100,844 thousand in 2013, or 26.2% of 2013 gross revenue (revenue from the sale of goods before customer returns in 2013). Returns are an inherent part of the Company's business activities, resulting from legislation safeguarding consumers in the countries where the Company operates in relation to mail order sales, and in particular e-commerce.

Revenue from the provision of services, which fell by 41.4% from Euro 15,027 thousand in 2013 to Euro 21,251 thousand in 2014, mainly comprises:

- the recharging of transport services for sales to the end customer (in certain countries the customer also pays for return shipments), net of refunds made if the customer returns the goods sold;
- revenue from the set-up fees charged to create the online stores and fees charged to Strategic Partners in the Mono-brand business line for assistance in maintaining the online stores;
- revenue generated from the sale of media partnership projects and web marketing services.

6.2 Cost of goods sold

The cost of goods sold amounts to Euro 314,995 thousand (72.3% of net revenues) for the year ended 31 December 2014, compared with Euro 267,558 thousand (70.1% of net revenues) for 2013, representing an increase of Euro 47,437 thousand. The item includes costs deriving from the purchase of goods for sale, the cost of services and other costs.

The following table shows a breakdown of the cost of goods sold by nature:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Change in inventories of goods	44,791	19,265	25,526
Purchase of goods	(322,659)	(256,319)	(66,340)
Cost of services	(33,262)	(27,489)	(5,773)
Other costs	(3,865)	(3,015)	(850)
Total	**(314,995)**	**(267,558)**	**(47,437)**

The cost of goods purchased increased by 25.9%, from Euro 256,319 thousand in 2013 to Euro 322,659 thousand in 2014. The cost of goods purchased comprises costs for the procurement of goods for resale, the absolute value of which directly correlates to volumes sold.

Service costs increased by 21.0%, from Euro 27,489 thousand in 2013 to Euro 33,262 thousand in 2014. This item includes transportation costs for sales and returns. A portion of the transportation costs is invoiced directly to the end customer and recognised as revenue from the provision of services, net of refunds on customer returns.

Other costs increased by 28.2%, from Euro 3,015 thousand in 2013 to Euro 3,865 thousand in 2014. These costs mainly comprise transportation costs for purchases, and the internal personnel costs and external supplier costs incurred to set-up and maintain the websites of Mono-brand Strategic Partners.

6.3 Fulfillment costs

Fulfillment costs came in at Euro 39,968 thousand (9.2% of 2014 net revenue), compared with Euro 35,670 thousand (9.3% of 2013 net revenue), an increase of Euro 4,297 thousand.

This cost comprises operational expenses incurred from digital production, cataloguing and quality control, from warehouse logistics, and from customer services.

The following table shows the breakdown of fulfillment costs:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Service costs and other costs	(27,256)	(24,403)	(2,853)
Personnel expenses	(5,776)	(5,487)	(289)
Depreciation and amortisation	(6,935)	(5,781)	(1,155)
Total	**(39,968)**	**(35,670)**	**(4,297)**

Service costs and other costs increased by 11.7%, from Euro 24,403 thousand in 2013 to Euro 27,256 thousand in 2014. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses went from Euro 5,487 thousand in 2013 to Euro 5,776 thousand in 2014, a 5.3% rise, caused by the increase in the number of employees which went from 125 people as at 31 December 2013 to 149 people as at 31 December 2014. The cost of the stock option plan and incentive plan went from Euro 47 thousand positive in 2013 to Euro 97 thousand negative in 2014. In addition to costs related to employees, personnel expenses also include the cost of resources such as interns, partners and consultants that comes under personnel expenses.

6.4 Sales and marketing costs

Sales and marketing costs increased by Euro 2,866 thousand in the year ended 31 December 2014 to Euro 28,888 thousand (6.6% of revenue), compared with Euro 26,022 thousand (6.8% of revenue) for 2013.

These expenses relate to departments operating in sales. A portion of the costs are for personnel working in sales and marketing. The item also contains web marketing costs, costs for charges on credit card transactions and other methods of payment made to intermediaries for payment collection services, as well as expenses relating to customs duties on purchases relating to the import and export of goods sold.

The following table shows the breakdown of sales and marketing costs:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Service costs and other costs	(17,298)	(15,343)	(1,955)
Personnel expenses	(11,584)	(10,671)	(913)
Depreciation and amortisation	(6)	(8)	2
Total	**(28,888)**	**(26,022)**	**(2,866)**

Service costs and other costs increased by 12.7%, from Euro 15,343 thousand in 2013 to Euro 17,298 thousand in 2014. The main components of service costs incurred in 2014 are:

- web marketing costs of Euro 7,298 thousand (Euro 5,283 thousand in 2013). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements and the development of new partnerships and the commercial and technical management of existing partnerships, mainly for the Multi-brand business line;
- expenses for credit card transactions of Euro 3,930 thousand (Euro 4,129 thousand in 2013);
- the cost of fraud relating to online commercial activity was Euro 625 thousand (Euro 497 thousand in 2013).

Personnel expenses went from Euro 10,671 thousand in 2013 to Euro 11,584 thousand in 2014, a 8.6% rise, caused by the increase in the number of employees which went from 194 people as at 31 December 2013 to 1247 people as at 31 December 2014. The cost of the stock option plan and incentive plan went from Euro 342 thousand in 2013 to Euro 4 thousand in 2014. In addition to costs related to employees, personnel expenses also include the cost of resources such as interns, collaborators and consultants.

6.5 General expenses

General expenses include all the overhead costs of the Parent Company’s various offices pertaining to personnel management, administration, finance and control, communications and image, general management, general services and technological services.

General expenses decreased by Euro 1,499 thousand in 2014, coming in at Euro 32,112 thousand for 2014 compared with Euro 33,611 thousand in 2013.

General expenses can be broken down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Cost of services	(291)	(5,012)	4,721
Personnel expenses	(13,398)	(15,393)	1,995
Depreciation and amortisation	(18,422)	(13,206)	(5,216)
Total	**(32,112)**	**(33,611)**	**1,499**

Cost of services fell by 94.2%, from Euro 5,012 thousand in 2013 to Euro 291 thousand in 2014, mainly as a result of the reversal of costs for the use of the technology platform and royalties from subsidiaries.

Personnel expenses went from Euro 15,393 thousand in 2013 to Euro 13,398 thousand in 2014 a 13.0% fall caused by the decrease in the cost of the Stock Option plans and the Company Incentive Plan granted, which went from Euro 3,401 thousand in 2013 to Euro 1,134 thousand in 2014. The number of personnel employed in this area increased, going from 318 persons as of 31 December 2013 to 408 persons as of 31 December 2014. In addition to the cost of employees, personnel expenses also include the cost of interns, partners and consultants that comes under personnel expenses.

Depreciation and amortisation increased by 39.5%, from Euro 13,206 thousand in 2013 to Euro 18,422 thousand in 2014.

6.6 Other income and expenses

Other income and expenses increased by Euro 556 thousand, to a total negative figure of Euro 2,432 thousand for year ended as at 31 December 2014 compared with a negative figure of Euro 1,877 thousand for 2013.

Other income and expenses can be broken down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Extraordinary income/liabilities	(1,057)	(651)	(406)
Theft and losses	(821)	(653)	(168)
Other tax charges	(288)	(191)	(97)
Other income/expenses	(217)	(196)	(21)
Provisions for sundry risks	(102)	(217)	115
Reimbursements	52	32	20
Total	**(2,432)**	**(1,877)**	**(556)**

Extraordinary liabilities came to Euro 1,057 thousand (liabilities of Euro 651 thousand as at 31 December 2013). The item includes income derived from routine management activities.

The theft and losses item relates to occurrences of theft or loss of goods sent to end customers that are already identified as missing by year end, net of the relevant insurance cover.

Other tax charges decreased by 50.5%, from Euro 191 thousand in 2013 to Euro 288 thousand in 2014.

Provisions for sundry risks in 2014 relate to estimated charge incurred due to theft and loss of goods not identified as missing as of year-end.

6.7 Operating profit

As required by IAS 1, the following is a breakdown of costs by nature used to determine the operating margin.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Net revenues	435,387	381,641	53,746
Change in inventories	44,791	19,265	25,526
Purchase of goods	(322,659)	(256,319)	(66,340)
Services	(78,108)	(71,644)	(5,861)
Personnel expenses	(30,758)	(31,551)	793
Amortisation, depreciation and impairment losses	(25,364)	(18,995)	(6,369)
Other costs and revenues	(6,298)	(5,494)	(1,406)
Operating profit	**16,991**	**16,902**	**89**

Operating profit increased from Euro 16,902 thousand in 2013 to Euro 16,991 thousand in 2014. The operating margin went from 4.4% in 2013 to 3.9% in 2014.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2014, unused leave and accruals to legal reserves required under collective agreement, as well as related social security contributions and the contributions to the post-employment benefits for Parent Company employees. These costs also include the fair value of stock options and the Company incentive plan for employees, between the allocation and vesting dates, with a direct matching entry in equity and payables to staff.

The headcount totalled 804 as at 31 December 2014 (637 as at 31 December 2013). The table below shows the breakdown of the headcount at the year-end[37]:

Description	31 Dec 2014	31 Dec 2013
Managers	31	28
Junior managers	66	53
Office workers	707	556
Total	**804**	**637**

A 26% increase in headcount was therefore registered at the end of 2014 by comparison with the previous year.

6.8 Result of equity investments

The result of equity investments as of 31 December 2014 was Euro 2,162 thousand and is due to the combined effect of the write-down of the loan granted to the associate for hedging the losses for Euro 694 thousand (paragraph 6.15) and for Euro 2,856 thousand for the dividends paid by the subsidiary YOOX Asia Limited.

6.9 Financial income and expenses

Financial income decreased from Euro 1,222 thousand in 2013 to Euro 2,801 thousand in 2014.

The following table shows the breakdown of financial income:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Exchange rate gains	2,336	1,012	1,323
Interest income on current account	459	210	155
Other financial income	6	-	6
Total	**2,801**	**1,222**	**1,579**

[37] The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or associates not employed by the Parent.

Exchange rate gains fell from Euro 1,012 thousand in 2013 to Euro 2,336 thousand in 2014. They mainly relate to the translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other interest income increased from Euro 210 thousand in 2013 to Euro 459 thousand in 2014.

Financial expenses increased from Euro 2,908 thousand in 2013 to Euro 4,318 thousand in 2014.

The following table shows the breakdown of financial expenses:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Exchange rate losses	(2,438)	(1,705)	(733)
Interest expenses	(1,278)	(847)	(431)
Other financial expenses	(601)	(356)	(245)
Total	**(4,318)**	**(2,908)**	**(1,409)**

Exchange rate losses, realised and unrealised, fell from Euro 1,705 thousand in 2013 to Euro 2,438 thousand in 2014. They mainly relate to the translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other interest expenses saw an increase of 51%, from Euro 847 thousand in 2013 to Euro 1,278 thousand in 2014.

Other financial expenses went from Euro 356 thousand in 2013 to Euro 601 thousand in 2014. These expenses refer to the issue by credit institutions of sureties in favour of third parties on behalf of the Group. This item includes premiums paid on exchange rate hedging contracts as well as the fair value entries of these premiums.

6.10 Taxes

Income tax for the year can be broken down as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Current corporate income tax (IRES) (1)	(3,295)	(5,080)	1,785
Current regional income tax (IRAP) (2)	(1,405)	(1,588)	183
Deferred taxes	(1,392)	1,250	(2,642)
Total	**(6,092)**	**(5,418)**	**(674)**

(1) IRES: Imposta sul Reddito delle Società (corporate or company tax)
(2) IRAP: Imposta Regionale sulle Attivita Produttive (regional tax on production activities)

The Parent Company has incurred a greater tax burden in absolute terms compared with the situation as at 31 December 2013. Current taxes have decreased from Euro 5,080 thousand to Euro 3,295 thousand.
IRAP taxes decreased by 12% for the Parent Company (IRAP was Euro 1,405 thousand as at 31 December 2014 compared to Euro 1,588 thousand as at 31 December 2013). IRES taxes for the Parent Company amounted to Euro 3,295 thousand.

