YOOX GROUP

Annual Report 2012

YOOX S.p.A.
Via Nannetti, 1 – 40069 Zola Predosa (BO)
Share capital: Euro 573,127.88 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,

2012 was a year in which our Company achieved strong results: net revenues amounted to Euro 376 million, up 29% on 2011, net income increased to Euro 10.2 million, and our net financial position further improved.

We achieved these results thanks to the extraordinary efforts of our entire team across both business lines. We have an outstanding organization, which worked with great passion in all our key markets. YOOX is an increasingly global company, with its heart in Italy and 84% of its revenues generated abroad. In 2012 the US remained our number 1 market, with extremely satisfactory results also coming from Italy, the rest of Europe and Japan.

In 2012, our Multi-brand business line continued along its path of sustained growth. Many important projects were launched during the year. Amongst the most significant, we must certainly highlight the launch of shoescribe.com, our new Multi-brand site dedicated to the world of women's shoes, which is proving to be a destination of choice in the market, thanks mainly to the luxury services introduced for the first time in the e-commerce sector. Equally important was the development of the new yoox.com, which was launched on a global level - including China, a strategic market for the Group - in autumn 2012, with a completely revised, more effective version including significant innovations.

During the year, we continued to work alongside our partners in the Mono-brand business line with the persistent aim of offering them continued excellent service. In 2012, we also established a joint venture with PPR, with the ultimate goal of enhancing the existing e-commerce websites of six PPR luxury brands and accelerating the development of their global digital presence.

Technology and innovation are key success factors for YOOX and investment in research and development during the year continued accordingly. Great attention was paid, and will continue to be paid, to developing the multi-channel platform with the aim of anticipating trends in the strongly expanding world of internet accessibility, in which YOOX has invested right from the start. Customers' shopping experiences will increasingly occur across varying channels: in December alone, visits from phones and tablets accounted for approximately 25% of our total traffic and we believe that this is just the beginning.

In 2012, we also continued investment in our global logistics platform, accelerating the completion of its automation, which will enable us to further improve operational efficiency and will support the Group's future growth, providing our customers and partners with a 99% level of on-time deliveries.

I think that 2013 can be another successful year for our Company, during which we must continue both to focus on the impeccable execution of ongoing projects with all of our partners and to be even more attentive to our loyal customers, to whom I would like to extend my personal thanks.

Our customers are our raison d'être, the driving force behind all our activities and efforts: ensuring that they have the best shopping experience, providing reliable, customised luxury services, surprising them, listening to them and understanding their needs - everything is aimed at satisfying our customers and building a trusted relationship with them over the long term. It is to them that we dedicate our passion and innovation, which have always characterised YOOX and which are the foundations for ensuring the future sustained growth of our Company.

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)

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

Website: www.yooxgroup.com

Year to which the Report refers: 2012

Report approval date: March 5, 2013

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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 March and December 2011 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 later).

CONSOB Issuer Regulation: the Regulations issued by CONSOB with resolution 11971 of 1999 concerning issuers (as amended later).

CONSOB Related-Parties Regulation: the Regulation issued by CONSOB with resolution 17221 of March 12, 2010 (as amended later) 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 February 24, 1998 (Consolidated Finance Act).

MANAGEMENT AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Federico Marchetti

Directors
Stefano Valerio[3]
Mark Evans
Catherine Gérardin-Vautrin[2 3]
Elserino Piol[1 2]
Massimo Giaconia[1 2 3]
Raffaello Napoleone[1]

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 BODY Legislative Decree 231/01

Rossella Sciolti – Chairwoman
Gerardo Diamanti
Riccardo Greghi

DIRECTOR IN CHARGE OF PREPARING ACCOUNTS

Francesco Guidotti

INTERNAL CONTROL MANAGER

Riccardo Greghi

[1] Member of the Internal Control Committee.
[2] Member of the Remuneration Committee.
[3] Member of the Directors' Appointments Committee.

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 from armani.com to zegna.com, all "Powered by YOOX Group". The Group is also a partner of PPR, 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 PPR 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. For further information: www.yooxgroup.com.

The ordinary shares of the Issuer have been traded on the STAR Segment of the MTA since December 3, 2009.

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) at December 31, 2012

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

- As at December 31, 2012, the subscribed and paid-up share capital was Euro 573,127.88;
- As at the date of this Report, the subscribed and paid-up share capital was Euro 574,301.00.

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)	57,430,100	100	MTA/STAR segment	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 December 31, 2012, see the information documents prepared pursuant to Article 84-*bis* of the CONSOB Issuer Regulation held at the Company headquarters, and available in the Corporate 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 Corporate 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
Balderton Capital EU Holdings Limited	Balderton Capital I L.P.	7.623	7.623
Federico Marchetti	Federico Marchetti	6.966	6.966
OppenheimerFundsInc.	Oppenheimer Funds, Inc.	5.057	5.057
Federated Equity Management Company of Pennsylvania	Federated Equity Management Company of Pennsylvania	4.983	4.983
Renzo Rosso	Red Circle S.r.l. Unipersonale	4.952	4.952
Renzo Rosso	Red Circle Investments S.r.l.	4.314	4.314
Caledonia (Private) Investments Pty Limited	Caledonia (Private) Investments Pty Limited	3.923	3.923
Aviva Investors Global Services Limited	Aviva Investors Global Services Limited	2.812	2.812
Capital Research and Management Company	Capital Research and Management Company	2.419	2.419
Wasatch Advisors Inc.	Wasatch Advisors Inc.	2.224	2.224

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.

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, h), TUF) and statutory provisions on the subject of takeover bids (Articles 104, paragraph 1-ter, and 104-bis, paragraph 1, 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 May 5, 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 Italian Civil Code, nor to issue equity financial instruments.

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In their meeting of April 27, 2012, the Shareholders authorised the purchase and use of treasury shares *(i)* for the purposes envisaged 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, c) of the TUF through Resolution 16839 of March 19, 2009, in compliance with the operating conditions established for this market practice and by Regulation (EC) No. 2273/2003 of December 22, 2003 where applicable, 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 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 maximum limit established by the applicable regulation in force, 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, b) of CONSOB Issuer Regulations;

- authorised the Board of Directors so that, pursuant to Article 2357-*ter* of the Italian Civil Code, it can, at any time, in full or in part, in one go or several, sell the treasury shares purchased according to the Shareholders' Meeting 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 March 19, 2009 and Regulation (EC) No. 2273/2003 of December 22, 2003, where applicable; the authorisation mentioned in this point was 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 125,861 treasury shares, equal to 0.219% of the current share capital (equal to 574,301.00, divided into 57,430,100 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 report on remuneration prepared pursuant to Article 123-ter of the TUF and Article 84-*quater* of the CONSOB Issuer Regulation available on the Company's website under the Corporate Governance section of 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, available on Borsa Italiana's website (www.borsaitaliana.it).

Neither the Issuer nor its subsidiaries are subject to non-Italian legal provisions affecting the corporate governance structure of the Issuer itself.

4. BOARD OF DIRECTORS

4.1 Appointment and replacement of Directors

With regard to the regulation for a gender balance in the composition of administrative bodies, as set out in Article 147-*ter*, paragraph 1-*ter* of the TUF, introduced by Law 120/2011 and the implementation provisions of CONSOB, the Board submitted to the Extraordinary Shareholders' Meeting called on April 19, 2013, in a single session, the amendment to the bylaws in relation to the aforementioned law. For more information on the proposed changes see the Director's Report compiled pursuant to Article 125-*ter* of the TUF.

The Company is managed by a Board of Directors composed of a minimum of five and a maximum of fifteen members; each director's term may be no longer than 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 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 (**independent director pursuant to Article 147-*ter***). See section 4.7 for information on the independence requirements of directors.

Note, however, that to maintain its entitlement to be traded 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; at least four independent directors for boards of directors with more than fourteen members.

Article 14 of the bylaws also establishes that the Board of Directors 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.

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 18452 of January 30, 2013, CONSOB set the shareholding required to present candidate lists for the election of the Issuer's management body, with reference to the year ending December 31, 2012, at 2.5% 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 it takes place by the deadline for the publication of the actual lists.

Lists must be deposited at the Company headquarters at least 25 (twenty five) days before the Shareholders' Meeting called to appoint the directors (first or only call). 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. If the list comprises more than seven candidates, it must contain and expressly indicate a second independent director pursuant to Article 147-*ter*. 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) curriculum vitae 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 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 of the identity of the Shareholders who have submitted lists and the percentages of shareholdings held overall;

(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; (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.

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, the list presented by Shareholders with the greatest shareholding at the time the lists are presented, or failing that, that presented by the greatest number of Shareholders, shall prevail.

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.

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.

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.

The candidate elected as Chairman of the Board of Directors is the one indicated as such on the majority list or on the only list presented and approved. 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.

The Company has not evaluated the adoption of a plan for the succession of Executive Directors, deeming it to be unnecessary.

4.2 Composition

The Board of the Issuer in office at the date of this Report comprises 7 members appointed by the Shareholders' Meeting held on April 27, 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 as at and for the year ending December 31, 2014.

For more information on the list registered for the appointment of the management body, please see the "Corporate Governance" section of the Company website, www.yooxgroup.com, where you can also find the curriculum vitae of every director.

Composition of the Board of Directors

Name	Position	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	Apr. 27, 2012 First appointment: Feb. 04, 2000	Approval of the Financial Statements Dec. 31, 2014	M	X				100	0
Stefano Valerio	Vice Chairman	Apr. 27, 2012 First appointment: May 10, 2006	Approval of the Financial Statements Dec. 31, 2014	M		X			80	2
Raffaello Napoleone	Director	Apr. 27, 2012 First appointment*: Jul. 02, 2004	Approval of the Financial Statements Dec. 31, 2014	M		X	X	X	90	1
Mark Evans	Director	Apr. 27, 2012 First appointment: Sept. 25, 2003	Approval of the Financial Statements Dec. 31, 2014	M		X			70	11
Catherine Gérardin	Director	Apr. 27, 2012 First appointment: Apr. 21, 2010	Approval of the Financial Statements Dec. 31, 2014	M		X	X	X	70	0
Massimo Giaconia	Director	Apr. 27, 2012 First appointment: Mar. 16, 2009	Approval of the Financial Statements Dec. 31, 2014	M		X	X	X	100	12
Elserino Mario Piol	Director	Apr. 27, 2012 First Appointment Mar. 09, 2005	Approval of the Financial Statements Dec. 31, 2014	M		X	X	X	100	0

KEY
Position: indicates whether the director is Chairman, Vice-Chairman, Chief Executive Officer, etc.
List: indicates M/m according to whether the director was elected from the majority list (M) or minority list (m).
Exec.: if the director can be classified as executive.
Non exec.: if the director can be classified as non-executive
Indep.: indicates whether 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 as a percentage of 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 foreign markets), in financial, banking and insurance companies or those of significant size.
n/a.: not applicable.
*: On October 29, 2009 Raffaello Napoleone resigned from his position as director; subsequently on July 1, 2010 he was reappointed as a Company director.

The table below contains the attendance figures for committee meetings held during the year.

Name	Position	EC	% EC	AC	% AC	RC	% RC	I.C.R.C.	% I.C.R.C.	RPOC	% RPOC
Stefano Valerio	Vice Chairman	-	-	M	-						
Catherine Gérardin	Director	-	-	M	-	M	83	M		M	100
Massimo Giaconia	Director	-	-	C	-	M	100	C	100	C	100
Elserino Mario Piol	Director	-	-			C	100		75		
Raffaello Napoleone	Director	-	-					M	75	M	100

KEY
EC Executive Committee; C/M inserted to indicate Chairman/Member of Executive Committee.
% EC: 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 as a percentage of the number of meetings held during the year or since the director took up office).
AC: Appointments Committee; 'C'/'M' inserted to indicate 'Chairman'/'Member' of Appointments Committee.
% AC: 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 as a percentage of the number of meetings held during the year or since the director took up office).
RC: 'C'/'M' inserted to indicate 'Chairman'/'Member' of Remuneration Committee.
% RC: 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 as a percentage of the number of meetings held during the year or since the director took up office).
I.C.R.C.: 'C'/'M' inserted to indicate 'Chairman'/'Member' of Control and Risks Committee.
%. I.C.R.C.: shows attendance, in percentage terms, of the director at Control and Risks Committee meetings (in calculating this percentage, consider the number of Control and Risks Committee meetings that the director attended as a percentage of the number of meetings held during the year or since the director took up office).
n/a.: not applicable.
RPOC: Related-Parties Operations Committee; insert C/M if Chairman/member of the Related-Parties Operations Committee.
% RPOC: shows attendance, in percentage terms, of the director at the Related-Parties Transactions Committee meetings (in calculating this percentage, consider the number of meetings that the director attended as a percentage of the number of meetings of the Related-Parties Transactions Committee held during the year or since the director took up office).