The Parent Company also recognised deferred tax assets totalling Euro 1,810 thousand and deferred tax liabilities of Euro 328 thousand. Deferred tax assets of Euro 3,046 thousand and deferred tax liabilities of Euro 56 thousand that were recognised in 2013 were also reversed.

The following table shows the reconciliation between theoretical taxes calculated at the tax rate in effect in Italy and the taxes recognised in the separate financial statements.

(Thousand Euro)	31 December 2014	31 December 2013
Profit before tax	17,636	14,576
Rate	27.50%	27.50%
Theoretical tax	4,850	4,008
Effective tax	6,092	6,668
Difference	**1,242**	**2,660**
IRAP	1,405	1,588
Permanent taxes	(1,555)	387
Use of tax losses carried forward	-	-
Deferred taxes	1,392	685
Total difference	**1,242**	**2,660**

6.11 Basic and diluted earnings per share

Earnings per share are calculated on the basis of the Parent Company’s performance given in Note 9.11 of the consolidated financial statements, which should be referred to.

Statement of financial position

6.12 Property, plant and equipment

As at 31 December 2014 property, plant and equipment totalled Euro 35,176 thousand. The following is a summary of changes therein in 2014:

Description	Historical cost as at 31 Dec 2013	Increases	Decreases	Historical cost as at 31 Dec 2014	Acc. depreciation as at 31 Dec 2013	Deprec.	Utilisation	Acc. depreciation as at 31 Dec 2014	Net carrying amount as at 31 Dec 2013	Net carrying amount as at 31 Dec 2014
Plant and equipment	**33,519**	**5,108**	**(180)**	**38,447**	**(10,183)**	**(5,627)**	**53**	**(15,758)**	**23,336**	**22,689**
Buildings	**7,185**	**973**	**-**	**8,157**	**(3,533)**	**(1,326)**	**-**	**(4,858)**	**3,652**	**3,299**
Leasehold improvements	7,185	973	-	8,157	(3,533)	(1,326)	-	(4,858)	3,652	3,299
Industrial and commercial equipment	**2,841**	**900**	**(83)**	**3,658**	**(1,440)**	**(476)**	**70**	**(1,847)**	**1,401**	**1,811**
Other assets	**11,831**	**3,753**	**(546)**	**15,037**	**(5,629)**	**(2,589)**	**557**	**(7,661)**	**6,201**	**7,377**
Furniture and furnishings	1,537	419	(92)	1,864	(1,070)	(430)	89	(1,410)	467	454
Electronic equipment	10,165	3,334	(448)	13,051	(4,445)	(2,153)	465	(6,132)	5,720	6,919
Other tangible assets	128	-	(6)	122	(115)	(6)	3	(118)	14	4
Assets under construction and payments on account	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
General total	**55,376**	**10,734**	**(809)**	**65,299**	**(20,785)**	**(10,018)**	**680**	**(30,124)**	**34,591**	**35,176**

The overall increase in tangible assets in 2014 was equal to Euro 585 thousand.

Investments in tangible assets are mainly linked to investments in the highly automated techno-logistical platform, a project in which the Group has been investing since the fourth quarter of 2010.
This involved the increase in the item “Plant and equipment” of Euro 5,108 thousand as well as the item “Buildings” in an amount equal to Euro 973 thousand.

The overall increase in the “Other Assets” category, equal to Euro 3,752 thousand, is attributable to the combined effect from investment in new servers, PCs and monitors, held also under finance lease agreements, for a capital value of Euro 3,334 thousand and to investments made in furniture, for the remaining part.

Depreciation in the period totalled Euro 10,009 thousand.

As at 31 December 2014, there were no liens or encumbrances on YOOX S.p.A. property, plant and equipment.

Moreover, no impairment losses or revaluations were carried out on items of property, plant and equipment in 2014. In the period under review, no borrowing costs were ascribed to asset entries in the statement of financial position.

6.13 Intangible assets with finite useful life

Intangible assets amounted to Euro 35,640 thousand as at 31 December 2014.

The following is a summary of changes in intangible assets with finite useful life in 2014:

Description	Historical cost as at 31 Dec 2013	Increases	Decreases	Historical cost as at 31 Dec 2014	Acc. amortisation as at 31 Dec 2013	Amortis.	Acc. amortisation as at 31 Dec 2014	Net carrying amount as at 31 Dec 2013	Net carrying amount as at 31 Dec 2014
Development costs	**46,657**	**22,225**	**-**	**68,882**	**(21,830)**	**(13,541)**	**(35,371)**	**24,827**	**33,511**
Software and licences	**6,943**	**1,804**	**-**	**8,747**	**(5,039)**	**(1,738)**	**(6,777)**	**1,904**	**1,970**
Trademarks and other rights	**378**	**-**	**-**	**378**	**(194)**	**(34)**	**(228)**	**185**	**151**
Trademarks and patents	378	-	-	378	(194)	(34)	(228)	185	151
Intangible assets under development	**45**	**-**	**(45)**	**-**	**-**	**-**	**-**	**45**	**-**
Other	**1,839**	**-**	**-**	**1,839**	**(1,788)**	**(42)**	**(1,830)**	**51**	**9**
Other intangible assets	1,839	-	-	1,839	(1,788)	(42)	(1,830)	51	9
General total	**55,862**	**24,029**	**(45)**	**79,846**	**(28,851)**	**(15,355)**	**(44,205)**	**27,011**	**35,640**

The principal changes in these items during the year are described below.

Development costs

In 2014 this item rose by Euro 8,684 thousand. The Group made significant investments in long-term development projects in an amount totalling Euro 22,225 thousand. These are costs incurred by YOOX S.p.A. for specific projects aimed at the ongoing development of innovative solutions for the creation and management of online stores. Development projects have been classified according to the area in which the various initiatives take place: platform e-commerce functional development, management development of productivity and development of service security and continuity.
These costs relate both to internal personnel costs and to the costs of services provided by third parties. In line with the strategy defined in previous years, the number of development projects outsourced to external suppliers increased significantly. Expenses for research-related activities, which are carried out with a view to obtaining new scientific or technical knowledge and discoveries, are recognised in the income statement at the time they are incurred.

Software and licences

The increase of Euro 66 thousand in this item includes expenditures with long-term benefits, principally relating to the acquisition of software licences to build the infrastructure of the online stores.

Trademarks and other rights

The value of this item as at 31 December 2014 stood at Euro 151 thousand, a decrease of Euro 34 thousand during 2014.

It mainly comprises expenses incurred by the Company in acquiring and registering national and international trademarks.

Assets under development and payments on account

All projects under development during 2013 were completed by 31 December 2014.

The amortisation for intangible assets with an indefinite useful life stood at Euro 15,355 thousand.

6.14 Investments in subsidiaries

The list of subsidiaries as at 31 December 2014 is made up of the following companies controlled by YOOX S.p.A.:

- YOOX Corporation, formed in 2002 to manage sales activities in North America;
- YOOX Japan, formed in 2004 to manage sales activities in Japan;
- Mishang Trading (Shanghai) Co. Ltd established in the fourth quarter of 2010 to manage sales in China;
- YOOX Asia Limited, established in the second quarter of 2011 to manage sales in the Asia-Pacific area.

Company (figures in thousand Euro)	Registered offices	Carrying amount of subsidiaries as at 31 Dec 2014	Share capital as at 31 Dec 2014	Percentage held as at 31 Dec 2014	Equity at 31 Dec 2014 and measurement using the equity method	2014 net income
YOOX Corporation	15 East North Dover, Delaware 19901, USA	373	373	100%	13,326	2,153
YOOX Japan	4F Oak Omotesando, 3-6-1 Kita-aoyama, Minato-ku Tokyo 107-0061	75	75	100%	4,439	1,084
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No 223 Xikang Road, Jing'an District 200050, Shanghai	6,000	6,000	100%	1,437	(772)
YOOX Asia Limited	Unit 2702 27/F, The Centrium, 60 Wyndham Street Central, Hong Kong (CN)	91	91	100%	2,537	2,221
Total carrying amount of investments		**6,538**	**6,538**			

Note that the YOOX Group has a different structure during the year. On 31 October 2013 the merger by incorporation of YOOX Corporation and Y Services Ltd was approved by the Shareholders' Meetings of the two companies. From 1 January 2014, Y Services Ltd was therefore incorporated into YOOX Corporation.

6.15 Investments in associates

The non-current item as at 31 December 2014 stood at Euro 59 thousand.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Investments in associates	59	59	-
Total	**59**	**59**	**-**

The portion of the loss in the Group investment during the course of the year is equal to Euro 694 thousand, and was covered through a waiver for a loan to hedge future losses which was used for that amount.

Investment	End of year date	Ownership %	Investment	Investment Profit/loss	Investment equity	Share of profit (loss)
E_Lite S.p.A (associate)	31 December	49%	59	(1,417)	(1,546)	(694)
Total			**59**	**(1,417)**	**(1,546)**	**(694)**

6.16 Deferred tax assets

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Deferred tax assets	1,874	3,139	(1,265)
Total	**1,874**	**3,139**	**(1,265)**

Changes in deferred tax assets during 2014 are shown in the following table:

Description	Balance as at 31 Dec 2013	Increases	Utilisation	Balance as at 31 Dec 2014
Deferred tax assets	3,139	1,858	(3,123)	1,874
Total	**3,139**	**1,858**	**(3,123)**	**1,874**

The following table shows a breakdown of deferred tax assets as at 31 December 2014.

Description of taxable item	Balance as at 31 Dec 2014	2013 tax rate	Tax recorded in 2014
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	60	31.4%	19
Provisions	5,165	Diverse%	1,424
Unissued credit notes	309	31.4%	97
Unrealised exchange rate losses	251	27.5%	69
Unpaid remuneration of directors	484	27.5%	133
Fair value derivatives	155	27.5%	43
Other items		Diverse%	34
Total	**6,624**		**1,874**

Deferred tax assets decreased by 40% from Euro 3,139 thousand as at 31 December 2013 to Euro 1,874 thousand as at 31 December 2014.

Deferred tax assets as at 31 December 2014 were recognised in relation to:

- the taxed allowance for impairment;
- the provisions for obsolete inventories;
- the provisions for risks and charges (provisions for disputes, provisions for fraud and provisions for theft and loss, respectively);
- unissued and non-deductible credit notes;
- unrealised exchange rate losses;
- fair value derivatives as at 31 December 2014;
- independent auditors' fees.

6.17 Other non-current financial assets

Other non-current financial assets as at 31 December 2014 stood at a total of Euro 100 thousand (Euro 64 thousand as at 31 December 2013):

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Guarantee deposits	100	64	36
Total	**100**	**64**	**36**

Guarantee deposits as at 31 December 2014 relate to rental agreements and administration contracts for gas and energy services. Other non-current financial assets are due to be repaid in more than five years' time.

6.18 Inventories

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Inventories	181,968	134,844	47,124
Total	**181,968**	**134,844**	**47,124**

The following is a breakdown of inventories as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Inventories of raw materials, consumables and supplies	1,100	1,027	73
Total	**1,100**	**1,027**	**73**
Finished products and goods	185,760	140,072	45,688
Provision for obsolete finished products and goods	(4,891)	(6,255)	1,364
Total	**180,869**	**133,817**	**47,052**
Total net inventories	**181,968**	**134,844**	**47,124**

Inventories rose by 34.9% from Euro 134,844 thousand as at 31 December 2013 to Euro 181,968 thousand as at 31 December 2014, and relate to goods that have been purchased for subsequent resale online.

The increase that can be observed is structurally only partly connected to the growth in sales in 2014. The Parent Company's business model makes provision for the early procurement of the goods which may take place in the year prior to the sales season.

Goods from previous collections and/or obsolete goods are written down with a provision for obsolete inventories, calculated using the estimated realisable value of the goods. This estimate also takes into account the anticipated effects of new sales policies.

The amount of the provision in 2014 for obsolete inventories and changes in the provision are shown below:

Description	Balance as at 31 Dec 2013	Increases	Decreases	Balance as at 31 Dec 2014
Provision for obsolete inventories	(6,255)	-	1,364	(4,891)
Total	**(6,255)**	**-**	**1,364**	**(4,891)**

The reserve for obsolete inventories reflected in the financial statements has a carrying amount deemed appropriate for the actual quantities of obsolete or slow-moving goods on hand.

6.19 Trade receivables

The breakdown of trade receivables as at 31 December 2014 and 31 December 2013 is as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due from customers	3,179	4,040	(861)
Other trade receivables	5,934	5,627	307
Due from foreign subsidiaries	39,740	27,723	12,017
Allowance for impairment	(126)	(112)	(13)
Total	**48,727**	**37,278**	**11,449**

The receivables due from customers are fully recoverable within 12 months and relate to trade receivables for the sale of goods to individuals.

Other trade receivables mainly relate to receivables from online stores, chiefly for the provision of services. This item includes, among other things, services which refer to set-up fees incurred by the Group in relation to Strategic Partners for the design and implementation activities the Group carries out for online stores.

The changes relating to the Bad Debt Provision in 2014 are represented below:

Description	Balance as at 31 Dec 2013	Increases	Decreases	Balance as at 31 Dec 2014
Allowance for impairment	(112)	(13)	-	(126)
Total	**(112)**	**(13)**	**-**	**(126)**

The allowance for impairment covers specific risks relating to unpaid receivables and other receivables not considered recoverable. Provisions made during the various periods adjust the receivables to their estimated realisable value. A provision had to be made in 2014 for the allowance for impairment of Euro 13 thousand.

6.20 Other current assets

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Other current assets	9,908	6,376	3,531
Total	**9,908**	**6,376**	**3,531**

The following is a breakdown of other current assets at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Other receivables	505	508	(3)
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	142	114	27
Advances to employees	8	98	(89)
Due from acquirers	12	(74)	86
Prepayments and accrued income	4,169	3,027	1,142
Tax receivables	1,536	220	1,316
Financial receivables from YOOX Corporation	1,235	1,088	148
Financial receivables from Mishang Trading Co Ltd	2,521	1,617	904
Total	**9,908**	**6,376**	**3,531**

“Other receivables” includes:

- mainly credit notes received from suppliers for which the latter must still refund money to the Company and from advance payments to the supplier for the purchase of goods for which the corresponding invoices have not yet been received (e.g. payments on order, prepayments);
- Euro 216 thousand in receivables for sums paid to the Parent Company’s tax representative in Greece and fully impaired.

The allowance for impairment – receivables from others, as previously mentioned, relates to the receivable from the Greek tax representative, which is deemed unrecoverable.

Advances to employees includes debt to employees for solidarity contributions, already cashed by the company in January 2015.

The item advances to suppliers shows the advances made to suppliers for services acquired in 2014 and for which the suppliers have yet to provide the service.

The item “Prepayments” mainly includes costs of future years whose financial impact has already taken place during 2014. These mainly involve software licence fees, insurance costs, leasing costs, prepaid royalties for using brands and prepaid professional consulting fees. The increase compared with 2013 is consistent with the increase in business volume.

6.21 Cash and cash equivalents and current financial assets

The breakdown of the item “Cash and cash equivalents” as at 31 December 2014 is as follows:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Bank and postal accounts	90,993	39,949	51,044
Cash and cash equivalents on hand	9	11	(3)
Total	**91,001**	**39,960**	**51,042**

The balance, entirely denominated in Euro except where expressly indicated, represents the cash and cash equivalents on hand at year end.

The following is a breakdown of current financial assets as at 31 December 2014:

Description	Balanceas at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due from acquirers	3,161	3,126	35
Due from associates	42	220	(183)
Financial deferrals	642	-	642
Total	**3,845**	**3,346**	**499**

6.22 Equity

The breakdown of changes in equity as at 31 December 2014 is presented in a separate table.

The share capital equal to Euro 620 thousand as at 31 December 2014 (Euro 582 thousand as at 31 December 2013) increased during 2014 following the exercising of the Stock Options by the beneficiaries in question. In regard to the above it should be pointed out that on 16 January 2014 100,880 ordinary shares were granted following the exercising of 1,940 options relating to the 2004-2006, 2006-2008, 2007-2012 and 2009-2014 plans; on 10 February 2014, 9,412 ordinary shares were granted following the exercising of 181 options relating to the 2009-2014 plan; on 3 March 2014, 335,368 ordinary shares were granted following the exercising of 6,834 options relating to the 2003-2205, 2004-2006 and 2009-2014 plans; on 28 April 2014, 34,424 ordinary shares were granted following the exercising of 662 options relating to the 2009-2014 plan; on 9 May 2014, 74,048 ordinary shares were granted following the exercising of 1,424 options relating to the 2009-2014 plan; on 25 June 2014, 18,772 ordinary shares were granted following the exercising of 361 options relating to the 2009-2014 plan; on 7 July 2014, 384,020 ordinary shares were granted following the exercising of 7,385 options relating to the 2001-2003, 2006-2008 and 2009-2014 plans; on 28 August 2014, 107,796 ordinary shares were granted following the exercising of 2,073 options relating to the 2006-2008 and 2009-2014 plans; on 9 September 2014, 308,412 ordinary shares were granted following the exercising of 5,931 options relating to the 2009-2014 plan; on 8 October 2014, 104,312 ordinary shares were granted following the exercising of 2006 options relating to the 2009-2014 plan; on 6 November 2014, 39,572 ordinary shares were granted following the exercising of 761 options relating to the 2009-2014 plan; on 18 November 2014, 1,600,248 ordinary shares were granted following the exercising of 30,774 options relating to the 2009-2014 plan; on 12 December 2014, 250,588 ordinary shares were granted following the exercising of 4,819 options relating to the 2009-2014 plant and on 22 December 2014, 28,496 ordinary shares were granted following the exercising of 548 options relating to the 2009-2014 plan with an overall effect of Euro 38 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 85,999 thousand as at 31 December 2014 (Euro 64,130 thousand as at 31 December 2013); this reserve increased over 2014 following the exercising of Stock Options on the part of the beneficiaries in question. In regard to the above it should be pointed out that on 16 January 2014 100,880 ordinary shares were granted following the exercising of 1,940 options relating to the 2004-2006, 2006-2008, 2007-2012 and 2009-2014 plans; on 10 February 2014, 9,412 ordinary shares were granted following the exercising of 181 options relating to the 2009-2014 plan; on 3 March 2014, 355,368 ordinary shares were granted following the exercising of 6,834 options relating to the 2003-2205, 2004-2006 and 2009-2014 plans; on 28 April 2014, 34,424 ordinary shares were granted following the exercising of 662 options relating to the 2009-2014 plan; on 9 May 2014, 74,048 ordinary shares were granted following the exercising of 1,424 options relating to the 2009-2014 plan; on 25 June 2014, 18,772 ordinary shares were granted following the exercising of 361 options relating to the 2009-2014 plan; on 7

July 2014, 384,020 ordinary shares were granted following the exercising of 7,385 options relating to the 2001-2003, 2006-2008 and 2009-2014 plans; on 28 August 2014, 107,796 ordinary shares were granted following the exercising of 2,073 options relating to the 2006-2008 and 2009-2014 plans; on 9 September 2014, 308,412 ordinary shares were granted following the exercising of 5,931 options relating to the 2009-2014 plan; on 8 October 2014, 104,312 ordinary shares were granted following the exercising of 2006 options relating to the 2009-2014 plan; on 6 November 2014, 39,572 ordinary shares were granted following the exercising of 761 options relating to the 2009-2014 plan; on 18 November 2014, 1,600,248 ordinary shares were granted following the exercising of 30,774 options relating to the 2009-2014 plan; on 12 December 2014, 250,588 ordinary shares were granted following the exercising of 4,819 options relating to the 2009-2014 plan and on 22 December 2014, 28,496 ordinary shares were granted following the exercising of 548 options relating to the 2009-2014 plan with an overall effect of Euro 21,896 thousand;

- legal reserve, which totalled Euro 193 thousand as at 31 December 2014 (Euro 193 thousand as at 31 December 2013), consists of accruals of 5% of Parent Company profits every year. This reserve did not increase in the first six months of 2014 since it had reached the limit imposed by Article 2430 of the Civil Code as at 31 December 2010 and which remains as at 31 December 2014;

- reserve for future increases in share capital, which was entirely repaid as at 31 December 2014 (Euro 132 thousand as at 31 December 2013), includes liabilities to individuals who had paid to exercise stock options as at 31 December 2014, but to whom the Company had not made the corresponding ordinary shares available by the end of the year;

- the purchase of treasury shares, with a negative balance of Euro 258 thousand, is recorded as a direct decrease in net equity in compliance with the requirements of IAS 32. A treasury share purchase plan was launched to implement the resolution approved by the Shareholders' Meeting on 7 October 2009 and by the Board of Directors on 1 July 2010. The treasury share purchase plan is aimed at creating the necessary share reserve to service the 2009-2014 incentive plan for employees of the Parent Company and its subsidiaries;

- other reserves, equal to Euro 20,759 thousand as at 31 december 2014 (Euro 19,790 thousand as at 31 December 2013) include the reserve for the fair value measurement of stock options of Euro 20,623 at 31 December 2014 (Euro 19,667 thousand at 31 December 2013) and the cash flow hedge reserve equal to a positive figure of Euro 26 thousand (a positive Euro 165 thousand as at 31 December 2013) and the reserve for actuarial gains and losses from the valuation of staff post-employment benefits totalling a negative Euro 56 thousand (a negative Euro 42 thousand as at 31 December 2013);

- retained earnings (losses carried forward) amounted to Euro 26,641 thousand as at 31 December 2014 (Euro 15,483 thousand as at 31 December 2013), an increase of Euro 9,158 thousand due to the allocation of profit for 2013.

6.23 Stock option plans and Company incentive plans

Granting of stock options

Following approval of the share-split at the Extraordinary Shareholders' Meeting of the Parent Company on 8 September 2009, beneficiaries of stock option plans exercising their options will be entitled to 52 ordinary shares of the Company for every option exercised, except for the 2012-2015 stock option plan which provides for the ratio of one share for every option exercised.

With reference to the following stock option plans and Company incentive plans reserved for employees, associates, consultants and directors of the Company and its subsidiaries, as at 31 December 2014 the Board of Directors had granted the following options, outlined in the table below:

Stock option plans	Granted (a)	Lapsed (b)	Exercised c)	Total granted not lapsed or not exercised (d = a-b-c)	Granted not vested	Granted vested not exercised	Granted vested and exercised
2001 – 2003	80,575	31,560	49,015	0	0	0	0
2003 – 2005	36,760	3,000	32,760	1,000	0	0	1,000
2004 – 2006	32,319	12,650	19,169	500	0	0	500
2006 – 2008	31,303	200	25,115	5,988	0	0	5,988
2007 – 2012	102,600	3,650	65,036	33,914	0	0	33,914
2009 – 2014	94,448	24,599	69,849	0	0	0	0
Total	**378,005**	**75,659**	**260,944**	**41,402**	**0**	**0**	**41,402**

The table below shows the exact strike prices for the options assigned that have not expired or been exercised.

Strike prices in Euro

	46.48	59.17	106.50	277.68	305.24	360.88	407.16	441.48	489.32	499.20	512.20	521.56	578.24	582.92	Total options	Total shares
2001-2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-2005	0	0	1,000	0	0	0	0	0	0	0	0	0	0	0	1000	52,000
2004-2006	0	0	500	0	0	0	0	0	0	0	0	0	0	0	500	26,000
2006-2008	0	5,988	0	0	0	0	0	0	0	0	0	0	0	0	5,988	311,376
2007-2012	0	32,814	1,100	0	0	0	0	0	0	0	0	0	0	0	33,914	1,763,528
2009-2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**38,802**	**2,600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**41,402**	**2,152,904**

In 2014 the Company's Board of Directors did not approve grants of YOOX S.p.A. stock options.

With reference to the 2012-2015 stock option plan, approved by the Shareholders' Meeting on 29 June 2012, on 21 September 2012 the Company's Board of Directors approved the Plan and the proposal of the Remuneration Committee for granting the CEO Federico Marchetti 1,500,000 options valid for the subscription of 1,500,000 YOOX ordinary shares (in the ratio of 1 new ordinary share for every 1 option exercised) at a subscription price for each single share of Euro 9.60, corresponding to the weighted average of the prices recorded for YOOX ordinary shares on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the 30 (thirty) days trading on the stock exchange prior to the option grant date.