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 (foreign too), 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 March 5, 2013, following an assessment of positions held by its directors in other companies, the board concluded that the number and type 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 listed companies on regulated markets (foreign too), 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	Dmail Group S.p.A.	Director
	Sai Investimenti SGR S.p.A.	Director
Raffaello Napoleone	Fondazione Ente Cassa di Risparmio di Firenze	Director
Mark Evans	Big Fish Games, Inc.	Director
	Displaylink Corp.	Director
	Displaylink (UK) Limited	Director
	EzoicInc	Director
	Memrise, Inc.	Director
	Naturalmotion Limited	Director
	Qihoo 360 Technologies Co. LTD	Director
	NM Rothschild & Sons Limited	Director
	Rothschild Continuation Holdings AG	Director
	The Hut Group Limited	Director
	Worldstores Limited	Director
Catherine Gérardin	/	/
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
	Coeclerici Logistics S.p.A.	Statutory auditor
	Ferrari F.lli Lunelli S.p.A.	Chairman of the Board of Statutory Auditors
	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
	Zach System S.p.A.	Statutory auditor
	Zambon Company S.p.A.	Statutory auditor
	Zambon S.p.A.	Statutory auditor
Elserino Mario Piol	-	-

Induction Programme

The Chairman of the Board has organised initiatives aimed at providing the Directors with adequate knowledge of the sector of activity in which the Company operates, corporate dynamics and their development, as well as the relevant regulatory framework. More specifically, meetings have been held at the Company's headquarters and at the Interporto logistics centre where the main features of the Company's reference sector have been illustrated.

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 have not already made provision therefor – elects the Chairman from among its members; it may also elect one or more Vice Chairmen, who will remain in their respective post(s) 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 – may delegate its power and functions to the Executive Committee (see Articles 21, 22, 23 and 24 of the bylaws); furthermore, it may appoint one or more Chief Executive Officers to delegate these powers and functions to, 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 results, cash flows and financial position implemented by the Company and 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 matters of urgency, 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, by 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 the national territory;
- 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 April 27, 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, ten Board Meetings were held on the following dates: January 24, February 8, March 7, March 12, April 27, May 9, May 25, August 3, September 21, November 3.

The meetings were minuted.

On average, the board meetings lasted about an hour and a quarter.

At least six board meetings are expected to take place in 2013. As well as those already held on January 23, February 6 and March 5, 2013 (the latter relating to the approval of the draft Separate and Consolidated financial statements as at and for the year ended December 31, 2012), the calendar of the main company events for 2013 (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:

- May 8, 2013: approval of the first interim report on operations at March 31, 2013;

- July 31, 2013: approval of the half-year financial report at June 30, 2013;
- November 6, 2013: approval of the third interim report on operations at September 30, 2013.

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 thanks to the documents being sent at least 2 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 March 5, 2013, the Board assessed the suitability of the general organisational, administrative and accounting structure of the Issuer and of subsidiaries of strategic importance put in place by the Chief Executive Officer, with particular reference to the Control and Risk Management System. In conducting this assessment, the board not only checked the existence and implementation of the Control and Risk Management System of 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 Control and Risk Management System in place within the Company and its subsidiaries 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 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 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 the 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 importance or importance to results, financial position or cash flows for the actual Company, as resolved at the Board Meeting on April 27, 2012.

As provided for by criteria 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 statement items, with particular reference to significant transactions adopted by YOOX with independent parties. It also establishes criteria to identify these transactions which are therefore the Board of the Issuer's responsibility. For more information on the Procedure please see paragraph 12 below.

On March 5, 2013, 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 four were non-executive independent directors, who also ensure that the composition of committees formed within the board is appropriate.

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).

As at 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 April 27, 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. Note that a case of 'interlocking directorate' as described in criteria 2.C.5 of the Code will not take place.

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), convening Board Meetings and coordinating the work of the board (Article 16), as well as serving as the Company's legal representative with respect to third parties and in legal matters (Article 25).

The Chairman and Chief Executive Officer, Federico Marchetti, is the main manager of the Issuer's operations (chief executive officer).

Through a resolution of April 27, 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(s) 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 April 27, 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 reported 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 Articles 147-*ter*, paragraphs 4 and 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, Catherine Gérardin, Massimo Giaconia 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, including 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 law firm 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, including 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 (ii) above, of the same or do not have or have 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, significant additional remuneration on top of the fixed fee received as non-executive director, including participation in company performance-linked incentive plans, including 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 Issuer's 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 board verified that the independent directors currently in office meet the requirements of independence set out in Article 3 of the Code and Article 147-*ter*, paragraph 4 of the TUF, at the meeting held on April 27, 2012 for Elserino Mario Piol, Catherine Gérardin, Massimo Giaconia and Raffaello Napoleone, and these requirements are periodically checked by the board. Following the Board Meeting held on April 27, 2012 the Company announced the results of its own evaluations through a press release to the market.

It should be noted that on March 5, 2013 the Board conducted the annual audit of independence requirements pertaining to Independent directors pursuant to Criterion 3.C of the Code. At the same meeting, 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 April 27, 2012, with reference to Elserino Mario Piol, Catherine Gérardin, 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 correctly applied.

The independent directors met 4 times in the financial year at Control and Risk Committee meetings, namely on March 5, May, 7, July 31 and October 30, 2012. The topics discussed were mainly those also dealt with by the 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 April 27, 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 and Chairman of the Control and Risk Committee.

Massimo Giaconia attended all the meetings of the Remuneration Committee and the Internal Control Committee.

5. HANDLING OF COMPANY INFORMATION

Procedure for publishing privileged information

In its meeting of September 3, 2009, the Board adopted a "***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. The procedure was subject to an update in the Board meeting of February 6, 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 the same 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 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, that is, those of the companies controlled by YOOX that are included in the scope of consolidation, are notified of the procedure.

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 the 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 Corporate 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 and through the SDIR-NIS, and is sent to CONSOB and at least two press agencies. Furthermore, YOOX ensures that the press release is published on the company website, www.yooxgroup.com, in the sections prepared for this purpose “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 on the Company’s website at www.yooxgroup.com in the Corporate Governance section.

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 they control and for people 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 Regulations, at its meeting of September 3, 2009, the Board of Directors adopted a “***Procedure for the management of the Group register of persons with access to privileged information***”. The procedure was subject to an update in the Board meeting of February 6, 2013.

The procedure is available on the Company’s website at www.yooxgroup.com in the Corporate Governance section.

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 Issuers’ Regulation, at its meeting of September 3, 2009, the Issuers’ Board passed a resolution to adopt a Procedure to comply with 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 subject to an update in the Board meeting of February 6, 2013.

The procedure is available on the Company’s website at www.yooxgroup.com in the Corporate Governance section.

Information on transactions carried out during the year that required related communications pursuant to the regulations on internal dealing is available in the Corporate 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-Parties Transactions Committee from among its members.
A committee which carries out the function 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 initially established through a resolution on September 3, 2009, and subsequently, in its current composition, through a Board resolution on April 27, 2012.

As at the date of this Report, the Remuneration Committee comprises three non-executive directors, the majority of whom are independent:

- Massimo Giaconia – independent director – chairman;
- Catherine Gérardin – 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 putting forward candidates to the Board of Directors for the office of director in cases of cooption, when independent Directors have to be replaced.

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

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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

In light of the provisions of Article 2.2.3, paragraph 3, letter m) of the Stock Exchange Regulation, applicable to issuers with a STAR qualification and in accordance with the Code, the Issuer established a Remuneration Committee from among the members of its Board.

The Remuneration Committee was initially established through a resolution on September 3, 2009, and subsequently, in its current composition, through a Board resolution on April 27, 2012.

As at the date of this Report, the Remuneration Committee comprises three non-executive directors, all of whom are independent:

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

All members of the Remuneration Committee have experience in finance or remuneration policies considered 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 advising role, and its main duty is to submit proposals to the Board of Directors regarding the remuneration policy, including any stock option plans or allocation of shares, of the Chief Executive Officer and directors in particular positions, as well as, following recommendations of the Chief Executive Officer, to determine criteria for the remuneration of Company managers with key 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 obtained 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 remuneration policy to be adopted by Directors and managers with strategic responsibility;

b) it periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy for Directors and managers with key 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 effectively been reached.

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: February 8, March 12, May 25, August 3, September 21 and October 30, 2012.

The Remuneration Committee meetings were minuted.

On average, the Remuneration Committee meetings lasted approximately 35 minutes.

There are 4 Remuneration Committee meetings scheduled for 2013, in addition to the one already held on February 6, 2013.

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) the allocation of the variable component (MBO) of salaries for 2012; (b) the awarding of bonuses in accordance with the company bonus scheme and the criteria for rewarding managers with key responsibilities, and (c) the employment agreement of the Chief Executive Officer.

During the year the Remuneration Committee used the services of the specialist consulting firm Spencer Stuart in order to conduct an enquiry aimed at analysing the salary structure of the CEO in relation to a set of comparable companies, in order to check the alignment of the CEO'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 did not take part in the tasks of the Remuneration Committee and the other members of the Board of Statutory Auditors also did not take part.

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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 may determine a total amount for the remuneration of all directors, including those holding particular functions; this amount is then divided up by the Board of Directors, having obtained 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.

With regard to the remuneration of Directors, on April 27, 2012, the Ordinary Shareholders' Meeting resolved the total annual compensation due to the Board of Directors as Euro 680,000.00 for the entire duration of office, in addition to reimbursement of expenses incurred by its members in carrying out their office, with the exception of the remuneration of Directors invested with particular duties pursuant to Article 2389, paragraph 3 of the Italian Civil Code, which is not included in the amount above, and remuneration for any special duties. The total remuneration to the Board of Directors remains unchanged until the Shareholders' Meeting passes a resolution otherwise. On April 27, 2012, the board divided the total annual fees.

For information on the Remuneration Policy adopted by the Issuer and the remuneration received by the members of the Board of Directors in the year, please see the remuneration report prepared pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the CONSOB Issuer Regulation available on the Company's website under the Corporate Governance section at 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 a Control and Risk Committee from among the members of its Board.

The Control and Risk Committee (formerly the Internal Control Committee) was initially established through a resolution on September 3, 2009, pursuant to Article 2.2.3, paragraph 3, letter l) of the Stock Exchange Regulations, and subsequently, in its current composition, through a Board resolution on April 27, 2012.

As at the date of this Report, the Internal Control and Risk Committee comprises three non-executive directors, all of whom are independent, namely:

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

All members of the Control and Risk Committee possess experience in accounting and finance considered 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 period 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: March 5, May 7, July 31 and October 30, 2012, 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 at December 31, 2011 and the half-year report at June 30, 2012;
- 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 at December 31, 2011 and the Half-Year Financial Report at June 30, 2012;
- 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 overseeing the offence risks which the Decree refers to.

In the meetings on March 7, 2012 and July 31, 2012, 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 Board of Statutory Auditors (in the person of its Chairman and other 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 took part in all the meetings of the Control and Risk Committee in 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 an hour and a quarter.

At least four Control and Risk Committee meetings are expected to take place in 2013. In addition to the one already held on February 28, 2013 (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 3 meetings on the following dates: April 23, July 25 and October 30, 2013.

During the meeting on February 28, 2013, the Committee approved the audit plan for 2013, took note of the activities carried out by the Internal Audit Manager relating to the audit plan for 2012, 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 2013.

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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 paragraph 11.1.

With reference to the formalisation of the guidelines of the Board for the Internal Control and Risk Management System and the definition of acceptable risk, a strategic risk assessment project is underway which will lead, among other things, to defining a path which can be followed for the adoption of strategic decisions and taking conscious business risks.

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

- 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;
- Group Planning and Control Model, with the aim of directing and guaranteeing the alignment of management with the objectives defined by senior company managers;
- Information Security Management based on international standard ISO/IEC 27001 for the management of risks relating to confidentiality, integrity and availability of company information (including the management of risks 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 the 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 for governing the main corporate processes.

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, 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.

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 has the aim of guaranteeing reliability, accuracy, reliability and promptness in the preparation and communication of financial information.

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

- design of the Model – workflow, procedures, general ledgers and risk control matrices for each company process;

- 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-yearly 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 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 risks relating to financial reporting, the Issuer has concentrated activities on the Parent Company YOOX S.p.A. Starting from 2013 the scope of the analysis will be gradually extended to the main foreign subsidiaries. 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. The evaluations made on the adequacy and effectiveness of controls for mitigating risks are the qualitative type, 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 into activities related to the accounting 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 gave a mandate to the Internal Audit Manager 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 Manager takes place at least twice a year.

The Director in charge of preparing the corporate accounting documents and the Internal Audit Manager 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 March 7, 2012, August 3, 2012 and March 5, 2013, 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 April 27, 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 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 March 7, 2012, August 3, 2012 and March 5, 2013;

(ii) was responsible for the planning, realisation and management of the Internal Control and Risk Management System, in line with the operating conditions of the Issuer and regulatory framework, verifying its adequacy and effectiveness;

(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 departments 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 proposal of the Director in charge of the Internal Control and Risk Management System, through the resolution of April 27, 2012, appointed Riccardo Greghi as Internal Audit Manager of the YOOX Group for the purpose of checking that the internal control system is adequate, fully operational and functioning.

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

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The 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 the main company risks;

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

c) reports and has reported quarterly on his/her operations and the progress of activities envisaged 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 has prepared half-yearly 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) takes part in the meetings of the Board and the Control and Risk Committee which he/she is invited to attend and in 2012 went to all the meetings of the Committee;

f) carries out further tasks that the Board feels it is appropriate to assign to him/her.

Following the activities carried out in the financial year, the Internal Audit Manager did not identify urgent elements which required a specific report and did not conduct any specific activities with reference to the reliability checks on the information systems.

The corporate governance system requires the Internal Audit Manager to be 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 Governance department, responsible for conducting technological-organisational assessments and IT audits relating to specific risk processes and spheres, reports to the Information Risk Committee which meets quarterly.