The Board of Directors granted the following options as detailed in the table below:

Stock option plan	*Granted (a)*	*Expired (b)*	*Exercised (c)*	*Total granted, not expired or not exercised (d = a-b-c)*	*Granted, not vested*	*Granted, vested, not exercisable*	*Granted, vested and exercisable*
2012-2015	1,500,000	200,000	0	1,500,000	300,000	0	1,000,000
Total	**1,500,000**	**200,000**	**0**	**1,500,000**	**300,000**	**0**	**1,000,000**

The table below shows the exact strike prices for the options assigned that have not expired or been exercised.

	Strike price	Total options	Total shares
2012-2015	€ 9.60	1,300,000	1,300,000
Total	**€ 9.60**	**1,300,000**	**1,300,000**

Granting of shares

On 1 July 2010, the Board of Directors of the Parent Company approved the 2009-2014 incentive plan in compliance with the approval of the Ordinary Shareholders' Meeting on 8 September 2009.

A treasury share purchase programme was set up for this purpose in order to comply with the decision of the Shareholders' Meeting on 7 October 2009 and the meeting of the Board of Directors on 1 July 2010. The treasury share purchase programme was aimed at acquiring sufficient shares for the 2009-2014 incentive plan for employees of the Parent Company and its subsidiaries.

Specifically, on 5 May 2011, the YOOX S.p.A. Ordinary Shareholders' Meeting granted authorisation to buy and sell treasury shares, pursuant to Articles 2357, 2357-*ter* of the Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions.

Specifically, in compliance with the YOOX S.p.A. Ordinary Shareholders' Meeting resolution of 5 May 2011, the programme refers to the purchase of YOOX S.p.A. ordinary shares, with no indication of par value, up to a maximum amount of 250,000 ordinary shares, for a total maximum value of Euro 3,000,000.

As a part of the treasury shares purchase programme to service the YOOX S.p.A. 2009-2014 incentive plan, the Company bought:

- in the period from 2 July 2010 to 7 July 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share including commission, for a total value of Euro 361,862.06;
- in the period from 5 August 2011 to 8 August 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share including commission, for a total value of Euro 575,674.30;
- on 6 September 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share including commission, for a total value of Euro 47,547.50;
- on 4 October 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share including commission, for a total value of Euro 259,670.39;
- on 17 November 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share including commission, for a total value of Euro 71,138.08.

On 17 April 2014, the Shareholders' Meeting approved the authorisation to purchase treasury shares, pursuant to Articles 2357, 2357-*ter* of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions, following the revocation of the resolution approved by the Shareholders' Meeting of 19 April 2013 for the part not executed.
The purpose of the authorisation to buy and sell treasury shares is to allow the Board of Directors to possibly use the treasury shares for the purposes envisaged in market practice relating to the purchase of treasury shares to create a bank of shares allowed by Consob pursuant to Article 180, paragraph 1, c) of Legislative Decree 16839 of 19 March 2009, and therefore (i) for the possible use of shares as payment in extraordinary transactions, including share swaps with other parties as part of transactions in the Company's interest, or (ii) for the use of the purchased treasury shares to service stock option and share-based plans dedicated to directors, employees and consultants of the Company or its subsidiaries, as well as programs to grant shares free-of-charge to individual beneficiaries under these plans. Authorisation to buy and sell treasury shares was also granted for the purpose of lending treasury shares to the Specialist operator, so that it can meet its contractual obligations to the Company in the settlement of transactions carried out on ordinary YOOX shares, under the terms and conditions laid down in the applicable provisions.
Authorisation was granted for the purchase of YOOX ordinary shares in one or more tranches with no nominal value, up to a maximum number that, taking into account the YOOX ordinary shares held at any time by the Company and its subsidiaries in its portfolio, does not in total exceed 10% of the share capital (and therefore less than the maximum limit established by the applicable legislation of 20% of the share capital, pursuant to Article 2357, paragraph 3 of the Italian Civil Code).
With regard to this the Board of Directors was given the mandate to identify the number of shares to purchase in relation to each of the purposes set out above, before the launch of each individual purchase programme within the maximum limit indicated above under the terms and conditions set out in Article 144-*bis*, paragraph 1b) of Consob Regulation 11971/1999, as later amended. These purchases must be made at a price that does not exceed the highest price between the price of the latest independent transaction and the highest independent offer price on the market where the purchase takes place, while the unit price must not, in any case, be more than 15% lower or higher than the official price recorded by the YOOX share on the trading day preceding each purchase transaction.
The Shareholders' Meeting also authorised the Board of Directors, pursuant to Article 2357-*ter* of the Italian Civil Code, to make use of the treasury shares purchased on the basis of this resolution or in the Company portfolio,

at any time, in full or in part, and on one or more occasions, through the sale of said shares on- or off-market, and, if necessary, through the sale of real and/or personal rights including, for example, the loan of shares.
The authorisation for such purchases was granted for a period of 18 months from the date of the resolution. The authorisation for the use of treasury shares was granted without time limits.

As at 31 December 2014 the Company held 27,339 treasury shares in its portfolio equal to 0.0441% of the share capital following the payment to 46 beneficiaries of a total of 134,661 ordinary shares. Specifically, 31,338 ordinary shares were granted on 6 August 2012, 4,801 ordinary shares on 10 January 2013, 20,255 ordinary shares on 27 May 2013, 378 ordinary shares on 3 June 2013, 48,464 ordinary shares on 1 August 2013, 48,464 ordinary shares on 14 January 2014 and 24,596 ordinary shares on 13 May 2014 relating to the company incentive plan.

As at 31 December 2014, 19 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 60,916 ordinary shares.

Share capital increases to service stock option plans and company incentive plans

Note that on 29 June 2012, the YOOX S.p.A. Shareholders’ Meeting took place at first call, with both ordinary and extraordinary sessions. The Shareholders' Meeting, in ordinary session, approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, the establishment of a new incentive and loyalty scheme known as the 2012 - 2015 Stock Option Plan exclusively for executive directors of YOOX S.p.A., to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
In its extraordinary session, the Shareholders’ Meeting approved the divisible paid-in capital increase for a maximum amount of Euro 15,000.00 to be transferred to the share capital, with the exclusion of the option right pursuant to Article 2441, paragraph 4, point 2 of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the 2012-2015 stock option plan above.
The strike price of each option, for the subscription of 1 new issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty days trading prior to the option allocation date.

On 17 April 2014, the Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree the establishment of a new incentive and loyalty scheme known as the 2014 - 2020 Stock Option Plan exclusively for employees of YOOX S.p.A. and its companies, directly or indirectly controlled, to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
In extraordinary session, the Shareholders’ Meeting approved the capital increase through payment in cash in one or more tranches, of a maximum amount of Euro 5,000.00 attributable to the capital, increased by any premium, with the exclusion of option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, to be reserved exclusively for subscription by employees of YOOX S.p.A. and subsidiary companies as beneficiaries of the above Stock Option Plan.
The strike price of each option, for the subscription of 1 new issue ordinary share under the capital increase, will be established according to the average weighting of the official YOOX S.p.A. ordinary share price recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty days trading prior to the option allocation date.
The 2014 – 2020 Stock Option Plan involves the granting of a total of 500,000 YOOX ordinary shares, equal to approximately 0.81% of the current share capital of the Company (equal to Euro 619,640.32 and represented by 61,964,032 ordinary shares with no par value).

Establishment of the stock option plans and Company incentive plans and subsequent changes

On 27 April 2012 the Shareholders’ Meeting, pursuant to Article 114-*bis* of Legislative Decree 58/1998, approved the establishment of a new incentive and loyalty plan known as the “stock grant plan” for employees of YOOX S.p.A. and companies directly or indirectly controlled by it, to be implemented through the allocation, free of charge, of a total of 550,000 YOOX S.p.A. ordinary shares, giving the Board of Directors the mandate to adopt the related regulation.

On 29 June 2012 the YOOX S.p.A. Shareholders’ Meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998, the establishment of a new incentive and loyalty plan known as the “2012-2015 stock option plan” for YOOX S.p.A. executive directors, to be implemented through the free granting of options valid for subscribing new-issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised). The 2012-2015 stock option plan includes the allocation of a total of 1,500,000 YOOX ordinary shares.

On 21 September the Company's Board of Directors approved the regulations for the plan and, on the proposal of the Remuneration Committee, the allocation in favour of the CEO Federico Marchetti of 1,500,000 options valid for the subscription of 1,500,000 YOOX ordinary shares (in the ratio of 1 new ordinary share for every 1 option exercised).

On 17 April 2014, the Shareholders' Meeting approved, pursuant to Article 114-*bis* of Legislative Decree 58/1998 the establishment of a new incentive and loyalty scheme known as the 2014 - 2020 Stock Option Plan exclusively for employees of YOOX S.p.A. and its companies, directly or indirectly controlled, to be implemented through the free granting of options valid for subscribing new issue YOOX S.p.A. ordinary shares (in the ratio of 1 ordinary share for every 1 option exercised).
The 2014-2020 Stock Option Plan includes the allocation of a total of 500,000 ordinary shares.

6.24 Medium-/long-term financial liabilities – bank loans and other current financial payables

Amounts owed to banks and other lenders stood at Euro 96,831 thousand, an increase of Euro 50,081 thousand compared with 31 December 2013 (Euro 46,752 thousand).

Description	Balance as at 31 Dec 2014	Balance as at 31/12/2013	Change
Medium-/long-term financial liabilities	66,072	33,848	32,224
Bank loans and other current financial payables	30,759	12,904	17,855
Total	**96,831**	**46,752**	**50,081**

The following table shows the breakdown of debt as at 31 December 2014:

Lending institution	Remaining amount	Nature of facility	Rate	Short-term portion	Medium-/long-term portion
BNL - BNP Paribas Group	20,000		Euribor + diverse%	11,500	8,500
Banca Sella	4,583		Euribor + 2.3%	1,667	2,917
Mediocredito	23,000		Euribor + 2.6%	5,750	17,250
BEI	45,000		Euribor + diverse %	8,837	36,163
De Lage Landen	330		Fixed	201	129
FACTOR (IFITALIA)	556		Euribor + 1.7%	556	-
Financial leases	3,137		Euribor + diverse %	2,024	1,113
Accrued liabilities	*225*			*225*	-
Total	**96,831**			**30,759**	**66,072**

The summarised details of loan agreements and lines of credit entered into in 2014 are given below:

<u>BNL loan</u>
On 30 December 2013, an unsecured loan agreement was executed with Banca Nazionale del Lavoro S.p.A. (the "Bank") in an amount equal to Euro 15,000 thousand broken down into a tranche of Euro 10,000 thousand with a term of 60 months, the disbursement of which is available up to 12 months from the execution date with semi-annual repayment in arrears, and a tranche of Euro 5,000 thousand with a term of 48 months, the disbursement of which is available in the form of a revolving loan for the entire term of the loan. In December 2014, the tranche of 10,000 thousand was supplied together with 5,000 thousand through the short-term revolving loan. Prior to the supply, on 23 October 2014, a spread from 2.5% to 1.6% for the tranche of 10,000 thousand and from 2.5% to 1.8% for the tranche of 5,000 thousand was negotiated with the bank.

<u>EIB loan</u>
On 11 September 2014, a loan agreement was signed with the European Investment Bank. This loan was is divided into two tranches, one of Euro 20,000 thousand and the other of Euro 25,000 thousand, secured by SACE, both supplied on 11 December 2014. This loan has a duration of 60 months from the supply date for both tranches.

<u>IFITALIA loans</u>
An agreement was signed on 27 February 2014 with IFITALIA for supplier support factoring operations (or reverse factoring). Access to short-term loans for a grace period for repayments for invoices sold by suppliers can also be obtained through this agreement.

Commitments of a financial nature (covenants)

The Company, including for the purposes of Article 1461 of the Civil Code, recognises the essential nature of complying with the financial parameters, as applied to the consolidated financial statements in the name of YOOX S.p.A., and understands that the “Bank” may terminate the agreements if the financial situation recorded in the consolidated financial statements does not comply with these parameters, or any one of them.