In the financial year, the financial resources made available to the Internal Audit Manager to carry out their duties totalled Euro 200 thousand.

The activities, in accordance with the audit plan, involved operational assurance audits, standard assurance audits and important consulting activities on internal controls relating to certain key company areas. 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 certificate by the Director in charge of Financial Reporting at June 30, 2012 and December 31, 2012 (Law 262/05), on the mandate of the latter periodic monitoring activities were carried out on Model 262 and the activities of maintaining ad updating the Internal Control and Risk Management System documentation relating to the main administrative-accounting processes of YOOX continued;
- to guarantee compliance to Legislative Decree 231/01, on the mandate of the Supervisory Body, the monitoring activities conducted into areas of the Organisational, Management and Control Model designated as “sensitive” continued, as well as activities launched to update the actual Model;
- consulting activities were carried out in support of several company departments, aimed at improving internal controls relating to certain corporate areas and also in relation to a reorganisation of processes and responsibilities;
- the Company was given support with identifying the key controls which are the subject of formalisation under the scope of company procedures.

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During the financial year and for several operating activities, 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 the **Model 231**) as amended, on September 3, 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 resolution of the Board of Directors of December 16, 2010, in the light up the regulation updates, the Issuer adopted a new version of Model 231 and the Code of Ethics.

The Code of Ethics constitutes 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 exemption from administrative liability provides for the mandatory creation of a Supervisory Body within the Issuer, with autonomous powers of initiative and control, which is responsible for overseeing the functioning and observance of Model 231, and its updating. Specifically, the Supervisory Body has, among other things, the tasks of: (i) checking the efficiency and effectiveness of the organisational model adopted, (ii) checking compliance with the methods and procedures set out in the organisational model, (iii) making proposals to the Board of Directors in relation to any updates or amendments of the organisational model adopted, (iv) proposing to the board disciplinary measures that must be taken following the verification of a violation of the organisational model, and (v) preparing a report (every six months) for the Board of Directors on the checks and control activities undertaken and the results thereof.

The Supervisory Body, in office until approval of the financial statements at December 31, 2014, was appointed by the Board on April 27, 2012 and is composed of three members: Rossella Sciolti, an external member, as Chairperson, Gerardo Diamanti, an external member, and Riccardo Greghi, internal member and Internal Audit Manager of the Issuer.
In its meeting of April 27, 2012, the Board decided not to assign the functions of the Supervisory Body to the Board of Statutory Auditors.

The offences described by Model 231 of the Issuer are specifically those against the Public Administration (Articles 24 and 25), counterfeiting money, credit cards, stamps, instruments or identifying marks (Article 25 *bis*); obstructing trade or industry (Article 25-*bis*. 1); corporate offences (Article 25-*ter*); those relating to health and safety at work (Article 25-septies, Law 123/2007) – Consolidated Law on Safety; money laundering offences (Article 25-*octies*, Legislative Decree 231/07 in implementation of Directive 2005/60/EC); offences relating to the violation of intellectual property rights (Article 25-*novies*); computer crimes and illegal processing of data (Article 24-*bis*, Law 48/2008 in Official Gazette 80 of April 4, 2008); market abuse and the abuse of confidential information (Article 25-*sexies*).

In the financial year preliminary activities were launched into updating Model 231, in order to include the regulatory and organisational changes which took place and the most recent legal and doctrinal guidelines on the subject.

Model 231 introduces an adequate system and adequate sanction mechanisms for behaviour which violates it.

Model 231 and Code of Ethics are available in the Corporate 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 dated September 8, 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 Issuer's 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 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 Director in charge of preparing corporate accounting documents must also meet the requirements of honesty prescribed for statutory auditors by the laws in force. 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 July 1, 2010, the Board, with the favourable opinion of the Board of Statutory Auditors, appointed Francesco Guidotti (an employee of the Issuer with the role of Director of Administration, Finance and Control) as Director in charge of preparing corporate accounting documents. With the appointment, the board checked the existence of the requirements pursuant to the laws in force and the Company's bylaws.

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.

With reference to the managers of other company departments with specific tasks relating to internal control and risk management, the following are mentioned:

- Safety & Security Manager and Prevention and Protection Service Manager (Daniela Rinaldi), who oversees the Group Occupational Health and Safety System, defined in compliance with British Standard OHSAS 18001:2007, with the aim of complying with the requirements defined by the regulations on this subject with regard to Legislative Decree 81/08. Daniela Rinaldi was appointed RSPP (Prevention and Protection Service Manager) on December 11, 2011 and RSGSL (Occupational Health and Safety System Manager) on December 21, 2011. In 2012, in order to carry out its activities, this department exclusively

used external consultants and no specific budget was defined and this remains the responsibility of the delegated occupational health and safety officer.

- Head of Information Governance (G. Gaias), who 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 2012, the Head of Information Governance had 2 persons at their disposal and a budget of Euro 200 thousand for conducting their duties. The Information Safety Management System includes personal data protection, in compliance with the requirements laid down in Legislative Decree 196/2003. The Privacy Manager is Gabriele Tazzari, appointed by the Chief Executive Officer on June 15, 2009.

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 financial 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, the Safety & Security Manager and RSPP, each within their sphere of activity and responsibility.
- the participation of the Internal Audit Manager 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 in the financial 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 Board of Statutory Auditors maintains regular communication flows with the Board of Directors and the Control and Risk Committee;
- the Supervisory Body takes part in the Control and Risk Committee meetings giving regular reports about the activities it carries out;
- the Independent Auditors take part in the Control and Risk Committee meetings so that they are constantly updated about the activities on which the actual Committee passes resolutions.

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 p**rocedures**) 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 Corporate 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 November 10, 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.

The Issuer applies the Related-Parties Procedure taking into account CONSOB Communication DEM/10078683, published on September 24, 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 on the Issuer's website, www.yooxgroup.com, under the Corporate Governance section.

Committee for Related-party transactions

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

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

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

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

13. APPOINTMENT OF STATUTORY AUDITORS

With regard to the regulation for a gender balance in the composition of control bodies, as set out in Article 148, paragraph 1-*bis* of the TUF, introduced by Law 120/2011 and the implementation provisions of CONSOB, the Board submitted to the Extraordinary Shareholders’ Meeting called on April 19, 2013, in a single session, the amendment to the bylaws in relation to the aforementioned law. For more information on the proposed changes see the Director’s Report compiled pursuant to Article 125-*ter* of the TUF.

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. 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 18452 of January 30, 2013, CONSOB set the shareholding required to present candidate lists for the election of the Issuer’s control body, with reference to the year ended December 31, 2012, at 2.5% of the share capital.

Lists must be deposited at the Company headquarters at least 25 (twenty five) days before the Shareholders’ Meeting called to appoint the auditors (first or only call). 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 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 (**the majority List**); (ii) a standing auditor, to be appointed as Chairman of the Board of Statutory Auditors (**minority Auditor**s), and an alternate auditor **(minority Alternate Auditor**s) 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 (the m**inority List**). 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, that presented by the greatest number of Shareholders, shall prevail.

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 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.

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.

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 April 27, 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 (36,679,811 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 December 31, 2014.

For more information on the list registered for the appointment of the control body, please see the "Corporate Governance" section of the Company website www.yooxgroup.com. Here you can also find the curriculum vitae of all standing and alternate auditors.

The Board of Statutory Auditors consists of the following members:

Name	Position	In office since	In office until	List	Indep. pursuant to Code.	% part B.A.	Other positions
Filippo Tonolo	Chairman	Apr. 27, 2012	Approval of the Financial Statements Dec. 31, 2014	-	X	100	27
Patrizia Arienti	Standing Auditor	Apr. 27, 2012	Approval of the Financial Statements Dec. 31, 2014	-	X	100	0
David Reali	Standing Auditor	Apr. 27, 2012	Approval of the Financial Statements Dec. 31, 2014	-	X	100	20
Salvatore Tarsia	Alternate Auditor	Apr. 27, 2012	Approval of the Financial Statements Dec. 31, 2014	-	X	n/a	4
Edmondo Maria Granata	Alternate Auditor	Apr. 27, 2012	Approval of the Financial Statements Dec. 31, 2014	-	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's Regulation on the website www.sai.consob.it under the section Corporate Bodies – Information for the public.

The Board of Statutory Auditors met 7 times during the year.

On average, the meetings lasted approximately 2.45 hours.

There are expected to be at least 4 Board of Statutory Auditor's meetings in financial year 2013, as well as the one already held on January 14, 2013.

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At the meeting of its appointment on April 27, 2012 and the meeting of May 9, 2012, 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.

***

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 paragraph 11.

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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.

***

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 Corporate Governance sections of the Issuer's website, www.yooxgroup.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 October 29, 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 receive 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’s 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’s website as well as other methods peremptorily provided for by law and regulations and, if required by the applicable regulations, in the Official Gazette of the Republic of Italy, or in the daily newspapers Il Sole 24 Ore or M.F. Mercati Finanziari/Milano Finanza, specifying the date, time and place of the first and possibly second and third call, if the first and second meetings are unattended, 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. However, notice of the calling can exclude recourse to callings after the first one if the Meeting is held following a single calling.

Pursuant to Article 6 of the bylaws, the Shareholders must meet in an Ordinary 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 which by 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’s 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 oldest. 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.

***

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.

***

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 April 27 (with 4 Directors in attendance) and June 29, 2012 (with 3 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 March 5, 2013, in accordance with Criteria 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 18452 of January 30, 2013, CONSOB set the shareholding required to present candidate

lists for the election of the Issuer's management body, with reference to the year ending December 31, 2012, at 2.5% 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), March 5, 2013
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

In 2012 too the online retail market continued to record sustained growth in almost all geographic markets and the main categories of merchandise. This growth was considerably greater than that of the traditional retail market, thereby allowing the online channel to further increase its penetration rate in the total retail market, testimony to the increasing trend among shoppers of using the internet as a complementary channel to physical shops.
Forrester Research estimates that the online retail market, excluding the travel, motor vehicle and prescription medicines sectors, recorded sales in 2012 of around Euro 97 billion in Western Europe, an increase of 19% compared with 2011[4], around USD 231 billion in the United States, a growth of almost 14% compared with 2011[5] and Yen 5.091 billion in Japan, a growth of 13% compared with the previous year[6]. In 2013, Forrester estimates growth of 15% for the online retail market in Western Europe, 12% in Japan and 13% in the United States.
Within the online retail market, the YOOX Group operates in the fashion sector (defined as the collection of clothing, footwear, jewellery and watches markets) which, according to Forrester Research information, represented about 21% of the online retail market in Western Europe and the United States in 2012, recording growth rates equal to 23% and 16% respectively compared with 2011. Forrester forecasts a CAGR (Compound Annual Growth Rate) for 2012-2017 of around 16% in Western Europe and 10% in the United States. The online fashion market in Japan (defined as the collection of clothing, accessories and footwear markets) represents about 21% of the entire online retail market, a growth of 11% compared with the previous year and with an estimated CAGR for 2012-2016 of about 9%.
According to the forecasts published by Forrester Research in May 2012, the online fashion market in China (defined as the collection of clothing, accessories and footwear markets), recorded sales of around CNY 229 billion in 2012 (equal to around Euro 28 billion), a growth of 40% compared with 2011. Although the market is relatively small compared with the others described above, Forrester forecasts a decidedly higher CAGR for 2012-2016 of around 21%.
The reasons for the strong growth forecasts for the retail online market throughout the world are manifold; they include the wider selection of products offered on the web, the search for convenience and the growing perception of the web as a safe place to make purchases. The trend towards an increase in the number of internet users and people completing orders online together with the higher average annual expenditure per user are also a confirmation of the emergence of a new, increasingly digitally native generation.
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 led to more companies investing in improvements to the shopping experience, online content and alternative channels, such as social and mobile commerce, thus sustaining the growth of online sales over the long term.

INTRODUCTION

2012 closed with a sustained increase in sales for the Group, both in the Multi-brand and Mono-brand business lines, recording positive performances in all the main reference markets.

Financial resources generated by operating activity were used for procurement and technological innovation to deal with future growth.

To complete the penetration strategy into the Chinese market, following the debut with the Mono-brand business line in 2010 and the launch of the multi-brand boutique thecorner.com in 2011, on October 8, 2012 the new yoox.com was also launched in China. **yoox.cn** will be able to benefit from the Group's two years of investment aimed at affirming its position, in this market too, as the official and authorised internet retailing partner to the leading fashion brands and at creating a fully localised structure with a dedicated team.

[4] Calculations based on Forrester Research data – "Online retail forecast, 2012 to 2017 (Western Europe), Forrester Research Inc., March 2013".
[5] Calculations based on Forrester Research data – "Online retail forecast, 2012 to 2017 (US), Forrester Research Inc., February 1, 2013".
[6] Calculations based on Forrester Research data – "Online retail forecast, 2011 to 2016 (Asia Pacific), Forrester Research Inc., May 7, 2012".

On August 3, 2012 PPR S.A. and YOOX S.p.A. announced the signing of an agreement for a joint venture. The newly established company, in which PPR has a 51% stake and YOOX Group a 49% stake, is entirely dedicated to the management of the Mono-brand online stores of the numerous PPR Group luxury brands: Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Sergio Rossi and Stella McCartney.
The joint venture leverages the leadership positions of PPR and YOOX Group in their respective sectors, with the ultimate goal of upgrading the current e-commerce websites for the PPR luxury brands and accelerating the development of their digital presence at a global level to offer an exclusive online shopping experience to all customers throughout the world.
PPR brings the strong appeal of its brands to the partnership, plus its many years of experience in the luxury sector. YOOX Group contributes its twelve years of experience in e-commerce fashion and its consolidated expertise at global level in the management of Mono-brand online stores and the development of e-tailing strategies for the major fashion brands.
As an integral part of the strategy, the brands manage their own Online Stores, being responsible for the product mix, editorial contents, artistic direction and digital communication.
The joint venture allows the PPR Group luxury brands to share the best practices of e-commerce, from web design and user experience to digital production, from customer care to web marketing. Through the joint venture, the brands have access to the global and highly automated YOOX Group techno-logistical platform and they benefit from its international presence, at the same time featuring a local approach, and from its experience in new luxury e-commerce markets, such as China. This will allow the brand collections to be available in more than 100 countries throughout the world.
The joint venture is consolidated by PPR and YOOX Group is paid a fee, established according to revenue-sharing agreements, for services rendered and activities carried out. After seven years, PPR and YOOX Group will respectively have the right, to exercise call and put options for the YOOX share in the joint venture.
At the end of 2012 the joint venture’s activities began with the launch of the Sergio Rossi, Stella McCartney and Bottega Veneta Online Stores.

The following Mono-brand online stores were launched in 2012: barbarabui.com in February 2012 in Europe, the U.S. and Japan following a contract signed by Barbara Bui S.A. and YOOX S.p.A. on August 29, 2011; in March 2012 the pringlescotland.com Online Store was launched in Europe, the U.S. and Japan following a contract signed by Pringle of Scotland Ltd on November 21, 2011. The pomellato.com Online Store was launched in May 2012 in Europe, the U.S. and Japan following a contract signed by Pomellato S.p.A. and YOOX S.p.A. on November 14, 2011. Lastly, alexanderwang.com became active from May 2012 with the Alexander Wang and T by Alexander Wang brands, initially in the Asia-Pacific area countries and then in Europe from November 2012.
The Online Store moncler.com was extended to the Chinese market on September 12, 2012, and from October 2012 the new Tru Trussardi and Trussardi Jeans lines have been available in the Online Store trussardi.com.
As illustrated in the significant events after the end of the year, on February 12, 2013 bikkembergs.com was also extended to the Japanese market, and the missoni.com Online Store will be launched during the first half of 2013 following a 6-year agreement, signed on June 12, 2012, by Missoni S.p.A. and YOOX S.p.A. missoni.com will mainly be active in Europe, the U.S. and Japan.

The year also saw the renewal of various Mono-brand collaborations: following Staff International S.p.A. coming under the Just Cavalli brand licence, on April 11, 2012, YOOX S.p.A. signed a five-year contract with the new licensee to continue managing the Just Cavalli brand, originally activated, in February 2011, within the robertocavalli.com Online Store.
Also, on July 5, 2012, Sportswear S.p.A. and YOOX S.p.A. renewed their collaboration agreement for the management of the stoneisland.com Online Store in Europe, the U.S. and Japan for a further 5 years, until March 7, 2018.
On August 1, 2012 Diesel S.p.A. and YOOX S.p.A. renewed their collaboration agreement for the management of the diesel.com Online Store for a further six years, until October 31, 2018. diesel.com will continue to operate primarily in Europe, the US and Japan with the Diesel, Diesel Black Gold and 55 DSL brands.

Moreover, in line with the dynamic management of the Group in its own Mono-brand portfolio, several collaborations will not be renewed when they expire. Specifically, following the termination of the agreement with the Sixty Group S.p.A., the Online Stores misssixty.com and energie.it were deactivated on September 4 and October 5, 2012, respectively.
Since December 2012 costumenational.com has no longer been active following the decision taken between CN Distribution S.r.l., Ittierre S.p.A. and YOOX S.p.A. not to continue with the collaboration agreement for managing the Online Store, previously active in Europe and the US with the Costume National and C’N’C brands.
The existing collaboration with Zeis Excelsa S.p.A. for the online sale of several Group brands will only continue for the Bikkembergs brand collections in the bikkembergs.com Online Store. Therefore, from January 2013, as illustrated in the significant events after the end of the year, the Online Store zeishouse.com, previously

operational in Europe with the Bikkembergs band and several other minor brands, owned and under licence, was deactivated.
Lastly, the agreement with FGF Industry S.p.A. relating to the management of the cpcompany.com Online Store in Europe, the US and Japan was not renewed after its expiry on February 28, 2013.

With the aim of further expanding the profitable footwear business successfully built up over the course of the years, on March 7, 2012 the Group launched shoescribe.com, a new Multi-brand Online Store entirely devoted to ladies footwear. shoescribe.com joins yoox.com and thecorner.com in the Multi-brand business line. The Group's many years of experience in fashion e-commerce has demonstrated that shoes are the undisputed bestsellers globally. As such, the Group wanted to dedicate an online space entirely to shoes. In July 2012 the mobile website shoescribe.com was launched which, with functions such as full-screen zoom, the perfect match between desktops and mobiles for all contents and e-commerce functions and the possibility of browsing the website either horizontally or vertically, places YOOX Group, once again, at the cutting edge of mobile commerce.

In line with the Group's strategy aimed at the constant innovation of its multi-channel technological platform, on September 3, 2012 YOOX Group launched the "new yoox.com". With a design founded on immediacy and user friendliness, the release is totally new, not only in terms of graphics, browsing and the structure of the website, but also through the introduction of significant functions and contents, guaranteeing a completely new shopping experience. Specifically, the new yoox.com has introduced advanced instant searches which allow you to find what you want easily and quickly, and 'Speak & Shop™', a revolutionary function in online fashion, introduced for the first time by YOOX Group and developed from the convergence of voice recognition and text-based searches. Since its launch, the performance of the new yoox.com, available immediately on all mobile channels, has been decidedly better than the previous version, with an increase in the conversion rate of orders and a reduction in the bounce rate[7]. In the last quarter of 2012, new native apps for yoox.com and shorescribe.com for the iOS mobile and Android operating systems were also launched.

In 2012, investments in the Interporto logistical centre automation project (Bologna) finally went ahead, aiming to increase storage capacity in order to support future growth of the Group and to increase levels of operating efficiency. In the first months of 2013, this project was successfully completed..

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.

[7] The bounce rate or exit rate for a website is defined as the number of visitors who enter the site, only view a single page and leave, rather than continue and view other pages, divided by the total number of visitors.

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 new 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 2012, the Multi-brand business line generated a monthly average of about 5.7 million unique visitors[8].

The Group has designed and promoted web campaigns courtesy of which the Multi-brand business line has reached a figure in 2012 of approximately 40 thousand websites in more than 50 countries; about 258 million newsletters were set 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 PPR 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 PPR Group.

In 2012, the Mono-brand business line generated a monthly average of about 7.3 million unique visitors.

At December 31, 2012, there were 33 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;

- emporioarmani.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 and the United States since November 2007, and in Japan since February 2011;

- cpcompany.com, the Online Store of the CP Company brand, operational since February 2008 mostly in the main European markets, the US and Japan;

- 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 and the Red Valentino brands, operational since April 2008 in the US and as of March 2009 in the main European markets and Japan;

[8] 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.

- 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 and the US;
- bally.com, the Online Store of the Bally brand, operational since February 2009, mainly in Europe and the US and operational in China since May 2011;
- dsquared2.com, the Online Store of the Dsquared2 brand operational since September 2009, active mainly in Europe, the US and Japan;
- 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;
- coccinelle.com, the Online Store of the Coccinelle brand, operational since February 2010, mainly in Europe, the US and Japan;
- 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;
- zeishouse.com, the Online Store of Zeis Excelsa S.p.A for the sale of Merrell, Cult, Bikkembergs, Docksteps, Harley-Davidson Footwear, Samsonite Footwear, Sebago and Virtus Palestre footwear brands, operational since September 2010 in Europe;
- 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 U.S. 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 and Japan;
- bikkembergs.com, the Online Store of the Dirk Bikkembergs Sport Couture and Bikkembergs brands, operational since June 2011, mainly in Europe and, from October 2011, in the U.S.;
- dolcegabbana.com, the Online Store of the Dolce & Gabbana brand, operational since July 2011 in Europe, the U.S. and Japan and, from August 2011, in China;
- moncler.com, the online store of the Moncler brand, operational since September 2011, mainly in Europe and the US and, from September 2012, in China;
- 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 U.S., Japan and China;
- trussardi.com, the Online Store of the Trussardi 1911 brand operational since December 2011 mainly in Europe, the U.S. 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 U.S. 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 and Japan and since November 2012 in Europe;
- sergiorossi.com, the Online Store of the Sergio Rossi brand managed by the joint venture between PPR and YOOX Group active since September 2012 in the main European markets, the U.S. and Japan;
- bottegaveneta.com, the Online Store of the Bottega Veneta brand managed by the joint venture between PPR and YOOX Group pre-opened 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 PPR and YOOX Group pre-opened at the end of 2012 in 100 countries including Europe, the US and Japan.

At the date of the document an agreement was signed for the Online Store missoni.com whose launch is anticipated by the first half of 2013.

REVENUES AND PROFITABILITY

Methodology note

This Directors' Report contains information relating to the revenue and profitability of the YOOX Group and Parent YOOX S.p.A. as at December 31, 2012.
Unless otherwise indicated, all amounts are expressed in thousands of Euros. In producing this report the comparisons in the Group consolidated and separate financial statements 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 financial statements in terms of comments on the main events that occurred in relation to subsidiaries.

Accounting policies

The Annual financial report at December 31, 2012 has been compiled in accordance with Article 154-*ter*, paragraph 5 of Legislative Decree 58/98 – TUF – and later modifications and additions, and in compliance with Article 2.2.3 of the Stock Exchange Regulations.

The accounting policies, the consolidation policies and the measurement criteria used in preparing the Annual Report at December 31, 2012 are consistent with those used to draw up the Annual Report at December 31, 2011; 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 2012 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 2012:

Thousand Euro	Q4 2012	Q4 2011	Change	
Consolidated net revenues	109,807	86,760	23,047	26.6%
Cost of goods sold	(64,730)	(52,526)	(12,204)	23.2%
Gross Profit[9]	**45,077**	**34,233**	**10,844**	**31.7%**
% of consolidated net revenues	41.1%	39.5%		
Fulfilment costs	(7,770)	(7,243)	(527)	7.3%
Sales and marketing costs	(12,201)	(9,421)	(2,780)	29.5%
EBITDA Pre Corporate Costs[10]	**25,106**	**17,569**	**7,537**	**42.9%**
% of consolidated net revenues	22.9%	20.3%		
General & Administrative expenses	(8,638)	(5,698)	(2,940)	51.6%
Other income and expenses	(254)	398	(652)	-163.9%
EBITDA[11]	**16,213**	**12,268**	**3,945**	**32.2%**
% of consolidated net revenues	14.8%	14.1%		
Depreciation and amortisation	(4,335)	(2,806)	(1,529)	54.5%
Non-recurring expenses	-	-	-	-
Operating profit	**11,879**	**9,463**	**2,416**	**25.5%**
% of consolidated net revenues	10.8%	10.9%		
Result of equity investments	(366)	-	(366)	-
Financial income	29	901	(872)	-96.8%
Financial expenses	(975)	(458)	(518)	>100%
Profit before tax	**10,566**	**9,906**	**660**	**6.7%**
% of consolidated net revenues	9.6%	11.4%		
Taxes	(3,788)	(3,537)	(251)	7.1%
Consolidated net income for the period	**6,778**	**6,369**	**409**	**6.4%**
% of consolidated net revenues	6.2%	7.3%		
EBITDA excluding Incentive Plan Costs[12]	**17,936**	**13,285**	**4,651**	**35.0%**
% of consolidated net revenues	16.3%	15.3%		
Consolidated net income for the period excluding Incentive Plan Costs[13]	**8,095**	**7,146**	**949**	**13.3%**
% of consolidated net revenues	7.4%	8.2%		

The fourth quarter of 2012 saw a growth in consolidated net revenues of 26.6% compared with the same period in the previous year[14]. Profitability, measured in terms of EBITDA (earnings before interest, taxes, depreciation and amortisation) was Euro 16,213 thousand, recording growth of 32.2% compared to the fourth quarter of 2011. EBITDA excluding Incentive Plans stood at Euro 17,936 thousand, equal to profitability of 16.3%.
The Consolidated net income for the fourth quarter of 2012 was Euro 6,778 thousand, with profitability of consolidated revenue of 6.2%. Excluding the expenses relating to the incentive plans and the related fiscal effect, Net income excluding Incentive Plans for the fourth quarter of 2012 recorded a significant improvement

[9] Gross profit is profit before fulfilment 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.

[10] 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.

[11] 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.

[12] 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.

[13] 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.

[14] +24.4% at constant exchange rates.

(+13.3%), standing at Euro 8,095 thousand compared with Euro 7,146 thousand for the previous year, in spite of the increased depreciation and amortisation of Euro 1,529 thousand.