Below are the financial parameters for the loans agreed with Banca Nazionale del Lavoro, UniCredit and Mediocredito:

1) the ratio of the net financial position to EBITDA excluding incentive plans must not be greater than 2.5 times, until the total repayment of the loan;
2) the ratio of the net financial position to shareholders’ equity must not be greater than 1, until the total repayment of the loan.

The financial parameter applicable to the loan agreed with the European Investment Bank is also reported:

1) the ratio between the net financial position and the EBITDA excluding the incentive plans should not be more than 2.0 times the total loan repayment;
2) the ratio between the net financial position and the Shareholders’ Equity should not be more than 0.8 the total loan repayment.

YOOX S.p.A. will communicate the above financial parameters to the “Banks” every half-year, on 30 June and 31 December of every year up until maturity.
If any one of the above parameters is not complied with, YOOX S.p.A., subject to the right of the “Bank” to terminate the agreement, commits to reaching an agreement within 30 business days of the request, with the “Bank” concerning the balance sheet, financial and operating transactions that would be suitable to ensure that the parameters in question come under the set terms, or, alternatively, to repay the loan in advance on the due date of the current interest period.

In relation to the above-mentioned loans agreed, it should be noted that as at 31 December 2014, as was the case as at 31 December 2013, the Group was in compliance with the above-mentioned financial parameters.

As at 31 December 2014 financing with other credit institutions is not governed by compliance with parameters of a financial and commercial nature.

Net financial position

The table below gives a breakdown of net financial position as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Cash and cash equivalents	91,001	39,960	51,041
Current financial assets	3,845	3,346	499
Other current financial assets	419	510	(91)
Bank loans and other current financial payables	(30,759)	(12,904)	(17,855)
Other current financial liabilities	(155)	(283)	128
Net short-term financial position	**64,351**	**30,629**	**33,722**
Medium-/long-term financial liabilities	(66,072)	(33,848)	(32,224)
Net financial position[38]	**(1,721)**	**(3,219)**	**1,498**

During 2014 the Parent Company’s net financial position improved by Euro 1,498 thousand, going from Euro 3,219 thousand negative as at 31 December 2013 to Euro 1,721 thousand negative as at 31 December 2014.

[38] Net financial debt (or net financial position) is the sum of cash and cash equivalents, other current financial assets, net of bank loans and other financial payables falling due within one year, other current financial liabilities and medium-long term financial liabilities. Net financial debt (or net financial position) is not recognised as an accounting measure under Italian GAAP or the IFRS endorsed by the European Union. The measurement criterion adopted by the Company might not be consistent with that adopted by other groups, and accordingly, the balance obtained by the Company may not be comparable with those calculated by such groups. For details of the items that make up net financial debt (or net financial position), see the table above in the section “Consolidated net financial position”. “Other current financial assets” are not governed in detail by the definition of net financial debt (or net financial position) of the CESR. The Group believes this definition has been integrated by including receivables from acquirers and logistics operators, from whom cash on delivery is required, under “Other current financial assets”.

6.25 Liabilities for employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent Company in accordance with current legislation. The overall change in defined benefit plans for employees in 2014 is summarised below:

Description	Balance as at 31 Dec 2013	Provision	Utilisation	Balance as at 31 Dec 2014
Liability for employee benefits	210	25	70	165
Total	**210**	**25**	**70**	**165**

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits as at 31 December 2014 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2010
Annual probability of death other than by death in service	5.30%
Probability of requests for advances of benefits	13.28%
Retirement age suitably modified taking into consideration latest legislative provisions.	
Discount rate	0.91% corresponding to the rate of return of Eurozone corporate bonds with AA rating (iBoxx € Corporates AA 7-10)
Maximum % of accrued staff post-employment benefits requested in advance	70%
Annual increase in the cost of living	1.5%

6.26 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities as at 31 December 2014:

Description	Balance as at 31 Dec 2013	Increases	Utilisation	Balance as at 31 Dec 2014
Deferred tax liabilities	153	328	(196)	285
Total	**153**	**328**	**(196)**	**285**

Description of taxable item	Balance as at 31 Dec 2014	2014 tax rate	Tax recorded in 2014
Unrealised exchange rate gains 2013	776	27.5%	213
Positive fair value (CFH) of derivatives	260	27.5%	72
Total	**1,036**		**285**

6.27 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities as at 31 December 2014, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2014:

Description	Balance as at 31 Dec 2013	Increases	Reclassifications	Utilisation	Balance as at 31 Dec 2014
Provision for theft and loss	154	89	-	(154)	89
Provision for fraud	114	184	-	(114)	184
Total provisions for current risks and charges	**269**	**273**	**-**	**(269)**	**273**

During the year, Euro 154 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further allocation of Euro 89 thousand, following a new estimate.

During the year, Euro 114 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further allocation of Euro 184 thousand, to cover against fraud committed via online sales paid for by credit card. This fraud coverage provision was calculated taking into account the historical percentage of the amount of fraud in relation to the amount of sales.

6.28 Trade payables

The following table shows a breakdown of trade payables as at 31 December 2014:

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due to suppliers	114,226	86,692	27,535
Credit notes to be received from suppliers	(2,047)	(1,851)	(195)
Invoices to be received from suppliers	34,278	24,929	9,350
Due to credit card operators	16	19	(3)
Total	**146,474**	**109,790**	**36,687**

Trade payables increased by 33.4% in 2014, from Euro 109,790 thousand as at 31 December 2013 to Euro 146,474 thousand as at 31 December 2014.

All trade payables are related to purchases of goods and services from the Company's suppliers. Payables are recorded at their nominal value. Since all payables fall due within one year, none are subject to discounting. The "Trade payables" item includes all amounts due to suppliers, both for the supply of finished products and raw materials, and for the supply of intangible assets.

The increase during the year is linked to the rise in sales volumes, which, due to the Company's business model, necessitates the purchase of goods in advance of the selling season.

6.29 Tax liabilities

As at 31 December 2014, there were no current tax liabilities on the income for the year of YOOX S.p.A. after payments on account.

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Current income tax liability	-	1,023	(1,023)
Total	**-**	**1,023**	**(1,023)**

The tax notice on lower assessable income compared with the previous year does not exceed the amount paid on account in the year as the current tax advance.

6.30 Other payables

The following table shows a breakdown of other payables as at 31 December 2014:

Description	Balanceas at 31 Dec 2014	Balance as at 31 Dec 2013	Change
Due to social security institutions	2,770	2,212	558
Credit notes to be issued to customers	6,114	6,742	(628)
Due to directors	18	458	(440)
Due to employees	3,916	3,856	60
Due to tax representatives	7,695	6,893	802
Other payables	4,163	3,324	839
Financial payables to Yasia	1,771	1,559	212
Financial payables to Yjapan	689	691	(2)
Accrued expenses and deferred income	177	346	(169)
Total	**27,312**	**26,081**	**1,231**

The item “Due to social security institutions” reflects contributions payable to social security institutions, mainly on the amounts owed by employees at the end of the year.

Credit notes to be issued to customers are related to definite payables for merchandise returned during 2014. This item increased in 2014 in line with the increase in sales volumes compared with the previous period.

The item “Due to tax representatives” reflects indirect tax liabilities. Sales carried out in European countries during 2014 and 2013 exceeded the threshold set in Article 41, paragraph 1, letter b) of Decree-Law 331/93, which requires payment of VAT in the country to which the goods were sold. In order to comply with this requirement, the Company has opened VAT accounts in these countries.

Statement of cash flows

6.31 Profit for the year, taxes for the year, depreciation and amortisation, income taxes paid

Details of profit for the year, taxes for the year, depreciation and amortisation and other non-monetary income statement items are provided in Notes 6.3, 6.4, 6.5, 6.10 and 6.11 respectively.

In relation to the income tax in 2014 of Euro 6,092 thousand (Euro 5,418 thousand in 2013), tax payments amounting to Euro 5,718 thousand were made (Euro 6,787 thousand in 2013) relating to tax outstanding for the previous year and payments on account, calculated in accordance with the respective tax regulations in force in Italy.

6.32 Other net non-monetary income and expenses

Other net non-monetary income and expenses include non-monetary items on the income statement apart from income tax, depreciation and amortisation and provisions that are classified as a direct deduction from asset items (allowance for impairment of receivables and provisions for obsolescence). This includes provisions for defined benefit plans for employees (TFR), the measurement at fair value of stock option plans, provisions for risks and charges, capital gains and capital losses, unrealised foreign exchange fluctuations and recognised interest income and expenses. In relation to these last items, interest received and interest paid are presented separately.

6.33 Change in trade receivables, inventories and trade payables

This item reports the use or generation of cash relative to net working capital, i.e. changes in trade receivables, inventories and trade payables. Changes in trade payables refer exclusively to supplies of raw materials, goods and services, excluding the change in payables to suppliers of investments, which are reported in the section of the statement of cash flows from or used in investing activities.

6.34 Change in other current assets and liabilities

This item reflects the change in all other current assets and liabilities, net of the effects of recognising non-monetary income and expenses, i.e. the change in the balances with a direct effect on the use or generation of cash.

6.35 Outlays for the acquisition of property, plant and equipment and proceeds from the sale of property, plant and equipment

Cash flow for the acquisition of property, plant and equipment reflects both expenditure to replace plants and expenditure on new plants. The amount reported also includes the change in investment payables.

6.36 Outlays for the acquisition of other intangible assets

Cash flow for the acquisition of other intangible assets relates to investments in licences and software and the capitalisation of development costs (for a breakdown of these, see Note 6.13). Capitalisations are classified among cash flow from/used in investing activities since they involve a cash outflow associated with the internal costs incurred (mainly personnel expenses). These outflows were broadly in line with costs capitalised during the year.

6.37 Outlays for the acquisition of stakes in subsidiaries and associates

The cash flow used in investment activities results from the payment of Euro 343 thousand to hedge future losses of the associate.

6.38 Outlays for the acquisition of, and proceeds from disposals of, other non-current financial assets

Other non-current financial assets as at 31 December 2014 stood at a total of Euro 100 thousand (Euro 64 thousand as at 31 December 2013).

Guarantee deposits as at 31 December 2014 relate to rental agreements and administration contracts for gas and energy services. Other non-current financial assets are due to be repaid in more than five years' time.

6.39 Proceeds from increases in share capital and share premium reserve

For information on total receipts from increases in share capital and the share premium reserve, see section 6.22, "Equity".

6.40 Arrangement and repayment of medium-/long-term financial liabilities

Repayments of other medium-/long-term financial liabilities relate to loans from banks and other lenders, as described in Note 6.24.

6.41 Arrangement and repayment of short-term financial payables

The change in short-term bank exposure is included in the change in short-term financial payables, since these are forms of short-term borrowing, as described in Note 6.24.

7. Disclosure of financial risks

The measurement and management of financial risk exposure at YOOX S.p.A. are in line with the Group's policies.

The main risk categories to which the Company is exposed are detailed below.

Credit risk

The maximum theoretical exposure to credit risk of YOOX S.p.A. as at 31 December 2014 is represented by the carrying amount of the financial assets reported in the financial statements, as well as by the nominal value of the security provided as set out in Note 10.

The existing receivables at year end are chiefly due from customers, Group companies, other commercial counterparties and Tax Authorities.

There are no significant overdue balances.

Liquidity risk

Liquidity risk can arise from an inability to procure the financial resources necessary to maintain operations at reasonable conditions.

YOOX S.p.A. manages treasury operations for the Group, therefore the liquidity risks to which the Company is exposed are closely correlated to those that affect the Group as a whole.

The two main factors that determine the liquidity situation of the Parent Company are firstly the resources generated from or used in operating and investing activities, and secondly the maturity and renewal conditions of debt or the liquidity of financial investments and market conditions.

The Parent Company has adopted a series of policies and processes to optimise the management of financial resources in order to reduce liquidity risk:

- centralised management of payment and collection flows, where this is economically expedient and complies with the various civil law, currency and tax regulations of the countries in which the Parent Company is present;
- maintenance of a suitable level of cash on hand;
- diversified use of tools to procure financial resources and a continuous and active presence on capital markets;
- attainment of sufficient credit lines;
- monitoring of future liquidity conditions with reference to the company planning process.