Reclassified consolidated income statement for the year 2012:

Thousand Euro	Dec. 31, 2012	Dec. 31, 2011	Change	
Consolidated net revenues	375,924	291,188	84,736	29.1%
Cost of goods sold	(238,506)	(183,019)	(55,487)	30.3%
Gross Profit	**137,418**	**108,168**	**29,250**	**27.0%**
% of consolidated net revenues	36.6%	37.1%		
Fulfilment costs	(32,696)	(29,580)	(3,116)	10.5%
Sales and marketing costs	(42,108)	(31,549)	(10,558)	33.5%
EBITDA Pre Corporate Costs	**62,615**	**47,039**	**15,575**	**33.1%**
% of consolidated net revenues	16.7%	16.2%		
General & Administrative expenses	(29,081)	(22,601)	(6,480)	28.7%
Other income and expenses	(1,448)	(357)	(1,091)	>100%
EBITDA	**32,085**	**24,081**	**8,004**	**33.2%**
% of consolidated net revenues	8.5%	8.3%		
Depreciation and amortisation	(13,174)	(7,659)	(5,515)	72.0%
Non-recurring expenses	-	-	-	-
Operating profit	**18,911**	**16,423**	**2,488**	**15.2%**
% of consolidated net revenues	5.0%	5.6%		
Result of equity investments	(366)	-	(366)	-
Financial income	1,557	1,237	320	25.9%
Financial expenses	(3,538)	(1,209)	(2,328)	>100%
Profit before tax	**16,564**	**16,450**	**114**	**0.7%**
% of consolidated net revenues	4.4%	5.6%		
Taxes	(6,381)	(6,450)	69	-1.1%
Consolidated profit for the year	**10,183**	**10,000**	**183**	**1.8%**
% of consolidated net revenues	2.7%	3.4%		
EBITDA excluding Incentive Plan Costs	**36,695**	**28,248**	**8,447**	**29.9%**
% of consolidated net revenues	9.8%	9.7%		
Consolidated net income for the period excluding Incentive Plan Costs	**13,705**	**13,184**	**521**	**4.0%**
% of consolidated net revenues	3.6%	4.5%		

In 2012 YOOX Group posted consolidated net revenues, net of returns and customer discounts, of Euro 375,924 thousand, up 29.1% from Euro 291,188 thousand for 2012[15]. The mobile channels, smartphones and tablets in which YOOX has invested from the outset have taken on increasing importance for the Group: in the month of Christmas alone, visits from these channels represented approximately 25% of total traffic.

EBITDA stood at Euro 32,085 thousand in 2012, compared with Euro 24,081 thousand in 2011. The percentage of EBITDA on net revenues went from 8.3% in 2011 to 8.5% in 2012. This result reflects the increase in the Average Order Value and the strong operating leverage on logistics costs, which benefited from the considerable improvement in efficiency due to the automation of the techno-logistics platform. Excluding the non-cash costs relating to the Incentive Plans, equal to Euro 4,610 thousand, EBITDA excluding Incentive Plan Costs stood at Euro 36,695 thousand, with a margin on sales of 9.8%[16].
Consolidated profit is equal to euro 10,183 thousand compared with Euro 10,000 thousand in 2011 in spite of the increase of Euro 5,515 thousand in depreciation and amortisation (+72.0% compared with 2011) attributable, in the main, to investments in innovation and technology and the automation of the central techno-logistics platform, fully operational since the end of September 2011. Net income also suffered from greater financial costs of Euro 3,538 thousand (Euro 1,209 thousand in 2011) due to the greater exchange rate losses and passive interest connected to the use of the credit line for financing the logistics automation project, as well as a negative investment result.

[15] +25.2% at constant exchange rates.
[16] For further details please see the paragraph below relating to the analysis by business line, “Analysis of net revenues and operating profit by business line”.

Excluding non-cash costs charges relating to Incentive Plans and their related fiscal effect, Net income excluding Incentive Plans stood at Euro 13,705 thousand compared with Euro 13,184 thousand at December 31, 2011.

The table below provides several key indicators on the Group's operations for 2011 and 2012.

	Dec. 31, 2012	Dec. 30, 2011
Number of Monthly Unique Visitors [17] (millions)	13.0	10.4
Number of orders (thousands)	2,330	2,055
AOV[18] (Euro)	206	180
Number of Active Customers[19] (thousands)	947	808

At December 31, 2012 the Group recorded an average of 13.0 million Monthly Unique Visitors compared with 10.4 million at December 31, 2011 and the number of orders stood at 2,330 thousand, equal to one order processed every 14 seconds.[20] In 2012, around 99% of orders tracked were received by the delivery times agreed with the customers.
The average order value (AOV) also rose significantly to Euro 206 (excluding VAT) compared with Euro 180 (excluding VAT) in the same period of the previous fiscal year.
There was also a significant increase in the number of active customers, which stood at 947 thousand at December 31, 2012, compared with 808 thousand at December 31, 2011.

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 for 2011 and 2012, 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, 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 at December 31, 2012, with a reconciliation of entries with the Group's income statement, see the consolidated financial statements.

Operating information by business line at December 31, 2012 is as follows:

	Multi-brand		Mono-brand		Group total	
Thousand Euro	*Dec. 31, 2012*	*Dec. 31, 2011*	*Dec. 31, 2012*	*Dec. 31, 2011*	*Dec. 31, 2012*	*Dec. 31, 2011*
Consolidated net segment revenue	262,011	212,791	113,913	78,397	**375,924**	**291,188**
% of consolidated net Group revenue	69.7%	73.1%	30.3%	26.9%	**100.0%**	**100.0%**
% change	*23.1%*		*45.3%*		***29.1%***	
Segment operating profit	39,956	32,217	22,658	14,823	**62,615**	**47,039**
% of consolidated net sector revenue	15.2%	15.1%	19.9%	18.9%	**16.7%**	**16.2%**
% change	*24.0%*		*52.9%*		***33.1%***	

At December 31, 2012, the Group's consolidated net revenues, net of returns from sales and discounts given to customers, was equal to Euro 375,924 thousand, a growth of 29.1% compared with Euro 291,188 thousand at December 31, 2011, with a contribution from both business lines.
The sector operating result (or EBITDA Pre Corporate Costs) was Euro 62,615 thousand, an increase of 33.1% compared with Euro 47,039 thousand at December 31, 2011, with a margin of 16.7% compared with 16.2% for 2011.

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 262,011 thousand, a 23.1% increase compared with Euro

[17] Source: Site Catalyst for yoox.com; Google Analytics for thecorner.com, shorescribe.com and mono-brand online stores "Powered by YOOX Group".
[18] Average Order Value or AOV, excluding VAT indicates the average value of each purchase order.
[19] An Active Customer is defined as a customer who placed at least one order during the 12 preceding months.
[20] Calculated by dividing the overall total of seconds in the period in question by the number of orders processed at Group level in the same space of time.

212,791 thousand at the end of 2011. The growth of yoox.com, which in the fourth quarter saw a strong acceleration in sales, made a significant contribution to this performance and, the localised version was launched in China in the same period. 2012 was also an extremely positive year for thecorner.com and shoescribe.com, which, launched in March 2012, is proving itself as a target reference in the footwear industry.
Overall, at December 31, 2012, the Multi-Brand business line accounted for 69.7**%** of the Group's consolidated net revenues.
The Multi-brand sector operating result stood at Euro 39,956 thousand, a 24.0% increase compared with Euro 32,217 thousand in 2011, with a margin of 15.2% compared with 15.1% in 2011. This result is due to the improvement of the gross profit and the operating leverage on logistics costs, which have more than offset the increase in sales and marketing costs.
Specifically, the increase in gross profit is attributable to the global optimization of shipping, pricing and promotional policies, fully implemented by the Group since July 2012. These policies also benefited in part by a more balanced mix of Spring/Summer and Autumn/Winter sales for yoox.com compared with the previous year. The improvement in gross profit was also helped by favourable Euro/Dollar exchange rates.

Mono-brand business line
The Mono-brand business line includes the set-up and management of the Online Stores of some of the leading global luxury fashion brands. This business line recorded consolidated net revenues of Euro 113,913 thousand, a 45.3% increase compared with Euro 78,397 thousand at December 31, 2011, thanks to the performance of both the Online Stores activated in 2011 and those launched during 2012.
Overall, at December 31, 2012, the Mono-Brand business line accounted for 30.3**%** of the Group's consolidated net revenues and numbers 33 Online Stores.
The sector operating result grew by 52.9%, with a margin of 19.9% compared with 18.9% for 2011. The growth in profitability for 2012 is mainly attributable to the considerable increase in operational efficiency related to the new, highly automated techno-logistics platform, which more than offset the lower contribution of fees from web-marketing, set-up and maintenance activities.

Consolidated net revenues by geographical area

Below is a breakdown of the Group's consolidated net revenue by geographical area for 2011 and 2012.

Thousand Euro	Dec. 31, 2012		Dec. 31, 2011		Change	
Italy	59,049	15.7%	57,677	19.8%	1,372	2.4%
Europe (excluding Italy)	180,180	47.9%	141,572	48.6%	38,608	27.3%
North America	81,514	21.7%	59,731	20.5%	21,783	36.5%
Japan	31,081	8.3%	19,827	6.8%	11,254	56.8%
Other countries	14,593	3.9%	6,089	2.1%	8,503	139.7%
Not country related	9,507	2.5%	6,292	2.2%	3,215	51.1%
Total YOOX Group	**375,924**	**100%**	**291,188**	**100.0%**	84,736	29.1%

The Group's forceful expansion at international level continues: all the main foreign markets, which at December 31, 2012 represent 84%[21] of total net revenues, recorded important growth rates compared with the end of 2011.

Specifically, North America was confirmed once again as the Group's major market, with sales of Euro 81,514 thousand, corresponding to 21.7% of consolidated net revenues, a growth of 36.5%[22] over 2011.
Italy's performance was extremely positive, recording net progress in the fourth quarter of 2012 (+11.8%), confirmation of the efficiency of the initiatives carried out during the period, as well as courtesy of the increased number of consumers who decided to make their Christmas purchases online. Net revenues in Italy for the entire year increased by 2.4% compared with 2011.

The results for the rest of Europe were also excellent, with growth of 27.3% in the year and acceleration in the fourth quarter (+29.6%). The main countries contributing to the Group's sales in Europe in 2012 were France, Germany, England, all showing increases compared with 2011, and Russia, which has continued to post excellent results.

Performances in Japan, an increase of 56.8% compared with 2011 (+44.8% at constant exchange rates) and in the Other Countries (+139.7% compared with 2011), driven by China, were very solid.

[21] Excludes the "Not country related" segment.
[22] +26.0% at constant exchange rates.

MARKETING AND COMMUNICATIONS

During 2012, the marketing area's activities followed three main policies: the acquisition of new customers, increasing the retention rate of customers acquired through CRM and direct marketing operations and increasing brand awareness.
In order to acquire new customers campaigns in the major performance areas were intensified, in particular "Search Engine Marketing" activities (SEM – promoting websites by increasing their visibility in the main search engine pages) and the management of the subsidiary networks, price comparison websites and behavioural targeting activities.
Direct Marketing operations aimed at increasing the profitability of customers acquired were expanded (with a strong focus on purchasing frequency); these operations were mainly implemented by sending dedicated communications, highly targeted at different types of customers.
Activities of purchasing online advertising space on websites dedicated to fashion and in online versions of the main world daily newspapers also continued, negotiating and implementing new marketing agreements and developing new partnerships in general, activities in the main directed at increasing brand awareness, through the development of dedicated contents, in some cases also in hard copy versions of websites choosing media with large numbers in terms of circulation/readership (daily newspaper supplements), with the goal of reaching a different, but always related, audience.
Online marketing activities were consolidated in markets with large growth potential and supported the global launch of shoescribe.com and yoox.cn.
Activities were conducted for Group Multi-brand stores (yoox.com, thecorner.com and shoescribe.com) and for Mono-brand stores.
In 2012, the Group designed and promoted web campaigns that allowed the Multi-brand business line to reach about 40 thousand sites in more than 50 countries. Around 258 million newsletters, translated into the languages managed by the Group, were sent to subscribed users for the Multi-brand line.
In the management of the web marketing investment on behalf of Strategic Partners of the Mono-brand business line, the Group is offering support and consulting services, especially in the management of search engine marketing (SEM), but also in the field of affiliation marketing and Display Advertising campaigns.

At the same time, the number of media partnership projects on yoox.com was increased. These projects consist of the creation of product areas customised by fashion brand, design, beauty and lifestyle on yoox.com, promoted through the YOOX Group communication channels (yoox.com, the newyooxer.com, newsletters, partner magazine shopping sections, social network channels). In 2012 approximately 32 media partnership projects were set up with the same number of Italian and international brands.

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 mono-brand 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 2012 were:

- in January, to celebrate the launch of the localisation in Greek of the website, yoox.com presented an exclusive preview of the 2012 Spring/Summer collection of the Greek designer Angelos Bratis, winner of the 2011 Who's On Next competition, with a kaftan dress designed exclusively for yoox.com;
- yoox.com continued its collaboration with Altaroma Re-Edition, in January promoting a collection designed by Caterina Gatta with iconic fabrics from Maison Lancetti, on sale exclusively at yoox.com, directly from the Rome show via iPad;
- under the scope of a continuous collaboration project, the prestigious design magazine Case da Abitare created a series of photographic services with products selected from the Fashion and Design catalogue of yoox.com. The photos were launched in co-visibility with the magazine in February, June, September and November;
- in February YOOXYGEN launched the 2012 Spring/Summer collections of several eco-sustainable brands presented within Estethica, the initiative of the British Fashion Council dedicated to green fashion during London Fashion Week;
- to support the Design department, in March yoox.com launched an exclusive version of the famous "Le Cyclope Ardent" mirror by Moustache, available only at yoox.com in the new colours of gold, silver or bronze;
- the eco-celebrity Livia Firth has chosen YOOXYGEN for her Eco-Age online magazine shop: her range of green brands and products was launched in March with the 2012 Spring/Summer collections and was followed in September by the 2012-2013 Autumn/Winter collection, enhanced by exclusive products;

- in April yoox.com celebrated Earth Day by announcing new collaborations on YOOXYGEN: the Above Live Eco-Style Guide, an exclusive collection of earth-friendly clothing chosen by the first online community dedicated to a sustainable lifestyle, and a video of the top model Gisele Bundchen to promote GreenUp, the United Nations programme against deforestation, supporting the sale of Tree Shirts designed by Vivienne Westwood and available exclusively on yoox.com to support the initiative;
- yoox.com collaborated with Vogue Italia and with the sustainable fashion expert Marina Spadafora to present and sell the collections of 10 new African designers, discovered and chosen by Franca Sozzani: the launch in April was also supported with the Star Dream Box of top Ethiopian model Liya Kebede and with editorial coverage in L'Uomo Vogue;
- in June yoox.com launched a capsule collection of handmade headbands, made by the Spanish designer Agatha Ruiz De La Prada exclusively for yoox.com;
- yoox.com was the online media partner of Vogue Fashion Night Out Japan in September, selling a collection of Vogue Fashion Night Out Japan branded products and giving the proceeds to charity;
- the NEW yoox.com was launched in September with a completely visual identity and the introduction of new features, designed with the fundamental criteria of immediacy and usability in mind, hallmark features of when it was originally launched in 2000: these include the innovative Speak and Shop function based on the convergence of voice recognition and text search and a digital cover to welcome users from all over the world;
- yoox.com confirmed its participation as Online Retail & Media Partner in the 2012 Vogue Italia and Altaroma "Who is on Next" women's competition, with a preview in September of the 2013 Spring/Summer womenswear collection and a completely exclusive product from the designer Suzanne Susceptible; from this year, yoox.com has also extended this partnership to the men's competition, promoted by L'Uomo Vogue and Pitti Immagine, with a preview in September of the 2013 Spring/Summer menswear collection and an exclusive outfit by the designer Andrea Cammarosano;
- in September yoox.com launched an exclusive range of vintage clothing signed by the historical designer Thierry Mugler;
- in October yoox.com unveiled the Art department, a carefully chosen range of unique works by emerging and established artists. To celebrate the launch, yoox.com collaborated with the famous Sculpture Park during the FRIEZE Art Fair in London in October;
- For the launch of YOOX Art, yoox.com also showed two prestigious, exclusive products:
  - a limited edition, in an online world exclusive, of the miniature version of the Anatomy of An Angel sculpture by Damien Hirst,
  - the set of table napkins called The Vanity of Small Differences by the artist Grayson Perry, available in a certified and numbered limited edition box set version exclusively at yoox.com;
- in October yoox.com held an exclusive preview launch of the capsule collection designed by Sergio Zambon for Galitzine: a revamp of the iconic Pijama Palazzo collection, the signature piece of the House, and an exclusive model for yoox.com;
- also in October, yoox.com celebrated 40 years of the famous American magazine "W" with a range of products chosen by the magazine and inspired by historical archive pictures, with a luxury version launched exclusively for yoox.com, of the commemorative book "W: the first 40 years";
- with the help of top Russian model Anastasia Khozissova, in October yoox.com launched a Russian fashion new talent scouting initiative, with the 2012 Autumn/Winter collections of designers Olya Shikhova and Maria Golubeva;
- for the launch of its Chinese version yoox.cn, yoox.com collaborated with Naomi Campbell and her Fashion For Relief organisation producing a series of limited edition t-shirts designed by prestigious fashion brands such as Moschino and Dolce e Gabbana, with Chinese inspired themes. The revenue from the sales was donated to the humanitarian organisation Care For Children;
- in November yoox.com launched a capsule collection of exclusive jewellery designed by Delfina Delettrez included in the launch of the yoox.com Christmas campaign;
- another two projects were launched in November in the Vintage area for Christmas:
- a retrospective dedicated to Yves Saint Laurent, with a unique range of clothing and accessories signed by the historical couturier with the American journalist Lynn Yaeger responsible for the editorial content;
- an exclusive sale of several pieces from the personal wardrobe of Margherita Maccapani Missoni, with the revenue from the sales donated to OrphanAid Africa, of which Margherita is Chairman in Italy;
- in December, yoox.com collaborated with the artist Francesco Vezzoli to create a limited edition work of 399 pieces, sold exclusively on yoox.com with the proceeds going to FAI – Fondo Ambiente Italiano (National Trust of Italy) towards the restoration of the Palazzo Comunale di Finale Emilia, which suffered serious damage in the earthquake in 2012;
- in December, under the "From Beijing with style" project, yoox.com and yoox.cn launched a range chosen by two international fashion bloggers Susie Bubble and Han Huo Huo through a photo call and an exclusive video conversation.

In 2012 thecorner.com also launched numerous new collaborations and special projects including:

- in January and June 2012 the corner.com collaborated with Pitti Immagine as web media and retail partner, unveiling exclusive online contents for the main events of the show and video interviews; in January, with an exclusive project in collaboration with Valentino, “reserve from the runway”, to purchase clothing from the fashion show; in June with the shoppable video tour inside the fortress for selected brands, as well as a focus on guest designers Carven and Peter Pilotto.
- in January, thecorner.com became the Exclusive Online Retail Partner of the Andam Fashion Award, offering finalists a global shop window to show their collections;
- in February, “Be the first to reserve your look”, the project in collaboration with Alexander Wang for the American market;
- in February, thecorner.com unveiled the Styling Around The World project under the auspices of Purple Magazine, launched in the magazine and online in a dedicated area where it was possible to purchase the clothing from the shoots and a backstage video produced by Olivier Zahm, Editor in Chief of Purple Magazine;
- February saw the launch of new menswear and womenswear collections from the designers of the London Show Rooms project of the British Fashion Council; in September, thecorner.com launched an area dedicated to selected English designers in the London Calling corner;
- strategic partnerships with Vogue in various countries to support young talent: on February 23, 2012, Vogue Italia and thecorner.com presented the second versions of “The Vogue Talents Corner” at Palazzo Morando (Milan), an innovative scouting project with the aim of promoting the creativity of the emerging talents on the international fashion stage through e-commerce. A show-event with eleven new talented young people presenting the 2012 Spring/Summer collections, that could be purchased at thecorner.com in an area dedicated to the project. Also in November, for the second year running, as online retail partner of the prestigious “CFDA / Vogue Fashion Fund (CVFF)”, an initiative promoted by the Council of Fashion Designers of America and Vogue America, thecorner.com unveiled an area dedicated to 10 American designers, finalists of the project, giving all enthusiasts the opportunity of buying 10 exclusive preview items of clothing (one item for each brand), and later launching a corner dedicated to the 2013 Spring/Summer collections. In November, in collaboration with VOGUE China, thecorner.com launched the second version of “The Vogue Talents Corner” China, a project dedicated to promoting new Chinese talents, unveiled online at thecorner.com.cn and in Vogue China in an editorial; the project was launched at an actual event in Peking, attended by International and Chinese personalities and celebrities;
- between January and March, thecorner.com saw the launch of new mini stores for Gianvito Rossi, Christophe Lemaire, Jonathan Saunders, Sacai Borsalino, Aquilano & Rimondim, Rupert Sanderson, Tabitha Simmons and others;
- the corner.com conducted exclusive “Unconventional Conversation” interviews hosted by Maria Luisa Poumaillou at Kenzo and Paco Rabanne between February and March;
- the exclusive capsule collection of Christophe Lemaire was launched in March marking his debut on thecorner.com;
- in April, thecorner.com launched the 2012 Autumn/Winter collection of Rodarte in the U.S., offering visitors the possibility of reserving and receiving clothing in advance;
- in April, the corner.com gave online boutique customers a free exclusive limited edition t-shirt created by Umit Benan;
- the angle by…Evelina Khromtchenko, Caroline Issa, Tim Blanks, Dolly Jones were launched between April and September;
- the opening of New York Fashion Week in September saw the corner.com launch the “Designers and their Muses” project in collaboration with Lifestyle Mirror. Pictures, interviews and videos of several designers on thecorner.com: Phillip Lim, Giles Deacon, Erdem Moralioglu;
- in September, thecorner.com launched a corner dedicated to 10 Corso Como with a special event in the 10 Corso Como boutique during Milan Fashion Week; Maison Martin Margiela created an exclusive iPad cover with a personalised tag for the occasion (Maison Martin Margiela for thecorner.com and 10 Corso Como) on sale exclusively at thecorner.com;
- between September and November, thecorner.com conducted the exclusive “Unconventional Conversation” interview hosted by Maria Luisa Poumaillou with Nicholas Kirkwood;
- in October, at the same time as the start of Paris Fashion Week, thecorner.com launched a corner dedicated to the collections of the six finalists of the Andam Fashion Award;
- new mini stores for Ralph Lauren, Mackintosh, Mcq - Alexander McQueen, Derek Lam, Sonia Rykiel, Jason Wu, Anthony Vaccarello, Prabal Gurung were launched between September and November;
- December saw the launch of the capsule collections produced exclusively for the corner.com by Kris Van Assche; also at the beginning of December, thecorner.com launched a corner for Victoria Beckham who designed an exclusive handbag for the opening;

- in December, thecorner.com simultaneously launched the Gucci Viaggio menswear and womenswear collections with two, highly customised, dedicated corners to unveil the new collection devoted to globe trotters;
- in December, the launch of the Beachwear Corner of Anna Laub to show the womenswear SS 13 resort and menswear SS 13 collections. A special video was produced for the opening of the new corner;
- starting at the end of November and with a weekly appointment leading up to Christmas, thecorner.com presented the Christmas Around The Corner project in collaboration with L'Officiel Magazine: 10 protagonists (5 men and 5 women) of different nationalities, who were introduced through an exclusive photoshoot, interviews and clothing selected by the protagonists online at thecorner.com and, at the same time, in issues of L'Officiel Magazine, L'Officiel Hommes and L'Officiel Voyage, as well as on officielmode.com.

In line with the Group's strategy of extending the in-season offering, on March 7, 2012, YOOX Group launched shoescribe.com, a new Multi-brand online store dedicated entirely to women's footwear, which operates alongside yoox.com and thecorner.com in the Group's Multi-brand business line.

- In mid-May, shoescribe launched its first special project: a collection of jewellery by Miniac (a brand established by the two designers Marta Ferri and Camilla Vender), entirely handmade and inspired by shoes, exclusively for shoescribe.com;
- The launch of shoescribe.com saw the selection of three exceptional guest curators who chose their favourite shoes from the site and spoke about themselves, their relationship with the world of footwear and their work in exclusive interviews: Arianne Phillips (March 7, 2012), Jane Aldridge – seaofshoes.com (April 24, 2012), Elisabeth Stewart (September 23, 2012)
- at the Cinema di Venezia Exhibition (August – September 2012), shoescribe.com was the Online Retail Partner of the "Trame di Moda" exhibition, a retrospective dedicated to costumes and red carpet outfits of the last 50 years, and unveiled a pair of shoes created by Giuseppe Zanotti, a reproduction of the original mules worn by Katharine Hepburn in 1955 in Summertime, which will be available on shoescribe.com from mid October 2012;
- shoescribe.com hosted an event at Milan Fashion Week dedicated to the Italian and international press (online and offline) "A Break with Shoescribe.com". The positive feedback helped increase brand awareness of the website;
- in mid-October, the young Italian blogger, Chiara Ferragni, known for her blog "The Blonde Salad" created a velvet bone heeled pumps, exclusively for shoescribe.com, available in three colours: indigo, black and grey available through the Facebook page of shoescribe.com;
- at the end of October, Fratelli Rossetti launched a limited edition capsule collection, comprising three iconic models in different materials and colours, exclusively for shoescribe.com;
- for the first Christmas, five designers (René Caovilla, Forfex, Elizabeth and James, Surface to Air, Zoraide) created five models of shoes, exclusively for shoescribe.com, only available at the online boutique;
- In December, shoescribe.com launched its new native app for iPhone and Android, available in English and Italian, which can be downloaded from App Store and Google Play Store Through this new app, shoescribe.com is offering a 360° shopping experience with customised services for the world of footwear.

In close cooperation with the Press Offices of the respective brands, the Group took part in communication activities for the Online Stores launched in 2012, as well as the extension to new markets for Online Stores already operating and several special initiatives.

The editorial coverage of the Group in 2012 included important titles such as The Wall Street Journal (USA), Financial Times (UK), Vogue (UK) Vogue (Spain) Harper's Bazaar (USA), Vogue (China), VOGUE (Greece), Vogue (Italy), L'Uomo Vogue (Italy), The Times Magazine (UK), L'Officiel (FR), Purple Magazine (FR).

INVESTMENTS

In 2012, the Group made investments totalling Euro 30,261 thousand, Euro 14,582 thousand in intangible assets and Euro 15,679 thousand in tangible assets. Increases in intangible assets were mainly for investments in multi-year development projects valued at Euro 12,395 thousand.
Investments in intangible assets are mainly linked to investments in the highly automated techno-logistical platform, a project in which the Group has invested since the fourth quarter of 2010.