Management considers the funds currently available, in addition to the funds that will be generated from operating and financing activities, sufficient to allow the Parent Company to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

Currency risk

As at 31 December 2014, YOOX S.p.A. has significant credit positions that are exposed to currency risk, mainly in relation to trade receivables from subsidiaries, which are hedged by financial derivatives.
The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements as at 31 December 2014 have been analysed, particularly in relation to:

– foreign currency receivables and payables;

– financial assets held to hedge currency risk (whether subject to hedge accounting rules or not);

– cash.

The following tables provide a summary of:

a) currency risk exposure as at 31 December 2014

Thousand Euro	31 December 2014				
	USD	**JPY**	**GBP**	**CNY**	**CAD**
Receivables	349	-	374	-	-
Payables	(2,680)	(225)	(506)	-	(208)
Cash	119	190	2,466	85	-
Gross exposure in the statement of financial position	**(2,212)**	**(35)**	**2,334**	**85**	**(208)**
Hedging contracts	(13)	419	-	-	-
Net exposure	**(2,225)**	**384**	**2,334**	**85**	**(208)**

b) the sensitivity analysis as at 31 December 2014, assuming a variation in currencies over the course of the year equal to +10% and -10% and a variation of +5% and -5% compared to the European Central Bank exchange rate

1st currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	(32)	39	(17)	18
Payables	244	(298)	128	(141)
Cash and cash equivalents	(11)	13	(6)	6
USD	**201**	**(246)**	**105**	**(116)**

2nd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	20	(25)	11	(12)
Cash and cash equivalents	(17)	21	(9)	10
JPY	**3**	**(4)**	**2**	**(2)**

3rd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(34)	42	(18)	20
Payables	46	(56)	24	(27)
Cash and cash equivalents	(224)	274	(117)	130
GBP	**(212)**	**259**	**(111)**	**123**

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	-	-	-	-
Cash and cash equivalents	(8)	9	(4)	4
CNY	**(8)**	**9**	**(4)**	**4**

5th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	19	(23)	10	(11)
Cash and cash equivalents	-	-	-	-
CNY	**19**	**(23)**	**10**	**(11)**

c) the effects of the sensitivity analysis on the income statement and equity

Appreciation of the Euro by 10%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	201
JPY	-	3
GBP	-	(212)
CNY	-	(8)
CAD	-	19
Hedging derivative contracts	-	-
USD	1	-
JPY	(38)	-
Total	**(37)**	**3**

-

Depreciation of the Euro by 10%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	(246)
JPY	-	(4)
GBP	-	259
CNY	-	9
CAD	-	(23)
Hedging derivative contracts	-	-
USD	(1)	-
JPY	47	-
Total	**46**	**(4)**

Appreciation of the Euro by 5%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	105
JPY	-	2
GBP	-	(111)
CNY	-	(4)
CAD	-	10
Hedging derivative contracts	-	-
USD	1	-
JPY	(20)	-
Total	**(19)**	**2**

-

Depreciation of the Euro by 5%

Thousand Euro

31 December 2014	Equity	Profit or loss
USD	-	(116)
JPY	1	2
GBP	-	123
CNY	-	4
CAD	-	(11)
Hedging derivative contracts	-	-
USD	(1)	-
JPY	22	-
Total	**21**	**(2)**

The financial instruments in place as at 31 December 2014 are forward sales contracts stated at fair value through an equity reserve, as set out in IAS 39.

There are no significant payables exposed to currency risk.

Interest rate risk

Interest rate risk arises when a change in interest rates adversely affects performance for the year.
In line with company policy, all the loans and credit lines available to the YOOX Group relate to the Parent Company.
For additional details, refer to the analysis in section 10 “Financial Risks” of the consolidated financial statements as at 31 December 2014.

8. Hierarchical levels of fair value measurement

IFRS 7 requires that the carrying amounts of financial instruments entered in the statement of financial position at fair value are classified according to a hierarchy of levels reflecting the significance of inputs used in the fair value calculation. The levels are:

- Level 1 – assets or liabilities measured using quoted prices in active markets;
- Level 2 – inputs other than quoted prices as above, that are based on directly observable (prices) or indirectly observable (price-derived) market data;
- Level 3 – inputs not based on observable market data.

Financial instruments measured at fair value as at 31 December 2014 are calculated using the Level 2 method. In 2014 there were no changes between levels.

9. Disclosure required by IAS 24 on management remuneration and on related parties

Transactions with related parties, as defined under IAS 24, as at 31 December 2014 and at 31 December 2013 were restricted to commercial, administrative and financial services relationships with subsidiaries and other related parties. The transactions form part of normal business operations, within the usual scope of activity of each of the interested parties, and are carried out under normal market conditions.

Below is a non-exhaustive list of definitions of the related parties of an entity (the "Entity") as indicated in IAS 24:

a) entities that directly or indirectly:
  (i) control the Entity, or
  (ii) are controlled by the Entity, or
  (iii) are subject to joint control with the Entity, or
  (iv) hold an equity investment making it possible to exercise significant influence over the Entity, or
  (v) have joint control over the Entity.

b) entities associated with the Entity according to the definition set out in IAS 28 – Investments in Associates;

c) joint ventures in which the Entity has a shareholding;

d) managers with strategic responsibilities for the Entity or its parent company, including the directors and statutory auditors of the Entity;

e) the close family members of any natural persons included in points a) to d) above;

f) entities controlled or jointly controlled by one of the persons described in points d) or e) above, or that are under the significant influence of these persons; or entities in which the persons described in d) and e) hold, either directly or indirectly, a significant share of the voting rights;

g) pension funds for employees of the Entity or any other entity related to it.

9.1 Transactions with subsidiaries

The main relationships between YOOX S.p.A. and its subsidiaries are chiefly commercial in nature and can be summarised as follows:

1. YOOX S.p.A. supplies its subsidiaries with products for sale in the US and Japanese online stores.

2. YOOX S.p.A. provides its subsidiaries with website maintenance, support services and updates;

3. YOOX S.p.A. provides its subsidiaries with administrative, financial and legal services;

4. YOOX S.p.A. provides its subsidiaries with customer service support (via a customer care service located at the Italian head office that interfaces with Japanese and US customers using dedicated staff);

5. YOOX S.p.A. provides its subsidiaries with advice and support in the areas of fashion, marketing, advertising and professional training.

YOOX S.p.A. believes that none of the relationships between the Group companies or between the Group companies and related parties are considered to be atypical or unusual, and form part of the Group's ordinary business operations. The transactions were carried out under normal market (i.e. arm's-length) conditions.

The following tables show the relationships in terms of receivables and payables between the Company and other Group companies as at 31 December 2014 and as at 31 December 2013. Receivables from and payables to subsidiaries are expressed in USD, JPY, CNY and HKD and translated to Euro at the exchange rate in effect at year end. Revenue and costs are expressed in USD, JPY, CNY and HKD and translated to Euro at the average exchange rate for the year in question.

31 December 2014

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	24,347	1,240	23	-	82,214	33
YOOX Japan	4,815	2,735	-	692	25,121	18
Mishang Trading (Shanghai)	6,940	-	2	-	3,771	16
YOOX Asia Ltd	3,642	-	1	1,786	10,337	15
Total subsidiaries	**39,745**	**3,975**	**26**	**2,478**	**121,443**	**83**

31 December 2013

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	14,163	1,102	16	-	66,168	24
Y Services Ltd	621	-	-	-	1,503	9
YOOX Japan	6,262	-	35	693	23,470	21
Mishang Trading (Shanghai)	4,204	1,783	-	-	2,431	-
YOOX Asia Ltd	2,472	-	1	1,572	7,177	13
Total subsidiaries	**27,723**	**2,885**	**52**	**2,265**	**100,750**	**67**

9.2 Transactions with other related parties

The following tables list the main financial and commercial relationships between the Company and related parties other than Group companies, as at 31 December 2014 and as at 31 December 2013, excluding intra-Group relationships, which are described above. Commercial transactions with these entities were carried out under normal market conditions, and all transactions are carried out in the interest of the Company.

31 December 2014

Description	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
D'Urso Gatti e Bianchi Studio Legale Associato			28			488
Bizmatica Sistemi S.p.A.			119			276
E_Lite	2	42	3,376		4,522	-
Total related parties	**2**	**42**	**3,522**	**-**	**4,522**	**764**

31 December 2013

Description	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
D'Urso Gatti e Bianchi Studio Legale Associato	-	-	159	-	-	644
Bizmatica Sistemi S.p.A.	-	-	74	-	-	251
E_Lite	688	940	3,514	-	2,783	0
Total related parties	**688**	**940**	**3,747**	**-**	**2,783**	**895**

The above entities are regarded as related parties of the Company for the following reasons:

- D'Urso Gatti e Bianchi Studio Legale Associato, since a partner of that law firm is a director of the Parent Company;
- Bizmatica Sistemi S.p.A., since the Chairman of that company is the son of a member of the Board of Directors of a Group company (YOOX S.p.A.);
- E_Lite, since there is a 49% equity interest in that company.

None of the transactions that took place with related parties in 2013 and 2012 were significant (except as mentioned above), atypical and/or unusual.

9.3 Remuneration of senior managers and other key persons in the Company

Senior managers and key persons with strategic responsibilities for management, planning and administration in the Group are, in addition to the executive directors and non-executive directors, the Chief Financial Officer, General Manager and Chief Operating Officer.

The gross annual remuneration of the above persons, inclusive of all forms of remuneration (including gross pay, bonuses, fringe benefits, etc.) as well as bonuses accrued but not paid out that are subject to the achievement of long-term objectives, are reported in the following table together with the fees of the members of the Board of Statutory Auditors:

31 December 2014

Description	Current benefits	Long-term benefits	Stock option plans and Company incentive plans
Directors	1,499	-	1,009
Statutory Auditors	76	-	-
Managers with strategic responsibilities	776	44	121
Total	**2,351**	**44**	**1,130**

31 December 2013

Description	Current benefits	Long-term benefits	Stock option plans and Company incentive plans
Directors	1,381	369	2,431
Statutory Auditors	77	-	-
Managers with strategic responsibilities	651	42	357
Total	**2,109**	**411**	**2,788**

Finally, no close family members of any of the natural persons indicated above are related parties of the Issuer and/or the companies of the Group, as defined in IAS 24.

10. Other information

Commitments and guarantees

Description	Balance as at 31 Dec 2014	Balance as at 31 Dec 2013
Third-party assets held by the Group	107,262	109,748
Sureties given to others	2,468	2,670
Commitments under hedging contracts (nominal value)	31,936	18,405

The warehouses of Group companies hold goods worth Euro 107,262 thousand received on a sale-or-return basis from YOOX's partners. The decrease compared with the previous year is due exclusively to the increase in sales in the last quarter of the Mon-brand online stores which hold goods at us.

The sureties, all given by the Parent Company, relate to the following contracts:

- the contract entered into by the Parent Company with SINV, with effect from 2 November 2010, for a period of six years, for the rental of office premises in 17 Via Morimondo, Milan. The surety amounts to Euro 192,500 and will expire on 31 January 2017;
- the contract entered into by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 26 June 2013, for a period of six years, relating to office premises at 1 Via Nannetti in Zola Predosa. The amount of the surety is Euro 47,500 expiring on 31 March 2019;
- the contract entered into by the Company with MM. Kerr and MM. Naret to guarantee compliance with obligations under a rental contract for office premises in Paris, with effect from 1 August 2008. The surety amounts to Euro 52,000 and expires on 31 July 2014;

- the contract entered into by the Company with Oslavia, with effect from 19 September 2014 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 20,934.15 and expires on 31 July 2015;
- the contract entered into by the Company following the repayment of the Global Collect guarantee deposit of Euro 1,200,000, after BNP Paribas issued a bank guarantee for the same amount, expiring on 30 April 2015;
- the contract entered into with Logistica Bentivoglio S.r.l. with effect from 28 December 2010 and expiring on 31 December 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interport for Euro 564,052;
- the contract entered into by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from 14 April 2010, for a period of six years, relating to office premises at 1 Via Nannetti in Zola Predosa. The amount of the surety is Euro 58,500 expiring on 1 February 2016;
- the contract agreed with SBLC Callison LLC with effect from 8 January 2013 and expiring on 15 June 2016 to guarantee compliance with obligations under a rental contract for the New York offices for USD 227,753 equal to Euro 187,590 at 31 December 2014;
- the contract entered into with Geodis Logistic S.p.A. with effect from 1 January 2013 and expiring on 30 January 2019 to guarantee compliance with obligations under the rental agreement for the warehouse and offices at the Interport for Euro 103,621;
- the contract entered into by the Company with Angel Guerra to guarantee compliance with obligations under a rental contract for office premises in Madrid, with effect from 21 May 2013. The surety amounts to Euro 10,200 and expires on 30 April 2016;
- the contract entered into with Generali Italia Immobiliare, with effect from 25 July 2013 and expiring on 13 September 2019 for the rental of office premises in Casalecchio di Reno. The amount of the surety is Euro 31,140.