Investments in the new highly automated global logistics platform continued: specifically, taking into account the proven validity of the investments already made that have improved the operating leverage and caused a considerable increase in efficiency, the Group decided to bring forward investments of approximately Euro 3 million to 2012 in order to accelerate the completion of the automation of the Bologna logistics centre, an operation which was successfully concluded at the end of February 2013.

The Group also continued to invest in the innovation and consolidation of multi-channel technology with the aim of anticipating the trends of a channel such as the mobile channel which is expanding enormously: customer experience will increasingly be through different channels, fixed and mobile.
One of the most important projects in 2012 was the development of the new yoox.com, launched globally, including in China, in October 2012, in a completely revamped version, rich and more efficient with significant innovations.
The technology team's strong commitment has also made it possible to launch shoescribe.com in March 2012 globally and on all platforms.
The new native apps of yoox.com and shoescribe.com were also launched in the last quarter of the year for iOS mobile and Android operating systems, as well as the mobile versions of these websites.

FINANCIAL MANAGEMENT

Consolidated statement of financial position

The tables below contain the figures taken from the Group's reclassified consolidated statement of financial position at December 31, 2012 and the Group's consolidated statement of cash flows for the same period.

Reclassified consolidated statement of financial position at December 31, 2012:

Thousand Euro	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	% Change
Net Working capital[23]	32,061	32,998	-2.8%
Non-current assets	55,472	36,911	50.3%
Non-Current Liabilities (excluding financial liabilities)	(340)	(296)	14.8%
Net invested capital[24]	**87,193**	**69,613**	**25.3%**
Shareholders' Equity	101,762	82,554	23.3%
Net Debt / (Net Financial Position)[25]	(14,569)	(12,941)	12.6%
Total Sources of Financing	**87,193**	**69,613**	**25.3%**

[23] 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.

[24] 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.

[25] 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.

Net working capital of the Group rose from Euro 69,613 thousand at December 31, 2011 to Euro 87,193 thousand at December 31, 2012, an increase of 25.3%. The increase in net working 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 12,941 thousand at December 31, 2011 to Euro 14,569 thousand at December 31, 2012 thanks to the cash flow.

Reclassified consolidated statement of cash flows at December 31, 2012:

Thousand Euro	Dec. 31, 2012	Dec. 31, 2011	% Change
Cash flow generated by (used in) operational activities	26,979	14,889	81.2%
Cash flow generated by (used in) investing activities	(19,738)	(10,688)	84.7%
Sub-Total	**7,241**	**4,201**	**72.3%**
Cash flow generated by (used in) financing activities	5,792	(5,646)	>100%
Total cash flow generated during the year	**13,033**	**(1,445)**	**>100%**

Cash flow generation in 2012, equal to Euro 13,033 thousand, was mainly due to the cash flow generated by operating activities of Euro 26,979 thousand, and was only partly reinvested to finance Group investments, equal to Euro 19,738 thousand, mainly related to the techno-logistics platform and investments in technology.

Debt/Consolidated net financial position

The table below gives details of the YOOX Group's net financial position at December 31, 2012.

Thousand Euro	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	% Change
Cash and cash equivalents	35,775	22,743	57.3%
Other current financial assets	6,490	5,466	18.7%
Bank loans and other current financial payables	(12,007)	(2,527)	>100%
Other current financial liabilities	(591)	(1,218)	-51.5%
Short-term net financial position	**29,667**	**24,463**	**21.3%**
Medium-long term financial liabilities	(15,099)	(11,522)	31.0%
Consolidated net financial position	**14,569**	**12,941**	**12.6%**

In accordance with the Group's organisational structure, treasury operations are centralised at the Parent, 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.

Cash and cash equivalents totalled Euro 35,775 thousand at December 31, 2012, and are made up of cash, negotiable instruments and demand deposits or short-term deposits with banks, which are actually available and readily usable.

At December 31, 2012, financial liabilities stand at Euro 27,106 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 13,000 thousand (of which Euro 4,000 thousand is short-term), one medium/long term loan supplied by Banca Sella for Euro 5,000 thousand and one short-term loan by UniCredit for Euro 6,975 thousand. The remaining financial liabilities refer to finance leases for a total of Euro 1,809 thousand (of which Euro 871 thousand is current) dedicated to investments in technology, a loan agreement signed with De Lage Landen for a total of Euro 286 thousand (of which Euro 123 thousand is current) and the residual subsidised loan provided by Simest (Società Italiana per le Imprese all'Estero) of Euro 77 thousand, which is due in March 2013.

Other current financial liabilities at December 31, 2012 of Euro 591 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 at December 31, 2012, equal to Euro 6,490 thousand, are mainly those 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. 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 US dollars and Japanese yen.

Reconciliation of Parent'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's equity and profit for the year with the same consolidated figures pertaining to the Group for 2011 and 2012.

	Dec. 31, 2012		Dec. 31, 2011	
Thousand Euro	Net profit	Shareholders' Equity	Net result	Shareholders' equity
Parent's figures	**8,194**	**93,072**	**8,059**	**75,126**
Consolidation adjustments				
Difference between carrying amount and proportional share of equity of subsidiaries and associates	2,285	9,423	2,120	7,865
Elimination of intra-group profits	(538)	(1,332)	(326)	(794)
Tax impact on unrealised intra-group profits	242	599	147	357
Total consolidation adjustments	**1,989**	**8,690**	**1,941**	**7,428**
Equity and profit pertaining to the Group	**10,183**	**101,762**	**10,000**	**82,554**

Information on significant non-EU companies

YOOX S.p.A. has acknowledged the revision to CONSOB Regulations concerning markets, which was adopted in Resolution No. 16191 of October 29, 2007 and subsequent revisions concerning the listing of non-European parents.
In this regard, since YOOX S.p.A. directly or indirectly controls five 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's auditors with all the information necessary to audit the annual and interim financial statements of the Parent; 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 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 does not have controlling companies.

Relations between the Group companies can be summarised as follows:

- the Parent’s supply of products to subsidiaries earmarked for sales on the U.S., Japanese and Asia-Pacific area websites;
- the Parent’s maintenance and support services, and updating of the subsidiaries’ sites;
- administrative, financial and legal services provided by the Parent to subsidiaries;
- customer services provided by the Parent 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 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 December 31, 2012.
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 December 31, 2012.

For trade transactions between Group companies and parties included among shareholders and/or directors, refer to the consolidated financial statements as at December 31, 2012.

For the financial statements impact of the Group transactions with related parties, refer to the consolidated financial statements as at December 31, 2012.

YOOX S.p.A.

YOOX S.p.A. reclassified income statement

YOOX S.p.A. reclassified income statement for the year ended December 31, 2012:

Thousand Euro	Dec. 31, 2012	Dec. 31, 2011	Change	
Net revenues	314,367	249,201	65,166	26.1%
Cost of goods sold	(219,485)	(167,935)	(51,549)	30.7%
Gross Profit	**94,883**	**81,266**	**13,617**	**16.8%**
% of net revenue	30.2%	32.6%		
Fulfilment costs	(25,238)	(24,446)	(792)	3.2%
Sales and marketing costs	(23,935)	(19,150)	(4,786)	25.0%
EBITDA Pre Corporate Costs	**45,709**	**37,670**	**8,039**	**21.3%**
% of net revenue	14.5%	15.1%		
General & Administrative expenses	(16,389)	(16,546)	157	-0.9%
Other income and expenses	(1,292)	(185)	(1,106)	>100%
EBITDA	**28,028**	**20,938**	**7,089**	**33.9%**
% of net revenue	8.9%	8.4%		
Depreciation and amortisation	(13,044)	(7,558)	(5,486)	72.6%
Non-recurring expenses	-	-	-	-
Operating profit	**14,984**	**13,381**	**1,603**	**12.0%**
% of net revenue	4.8%	5.4%		
Result of Equity Investments	(366)	-	(366)	-
Financial income	1,547	622	926	>100%
Financial expenses	(2,794)	(1,018)	(1,776)	>100%
Profit before tax	**13,371**	**12,984**	**387**	**3.0%**
% of net revenue	4.3%	5.2%		
Taxes	(5,177)	(4,925)	(252)	5.1%
Profit for the year	**8,194**	**8,059**	**135**	**1.7%**
% of net revenue	2.6%	3.2%		
EBITDA excluding Incentive Plan Costs	**32,638**	**25,105**	**7,532**	**30.0%**
% of net revenue	10.4%	10.1%		
Consolidated net income for the period excluding Incentive Plan Costs	11,716	11,242	473	4.2%
% of consolidated net revenues	3.7%	4.5%		

The Parent's revenue, net of returns and customer discounts for 2012, was Euro 314,367 thousand, an increase of 26.1% on the previous year. This revenue includes amounts relating to the Parent's supply of products to subsidiaries earmarked for sales on the North American, Japanese, Asia Pacific area and Chinese Online Stores.
EBITDA totalled Euro 28,028 thousand, representing 8.9% of revenues.
Profit for 2012 was Euro 8,194 thousand, an increase compared to the 2011 figure of Euro 8,059 thousand.

YOOX S.p.A. investments

In 2012 YOOX S.p.A. made investments totalling Euro 30,185 thousand. Since nearly all the Group's investments were made by the Parent 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 December 31, 2012:

Thousand Euro	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	% Change
Net working capital	36,879	39,046	-5.5%
Non-current assets	55,536	36,373	52.7%
Non-Current Liabilities (excluding financial liabilities)	(340)	(296)	14.8%
Net invested capital	**92,075**	**75,123**	**22.6%**
Shareholders' Equity	93,072	75,126	23.9%
Net Debt /Net (Financial Position)	(997)	(3)	>100%
Total Sources of Financing	**92,075**	**75,123**	**22.6%**

YOOX S.p.A. reclassified statement of cash flows for the fiscal year at December 31, 2012:

Thousand Euro	Dec. 31, 2012	Dec. 31, 2011	% Change
Cash flow generated by (used in) operational activities	28,165	10,255	>100%
Cash flow generated by (used in) investing activities	(21,558)	(11,399)	89.1%
Sub-Total	**6,607**	**(1,144)**	**>100%**
Cash flow generated by (used in) financing activities	6,718	(2,449)	>100%
Total cash flow generated during the year	**13,325**	**(3,593)**	**>100%**

The net financial position of the Parent at December 31, 2012 was positive to the tune of Euro 997 thousand, compared with Euro 3 thousand at December 31, 2011.
As already indicated, in accordance with the Group's organisational structure, treasury operations are centralised at the Parent, YOOX S.p.A., which manages all lines of credit provided to the Group.
Cash and cash equivalents totalled Euro 26,327 thousand as at December 31, 2012, a significant change from the figure at December 31, 2011, 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.

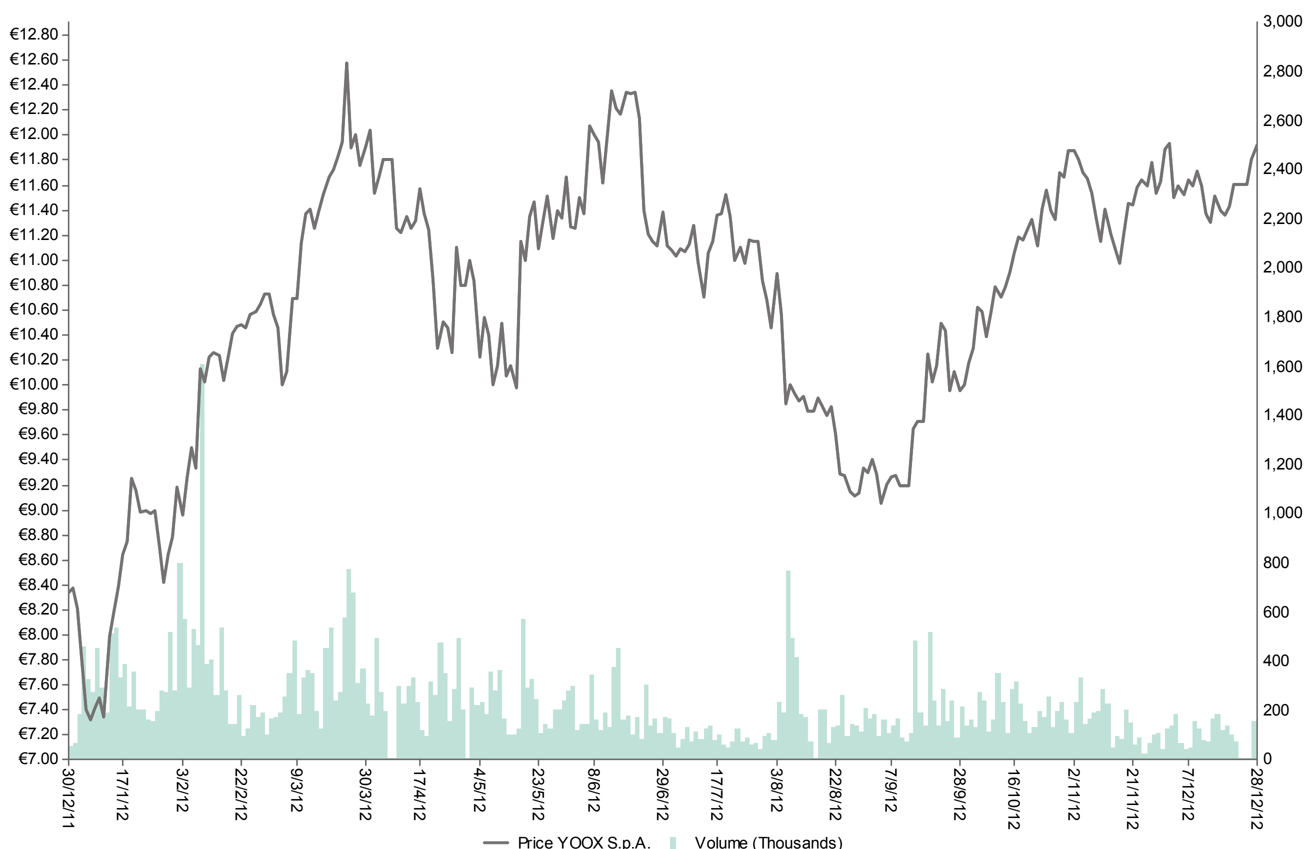
As regards the risk factors to which the Parent is exposed, please see the above section with reference to the YOOX Group, since these same notes also apply to YOOX S.p.A.