The hedging contracts relate to:

- forward sales set up by the Parent Company to cover the currency risk connected to intra-Group sales in US dollars and Japanese yen. The nominal amount of these commitments, translated to Euro at the exchange rate in effect at the reporting date, is Euro 23,253 thousand;
- interest rate swaps signed by the Parent Company to hedge the interest rate risk related to the medium-/long-term loan agreed for financing the new techno-logistics platform. The nominal amount of commitments at the closing date of the financial statements is Euro 8,683 thousand.

11. Significant events after the 2014 year-end

Allocation of shares relating to the YOOX S.p.A. 2009-2014 incentive plan
After the end of the period, on 16 January 2015 the Company had paid over 10,000 ordinary shares relating to the Company incentive plan to 1 beneficiary.

Mono-brand online stores
On 11 February 2015, the partnership with Aeffe Retail S.p.A. for the management of the albertaferretti online stores in Europe, the United States and Japan was renewed for a further 5 years until 17 March 2020.
In addition, before they expired naturally, the contracts with Staff International S.p.A. (OTB Group) the partnership for the management of the Maison Martin Margiela and Just Cavalli Mono-brand online stores were renewed until 31 December 2020 in all the markets in which they operate.

On 26 February 2015, the Lanvin store made its debut in Europe, the United States and the major Asia-Pacific area countries.
In addition, the new release of marni.com “Powered by YOOX Group”, was just launched. The creative concept was developed by the YOOX creative agency.

Lastly, theBrioni online store was extended to the Chinese market on 5 February 2015.

New logistics space dedicated to footwear
In line with the logistics strategy that involves the opening of specialist stores by goods category based on the Groups' growth requirements (so-called “lego strategy”), in January 2015 a new semi-automated space dedicated to footwear was inaugurated at the Interporto logistics hub (Bologna).

Annex 1

Separate income statement for the year ended 31 December 2014, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 December 2014			31 December 2013		
Income statement	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Thousand Euro:						
Net revenue	435,387	4,522	1.0%	381,641	2,783	0.7%
Cost of goods sold	(314,995)			(267,558)		
Fulfillment costs	(39,968)	(226)	0.6%	(35,670)	485	-1.4%
Sales and marketing costs	(27,088)	(297)	1.1%	(26,022)	315	-1.2%
General expenses	(33,912)	(4,005)	11.8%	(33,611)	6,175	18.4%
Other income and expenses	(2,434)			(1,877)		
Non-recurring expenses						
Operating profit	16,991			16,902		
Income from investments	2,162			(639)		
Financial income	2,801	22	0.8%	1,222	21	1.7%
Financial expenses	(4,318)			(2,908)		
Profit before tax	17,636			14,576		
Taxes	(6,092)			(5,418)		
Profit for the year	11,544			9,158		

Annex 2

Statement of financial position as at 31 December 2014, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

	31 December 2014			31 December 2013		
Statement of financial position	**Balances**	**of which with related parties**	**% Weighting**	**Balances**	**of which with related parties**	**% Weighting**
Amounts in thousands of Euro and percentage weighting on individual items						
Non-current assets						
Property, plant and equipment	35,176			34,591		
Intangible assets with finite useful life	35,640			27,011		
Investments in subsidiaries	6,538			6,538		
Investments in associates	59			59		
Deferred tax assets	1,874			3,139		
Other non-current financial assets	100			64		
Total non-current assets	79,387			71,402		
Current assets						
Inventories	181,968			134,844		
Trade receivables	48,727	2	0.0%	37,277	688	1.8%
Other current assets	9,908			6,376		
Cash and cash equivalents	91,001			39,960		
Current financial assets	3,845	42	1.0%	3,346	240	7.2%
Total current assets	335,449			221,803		
Total assets	414,836			293,205		
Shareholders' equity						
Share capital	620			582		
Reserves	106,692			83,706		
Retained earnings/(losses carried forward)	24,640			15,481		
Profit for the year	11,544			9,158		
Total equity	143,495			108,928		

Statement of financial position	31 December 2014 Balances	31 December 2014 of which with related parties	31 December 2014 % Weighting	31 December 2013 Balances	31 December 2013 of which with related parties	31 December 2013 % Weighting
Non-current liabilities						
Medium-/long-term financial liabilities	66,072			33,848		
Employee benefits	165			210		
Provisions for risks and charges	-			-		
Deferred tax liabilities	285			153		
Total non-current liabilities	66,522			34,211		
Bank loans and other current financial payables	30,759			12,904		
Provisions for risks and charges	273			269		
Trade payables	146,475	3,522	2.4%	109,790	3,747	3.4%
Tax liabilities	-			1,023		
Other payables	27,312			26,081		
Total current liabilities	204,820			150,067		
Total equity and liabilities	414,836			293,205		

Annex 3

Statement of cash flows as at 31 December 2014, prepared in accordance with Consob Resolution 15519 of 27 July 2006 and Consob Communication DEM/6064293 of 28 July 2006 (in thousands of Euro).

Statement of cash flows	31 December 2014 Balances	of which with related parties	% Weighting	31 December 2013 Balances	of which with related parties	% Weighting
Profit for the year	11,544			9,158		
Adjustments for:						
Taxes for the year	6,092			5,418		
Financial expenses	4,318			2,908		
Financial income	(2,801)			(1,222)		
Dividends	(2,856)					
Interests of associates	694			639		
Depreciation, amortisation and impairment losses	25,364			18,995		
Fair value measurement of stock option plans	1,236			3,695		
Capital gains/(losses) on sale of non-current assets	20			11		
Employee benefits	25			65		
Provisions for risks and charges	273			269		
Payment of employee benefits	(70)			(68)		
Use of provisions for risks and charges	(269)			(200)		
Changes in inventories	(47,124)			(19,469)		
Changes in trade receivables	(11,450)	(686)	6.0%	(13,426)	688	5.1%
Changes in trade payables	36,684	(225)	-0.6%	25,316	3,033	12.0%
Changes in other current assets and liabilities	(2,644)			4,022		
Cash flow from (used in) operating activities	**19,036**			**36,113**		
Income tax paid	(5,718)			(6,787)		
Interest and other financial expenses paid	(4,318)			(2,908)		
Interest and other financial income received	2,801			1,222		
Dividends Cashed	2,856					
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**14,658**			**27,640**		

Statement of cash flows	31 December 2014 Balances	of which with related parties	% Weighting	31 December 2013 Balances	of which with related parties	% Weighting
Acquisition of property, plant and equipment	(14,228)			(17,808)		
Acquisition of intangible assets	(23,861)			(18,263)		
Acquisition of stakes in subsidiaries	-			(2,000)		
Acquisition of stakes in associates	(343)			(735)		
Acquisition of other non-current financial assets	(36)			12		
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(38,467)**			**(38,794)**		
Financing activities						
New short-term liabilities	18,894			2,738		
Repayment of short-term liabilities	(7,189)			(2,001)		
New medium-/long-term financial liabilities	43,663			23,251		
Repayment of medium-/long-term financial liabilities	(1,793)			(580)		
Treasury share acquisition	-			-		
Capital injection for share capital increase and share premium reserve	21,775			2,536		
Investments in other financial assets	(499)			(1,326)		
Variation through difference between cash effect and action of incentive plans	-			169		
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**74,851**			**24,787**		
TOTAL CASH FLOW FOR THE PERIOD	51,042			13,633		
Cash and cash equivalents at the beginning of the year	39,960			26,327		
Cash and cash equivalents at the end of the year	91,001			39,960		
TOTAL CASH FLOW FOR THE PERIOD	**51,042**			**13,633**		

Annex 4

A summary of fees paid during the year for services provided to the Parent Company by the independent auditors and the entities within the independent auditors' network, prepared in accordance with Article 149-*duodecies* of Issuer Regulation 11971 of 13 May 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent Company	244
Certification services	KPMG S.p.A.	Parent Company	2
Other services*	KPMG network	Parent Company	286
Total			**532**

* Checks on operational effectiveness of IT controls

Annex 5

Table summarising the possible uses of reserves:

(Thousand Euro)

Type/description	Amount	Possible use	Available portion	of which available for distribution
Share capital:				
Share capital	620	B		
Capital injection for future share capital increase	-	A,B		
Equity-related reserves:				
Share premium reserve (1)	85,999	A,B,C	85,999	85,999
Treasury shares purchase reserve	(258)			
Reserve for capital contributions	-			
Merger reserve	-			
Income-related earnings:				
Legal reserve	193	B	193	
Statutory reserves	-			
Stock option reserves	20,623	A,B	20,623	
Cash flow hedging reserves	192		192	
Retained earnings	24,641			
Total share capital and reserves	**131,951**			
Profit/loss for the year	11,544			
Total equity	**143,495**			

Key:

A: for share capital increase.

B: to hedge losses.

C: dividends.

NB:
(1) Pursuant to Article 2431 of the Civil Code, this reserve can only be distributed if the legal reserve has reached the limit specified in Article 2430 of the Civil Code.

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF 14 MAY 1999 AS AMENDED

The undersigned, Federico Marchetti, as Chief Executive Officer, and Francesco Guidotti, as Director in charge of preparing corporate accounting documents of YOOX S.p.A. hereby certify, with due regard for the provisions of Article 154-bis(3 and 4) of Legislative Decree No. 58 of February 24, 1998:

- the adequacy, with respect to the Company's characteristics and
- the actual application of

administrative and accounting procedures for the preparation of the separate financial statements during 2014.

They further certify that:
the separate financial statements at December 31, 2014:

- were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Parliament and Council Regulation No. 1606/2002 of July 19, 2002;
- correspond to entries made in accounting ledgers and records;
- are suitable for providing a true and fair view of the financial position and results of operations of the issuer;

the Directors' report contains a reliable analysis of operating performance and results and of the position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Chief Executive Officer

Federico Marchetti
(signed on the original)

Director in charge of preparing
corporate accounting documents

Francesco Guidotti
(signed on the original)

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
YOOX S.p.A.

1 We have audited the separate financial statements of YOOX S.p.A. as at and for the year ended 31 December 2014, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 14 March 2014 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of YOOX S.p.A. as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of YOOX S.p.A. as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of YOOX S.p.A. are responsible for the preparation of a directors' report on the financial statements and a report on the corporate governance and shareholding structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure with the financial statements to which they refer, as required by the law. For this purpose, we

KPMG

YOOX S.p.A.
Report of the auditors
31 December 2014

have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and shareholding structure are consistent with the consolidated financial statements of the YOOX S.p.A. as at and for the year ended 31 December 2014.

Bologna, 18 March 2015

KPMG S.p.A.

(signed on the original)

Massimo Tamburini
Director of Audit

2

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONCERNING THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 AND CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 *(pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code)*

YOOX S.p.A.

Registered office: Via Nannetti, 1 – 40069 Zola Predosa (BO), Italy

Tax code and Bologna Company Register no 02050461207

Share capital: Euro 619,355.36 fully paid up

http://www.yooxgroup.com

Report of the Board of Statutory Auditors to the Shareholders' Meeting

Separate Financial Statements at 31 December 2014 – Consolidated Financial Statements at 31 December 2014

(*pursuant to Article 153 of Legislative Decree 58/1998 and Article 2429 of the Italian Civil Code*)

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To the shareholders of YOOX S.p.A. (the "Company")

Dear Shareholders,

Throughout the financial year ended 31 December 2014 we have carried out our supervisory duties pursuant to the laws and regulations currently in force, in accordance with the standards of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Certified Public Accountants) and pursuant to Article 149 of Legislative Decree 58/1998 (hereinafter also the Consolidated Finance Act - TUF). We are therefore able to make this report in accordance with Article 153 of the TUF and Article 2429 of the Italian Civil Code, with regard to the instructions provided by CONSOB in Communication 1025564 of 6 April 2001 and subsequent amendments.

The legally required task of auditing the accounts was assigned to independent auditors KPMG S.p.A. (hereinafter known as the "Independent Auditors"), we refer you to their reports.

More specifically, on 9 September 2009, the Ordinary Shareholders' Meeting resolved, pursuant to Article 159 of the Consolidated Law, to appoint KPMG S.p.A. to carry out an audit into the financial statements and the consolidated financial statements of the Company, as well as a limited audit of the half-yearly reports, periodic audits on a quarterly basis and regular bookkeeping for the years ended 31 December 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017.

The functions of the Supervisory Authority were not assigned as resolved at the meeting of the Board of Directors on 27 April 2012.

1

With regard to the Company's compliance with the Code of Conduct for listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (hereinafter also the "Code of Conduct"), please refer to the annual Report on Corporate Governance found in the dedicated area of the financial statements.

The Board of Directors comprises seven members, including four independent directors. We have verified, according to 3.C.5 of the Code of Conduct, that the criteria and procedures adopted by the Board of Directors to assess the independence of these directors were correctly implemented and the conformity with the provisions of point 3.C.1 of the Code of Conduct.

During the year, eleven meetings of the Board of Directors were held, which we attended. The meetings were conducted in accordance with the statutory, legal and regulatory standards governing their operation. During the meetings, the directors provided information on general operating performance and on its outlook, in accordance with Company rules on corporate governance.

The directors also supplied information on business activity carried out and transactions with a significant effect on the income statement, balance sheet and financial position of the Company and/or its subsidiaries. If we may refer you to the directors' report on the main initiatives undertaken throughout the year, we can state that, to the best of our knowledge, these were based on the principles of managerial best practice and that any problems relating to potential or possible conflicts of interest were carefully assessed.

During the course of the year four meetings of the Control and Risk Committee were held, at which, *inter alia*, at least two members of the Board of Statutory Auditors always took part; three meetings of the Remuneration Committee were also held in which the Chairman of the Board of Statutory Auditors took part and three meetings of the Related Parties Committee in which the Chairman of the Board of Statutory Auditors again took part. Note that no meetings of the Appointments Committee were held in 2014.

We monitored the practical implementation of the corporate governance rules included in the Code of Conduct.

We had regular meetings and exchanges of data and information with regard to the activity conducted pursuant to Article 150 of the TUF with representatives of the Independent Auditors; no matters arose in the course of these encounters requiring mention in this report.

During the 2014, the Company did not give the Independent Auditors any additional tasks other than the legally required task of auditing the accounts as previously with the exception of the following two tasks assigned to KPMG Advisory S.p.A. (part of the KPMG "network"): the first was to provide methodological assistance with the definition of the Enterprise Strategic Risk Management model, and the second task was to audit the operational efficiency of the IT checks. The fees for these additional tasks mentioned above amounted to approximately Euro 286 thousand. After the end of the financial year the Company appointed KPMG S.p.A. to carry out a limited audit of the "2014 Sustainability Report" for a fee of approximately Euro 10 thousand.

To the best of our knowledge, we monitored observance of the law and of the Bylaws, and we have no particular observations to report in this regard.

During the course of 2014 we met six times in order to carry out legal inspections and exchange information, where necessary, with representatives of KPMG S.p.A. as well as with members of the Control and Risk Committee and the Supervisory Body.

With reference to compliance with the criteria of independence set out in the Code of Conduct for each member of the Board of Statutory Auditors, we can confirm that we verified that none of the aforementioned members either has, or has recently had, either indirectly, with the Company or through individuals connected to the Company, relations that would affect the independence of their judgement. As governed by 8.C.1 of the Code of Conduct mentioned, we have presented the outcome of the inspection in the report on corporate governance.
We have also complied with the limits on the number of offices required by Company Bylaws and by Article 144-*terdecies* of the Consob Issuers' Regulation No. 11971, complying, where requested, over the course of the year, with the Consob obligations to provide information.

Today we received ***(i)*** the report on the "fundamental questions" issued by the Independent Auditors pursuant to Article 19, paragraph 3 of Legislative Decree 39/2010 and ***(ii)*** the annual confirmation of the independence of the latter pursuant to Article 17, paragraph nine, letter a) of Legislative Decree 39/2010 the contents of which were already sent in advance during the previous exchanges of information and we analysed the risks relating to the independence of the independent auditors and the measures they adopted to limit this from happening. During the year no critical aspects regarding the independence of the Independent Auditors emerged also taking into consideration the provisions of Legislative Decree 39/2010.

We monitored compliance with managerial best practice; the decisions made and implemented by the Board of Directors appear to be in full compliance with the law and the Bylaws, do not conflict with resolutions passed by the Shareholders' Meeting and are based on managerial best practice. In the Report on Operations for 2014, the directors present the transactions with a significant effect on the Company's income statement, balance sheet and financial position for the year. This report complies with the existing laws and regulations and is consistent with the resolutions adopted by the Board of Directors, the separate and the consolidated financial statements and any events after the reporting year. The half-yearly financial report did not request observations by the Board of Statutory Auditors. The half-yearly report and the consolidated interim report were publicised as required by the existing laws and regulations.

Within our mandate, we gathered data and information from the heads of each company department and also, where necessary, through direct investigations, and monitored the adequacy of the structure of the ***(i)*** management and accounting system in place in terms of its faithful and reliable representation of operating performance, and ***(ii)*** the Company's organisational structure. We believe these structures to be appropriate in view of the characteristics of the Company and Yoox Group as well as the business they undertake.

We monitored the adequacy of the internal control system by ***(i)*** attending meetings of the Control and Risk Committee, ***(ii)*** examining the relevant reports and ***(iii)*** gathering information from the respective heads of departments and from the Independent Auditors. We also examined company documentation and verified procedural compliance. On the basis of these activities, we believe that this internal control system, which is constantly being updated, is prepared and organised in such a way as to ensure the correct, regular performance of its functions. Among other things this makes it possible to provide a faithful indication of performance and operations, in terms of the Company's income statement, balance sheet and financial position.

With regard to 2014 and following the year end, on 25 February 2015, the Board of Directors, based on the information and evidence collected also with the support of the preliminary activities of the Control and Risk Committee, evaluated the adequacy of the internal control and risk management system. At that meeting it expressed ***(i)*** a favourable opinion on the activities conducted until the above-mentioned date, also declaring that it had not discovered inefficiencies in that regard and ***(ii)*** a positive evaluation.

We gained knowledge of and supervised, under our jurisdiction, the instructions given by the Company to its subsidiaries pursuant to Article 114, paragraph 2 of the TUF, which appear to be adequate. We analysed the suitability of the company organisation and procedures adopted in terms of providing the Company with regular information on the income statements, balance sheets and financial positions of its subsidiaries.

We monitored and assessed the periodic report and press releases published by the Company, as well as compliance with Consob obligations on disclosure.

We took note of the preparation of the Remuneration Report prepared pursuant to Article 123-*ter* of Legislative Decree 58/1998 and Article 84-*quater,* as well as in conformity with Annex 3 Schemes 7-*bis* and 7-*ter* of Consob Regulation 11971 and we have no particular observations to report.

On 3 September 2009, the Company adopted, and later updated and amended, the organisational model set out in Legislative Decree 231/2001, aimed at preventing the possibility of committing serious offences pursuant to the Legislative Decree mentioned and, as a result, the administrative responsibility of the Company. The model adopted, which is an integral part of the Code of Ethics, starting from the analysis of corporate activities aimed at identifying activities that are potentially at risk, is a collection of general principles, rule of conduct, control instruments and organisational procedures, training and information activities and a regulatory system, aimed at ensuring, as far as possible, the prevention of offences from being committed. On 27 April 2012, the Board of Directors appointed the Supervisory Body, a body which is entrusted with the task of overseeing the correct operation of the model and updating it. The above-mentioned body, in office until the approval of these financial statements, comprises three members, Rossella Sciolti, an external member, as Chairperson, Isabella Pedroni (following the resignation of Gerardo Diamanti), an external member, and Riccardo Greghi internal member and Internal Auditing Manager of the Issuer.

We took note, in that regard, of the updating of the Organisation and Control Model pursuant to Legislative Decree 231/2001. The Supervisory Body reported on the activities conducted during the course of 2014 without highlighting reprehensible actions or specific violations of the Model.

We monitored the financial reporting process and verified observance of the legislative and regulatory standards relating to the preparation and structuring of the separate and consolidated financial statements, as well as the relevant accompanying documents. Specifically, both the separate and the consolidated financial statements are accompanied by declarations of conformity pursuant to Article 154-*bis* of the TUF and Article 81-*ter* of the Issuer Regulation. We also verified that the statements were consistent with the circumstances and information that came to our attention in carrying out our duties. We have no specific observations to make in this respect.

The separate financial statements to 31 December 2014, submitted for your approval, closed with a profit of Euro 11,514 thousand, while the consolidated financial statements show profit attributable to the Group of Euro 13,802 thousand.

KPMG S.p.A. issued reports today on the separate and the consolidated financial statements, whose draft contents have already been anticipated during the course of previous exchanges of information; these do not contain observations on disclosure or requests for information.
The Independent Auditors also believe that the management report is consistent with the separate financial statements of the Company and the consolidated financial statements of the Group.

We received information from the Independent Auditors regarding the time dedicated to the auditing of the separate and consolidated financial statements of the Group to 31 December 2014, as well as the total fees due. Regarding notification of fees for the provision of statutory auditing services, see the information provided by the Company in the annexes to the separate and consolidated financial statements to 31 December 2014, in accordance with Article 149-*duodecies* of the Issuer Regulation.

In the “Risk factors” section of the Report on Operations, the directors describe the main operational risks and uncertainties to which the Company and the Group are exposed, identifying both operational and financial risks (foreign exchange, interest rate, price, liquidity and credit with financial and commercial counter-parties).

The directors state that relationships between the Group companies and between them and related parties cannot be classed as either atypical or unusual, that they form part of the ordinary course of business of the Group and that they were carried out under normal market conditions and in the interest of the actual Group and that, in general, no atypical or unusual transactions took place. We believe the information provided in the notes to the financial statements with regard to this reporting of the interchange of goods and services to be adequate. The Board of Statutory Auditors has ascertained that such transactions comply with the law and the Bylaws, are in the Company's interests and are not likely to give rise to any doubts with regard to the accuracy and completeness of the relevant disclosures, the safeguarding of company assets and the protection of minority shareholders.

During the year, as indicated in the financial statements, the Company did not carry out transactions with treasury shares. Also note that the shareholders' resolution of 17 April 2014 authorized the Company to purchase treasury shares. With regard to the shared and related aims and methods for said transactions, please see to the Director's Report.

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Our regular supervisory activities were carried out throughout the financial year ended 31 December 2014. No omissions, censurable circumstances or irregularities emerged that need to be mentioned in this report.

In addition, it should be noted that the Company produced the “2014 Sustainability Report” which is subject to auditing by KPMG S.p.A.

Throughout the year we did not issue opinions as they were not required by law.

No claims pursuant to Article 2408 of the Italian Civil Code or statements by third parties or other complaints were received.

During the course of the aforementioned supervisory activities, no facts came to light that need to be mentioned in this report due to their importance.

To summarise the supervisory activities carried out during the year, we have no proposals to make pursuant to Article 153, paragraph two of the TUF.

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In light of all the points described and indicated above, we consider that the Report on Operations contains appropriate information on business operations conducted during the year, and we agree with the proposal made by the Board of Directors with regard to the allocation of profit for the year.

Milan, 18 March 2015

The Board of Statutory Auditors

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Filippo Tonolo – Chairman

(signed on the original)

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David Reali – Standing Auditor

(signed on the original)

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Patrizia Arienti - Standing Auditor

(signed on the original)

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