INFORMATION FOR INVESTORS

The Global Offering of shares of YOOX S.p.A. (ISIN no IT0003540470) was successfully completed in December 2009. Company shares have been listed since December 3, 2009 on the STAR segment of Borsa Italiana and, from September 20, 2010, YOOX stock is also part of the Italia Mid Cap FTSE index, comprising the top 60 shares for capitalisation and liquidity, outside of the MIB FTSE index.

At December 28, 2012, the last day of trading of the year, the YOOX stock closed at Euro 11.92, corresponding to a market capitalisation of Euro 683.2 million.
Between the time of the listing and December 28, 2012, the YOOX share price grew by 177.2% over the flotation price (Euro 4.3), while in the twelve months to December 28, 2012, the stock grew by 42.9% over its closing price at December 30, 2011 (the last day of trading in 2011).

YOOX stock performance in 2012



Source: Factset

In the reference period, YOOX stock performance was better than the Borsa Italiana MIB FTSE, the Italia START FTSE and the Italia Mid Cap FTSE; specifically, the stock recorded performances of 26.3% and 43.4% better than the Italia STAR FTSE and Italia Mid Cap FTSE indices, which respectively gained 16.6% and fell by 0.4%.

YOOX stock performance compared with the main Italian Stock Exchange indices in 2012

Source: Factset

The table below summarises key stock and stock exchange data for 2012.

Stock and stock exchange data	2012
Closing price at Dec. 28, 2012 (Euro)	11.920
Maximum closing price for 2012 in Euro – Mar. 26, 2012	12.580
Minimum closing price for 2012 in Euro – Jan. 06, 2012	7.320
Market capitalisation at Dec. 28, 2012 (Euro million)	683.168

Source: Borsa Italiana

Stock analyst coverage

Stock analyst coverage at March 5, 2013 includes 11 financial analysts. In addition to the global coordinators for the IPO, Goldman Sachs International and Mediobanca, the stock analyst coverage of YOOX stock includes Equita, Intermonte, Gruppo24Ore, Bank of America Merrill Lynch, Centrobanca, Deutsche Bank, Citi, Cheuvreux and N+1 Singer, with Fidentiis added at the beginning of 2012 with no rating indication.

Shareholder structure

At December 31, 2012, the share capital totalled Euro 573,127.88, corresponding to a total of 57,312,788 shares with no nominal value pursuant to Article 2346 of the Italian Civil Code.

At December 31, 2012, 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	Dec. 31, 2012
Balderton Capital I L.P.	7.625%
Federico Marchetti	6.968%
OppenheimerFunds, Inc.	5.059%
Federated Equity Management Company of Pennsylvania	4.985%
Red Circle S.r.l. Unipersonale	4.953%
Caledonia (Private) Investments Pty Limited	4.743%
Red Circle Investments S.r.l.	4.316%
Aviva Investors Global Services Limited	2.813%
Capital Research and Management Company	2.420%
Wasatch Advisors Inc.	2.224%

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 and the United States.
Financial communication since the listing has taken place according to the rules 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 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 at December 31, 2012 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 governing the handling of personal data and uses the most advanced technological and encryption systems for making purchases.
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 a 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 relating to security of information are constantly dealt with.

TAX MATTERS

The Group has incurred a higher tax burden in absolute terms compared with the situation at December 31, 2011. Current taxes have increased from Euro 5,594 thousand to Euro 8,404 thousand.
IRAP taxes rose 14% for the Parent from Euro 1,275 thousand at December 31, 2011 to Euro 1,458 thousand at December 31, 2012. IRES taxes for the Parent at December 31, 2012 amounted to Euro 4,335 thousand.
Taxes for Group overseas companies for the period to December 31, 2012 amounted to approximately Euro 2,612 thousand.

The Group also recognised deferred tax assets totalling Euro 5,431 thousand and deferred tax liabilities of Euro 171 thousand. Deferred tax assets of Euro 4,033 thousand and deferred tax liabilities of Euro 126 thousand that were recognised in 2011 were also reversed.

It should also be pointed out that the amount in the income statement does not include the Euro 134 thousand of deferred taxes for the share premium reserve, in compliance with provisions of IAS 32. The deferred tax assets reversed include deferred tax assets directly against the share premium reserve of Euro 537 thousand set aside in the fiscal year 2011.

LEGAL MATTERS

In 2012 the Group has signed, among other things:

- two important e-commerce contracts for the set-up and management of virtual stores for the sale of fashion clothing and accessories, some of which are already operational at the date of the document;
- following Staff International S.p.A. coming under the Just Cavalli brand licence, a five-year contract with the latter to continue managing the Just Cavalli brand, originally activated within the robertocavalli.com Online Store;
- an extension of the duration of mono-brand online stores already operational;
- an important contract with the French Group PPR S.A. for the joint management with YOOX of the e-commerce activities of several of the PPR Group's luxury brands;

as well as an extension contract to new markets and Online Stores already operational.

At December 31, 2012 there are no changes since December 31, 2011 in the Company's legal disputes either as plaintiff or defendant. The legal dispute pending at December 31, 2012 where the Company is a defendant relates to 2 labour lawsuits at the Court of Bologna, brought against YOOX by former employees. At December 31, 2012 a civil case brought by YOOX as the plaintiff against a former tax representative for Greece (at the

competent Greek Court) aimed at recovering sums unlawfully held by the above person and two actions for recovering credit extended by YOOX to counterparties which did not fulfil they repayment obligations.

HUMAN RESOURCES

The Group promotes the professional development and growth of its human resources, and is aware of their importance for the success of the company. 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

At December 31, 2012, the Group total headcount stood at 594 employees, an increase of 125 people representing a growth of 27% compared with December 31, 2011. The table below shows a breakdown of the headcount[26]:

No	Dec. 31, 2012	Dec. 31, 2011	Change
Managers	21	24	-3
Junior managers	49	34	15
Employees and trainees	451	362	89
Abroad	73	49	24
Total headcount	**594**	**469**	**125**

Around 88% of the headcount is employees who are located in the three Italian offices, with the remaining 12% 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, at December 31, 2012, stood at 44% of the company's population of total managers and junior managers.
The 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. In fact, in 2012, 12 requests for part-time working were granted. Part-time working, 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.

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

It is voluntary, reversible and compatible with technical, organisation and production requirements of the company and the needs of employees.
In 2012, 22 requests for parental leave were granted (maternity leave and optional paternity leave).
The Group also began to propose remote working contracts, and recorded two accepted requests in 2012, one in Zola Predosa and one in Milan.

Assessment and development of capital

In 2012 too, the Group adopted Performance Evaluation for employees, aimed at promoting the development of its staff 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 is divided into two different evaluation methods:

- Evaluation of skills

- Evaluation of achievement of targets (MBO).

This system provides the Company with inputs which are objective, shared and transparent, for determining the variable remuneration for employees who benefit from these incentive schemes, as well as the most important indications for launching personnel development and management plans.

Recruitment and Selection and Training

The Group is committed to promote the development and implementation of transparent hiring policies fully compliant with equal opportunities and valuing diversity. The criteria that direct the selection of candidates are professionalism and meeting the criteria required for the position.
210 employees were taken on in 2012, with the percentage of women standing at 59%. Over 79% 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.
For this reason, the Group concentrates on the search for dynamic people with a strong learning to 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 therefore involves a stage aimed at an aptitude and motivational evaluation and one which focuses more on technical and professional aspects.

Training has always played a very important role for the Group. Numerous training courses were held in 2012 for specific and different target audiences:

- Induction courses for new hires: introduction to the YOOX business model, illustration of the organisation and company procedures, on the job training for the digital production process and training on customer care procedures, with the overall training lasting two months;
- Specialist and managerial training courses (English Language, Project Management, Time Management, Public Speaking, Leadership and Collaborator Management);
- Compulsory training courses on the 231 Organisational Model, the Code of Ethics, Privacy & Data Security, Occupational Health and Safety, First Aid and Fire Prevention.

In addition, 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 Boccioni University, Boccioni SDA, Polytechnic 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 and IUM.
In 2012, the YOOX Group launched a mentoring programme, as a pilot project for the Italian offices, with the aim of allowing a group of talented young people from our Company to be shadowed by more experienced colleagues, trained as mentors, to promote their professional development. 24 mentors and 64 mentees have been involved in this pilot stage which will end in June 2013. The benefit of this scheme is twofold. The mentee understands the culture of YOOX better, develops a better understanding of the organisation and improves their internal network, while the mentor has the possibility of seeing a new way of thinking and working, developing new awareness and managerial experience. The mentoring pilot project will be extended in the second half of 2013 to offices overseas and to new mentors and mentees (always from the young talented people in YOOX).

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 is active to ensure working conditions which guarantee the physical and moral integrity of employees is complied with.
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.

In 2012 the continuous improvement of the Management System for Occupational Health and Safety continued:

- adapted to the risks in the plants, with awareness and continuous updating being guaranteed by the correct management of the “Risk assessment document” in fulfilment of the legislation in force;
- aimed at the continuous improvement of services related to health and safety through the continuous updating of both technological and management elements;
- intended to create a corporate culture about hygiene and safety.

Non-competition agreement

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

Organisational structure

In 2012, 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

Refer to chapter 4 of the YOOX Group Sustainability Report, “*Environmental performance*”.

CORPORATE GOVERNANCE

The YOOX S.p.A. Parent corporate governance model is described in detail in the Report on corporate governance and shareholder structure at December 31, 2012, which should be referred to.
The significant corporate governance events that have taken place at the date of the document in 2012 are listed below.

Allocation of shares following the exercise of stock options

The table below contains the allocations in 2012 of YOOX S.p.A. ordinary shares following the exercising of stock options of the stock option plans and the strike prices.

		Strike price (in Euro)								
Stock option plans	**Grant date**	**46.48**	**59.17**	**106.50**	**131.78**	**305.24**	**277.68**	**512.20**	**Options Total**	**Total post-split shares**
2001 – 2003	Jan-26-12	1,155							1,155	60,060
2003 – 2005	Jan-26-12	10,457							10,457	543,764
2004 – 2006	Jan-26-12	3,544							3,544	184,288
2006 – 2008	Jan-26-12		4,842						4,842	251,784
2007 – 2012	Jan-26-12		6,539						6,539	340,028
Sub tot		**15,156**	**11,381**	**-**	**-**	**-**	**-**	**-**	**26,537**	**1,379,924**
2001 – 2003	Feb-07-12	298		750					1,048	54,496
2003 – 2005	Feb-07-12	3,355							3,355	174,460
2004 – 2006	Feb-07-12	4,912							4,912	255,424
2007 – 2012	Feb-07-12		2,000	1,100					3,100	161,200
Sub tot		**8,565**	**2,000**	**1,850**	**-**	**-**	**-**	**-**	**12,415**	**645,580**
2001 – 2003	March-15-12	1,292							1,292	67,184
2003 – 2005	March-15-12	561							561	29,172
2006 – 2008	March-15-12		500						500	26,000
2007 – 2012	March-15-12		1,334	1,050					2,384	123,968
Sub tot		**1,853**	**1,834**	**1,050**	**-**	**-**	**-**	**-**	**4,737**	**246,324**
2007 – 2012	May-10-12			100					100	5,200
Sub tot		**-**	**-**	**100**	**-**	**-**	**-**	**-**	**100**	**5,200**
2004 – 2006	May-24-12			1,000					1,000	52,000
2006 – 2008	May-24-12		2,000						2,000	104,000
2007 – 2012	May-24-12		18,424						18,424	958,048
Sub tot		**-**	**20,424**	**1,000**	**-**	**-**	**-**	**-**	**21,424**	**1,114,048**
2003 – 2005	June-15-12	1,154							1,154	60,008
2006 – 2008	June-15-12		1,000						1,000	52,000
2009 – 2014	June-15-12					161	442	6	609	31,668
Sub tot		**1,154**	**1,000**	**-**	**-**	**161**	**442**	**6**	**2,763**	**143,676**
2001 – 2003	July-24-12	1,846							1,846	95,992
2003 – 2005	July-24-12	2,800		840					3,640	189,280
2004 – 2006	July-24-12			1,000	1,500				2,500	130,000
2006 – 2008	July-24-12		530						530	27,560
2009 – 2014	July-24-12							52	52	2,704
Sub tot		**4,646**	**530**	**1,840**	**1,500**	**-**	**-**	**52**	**8,568**	**445,536**
2009 – 2014	Nov-26-12					161			161	8,372
Sub tot		**-**	**-**	**-**	**-**	**161**	**-**	**-**	**161**	**8,372**
2007 - 2012	Dec-03-12		4,808						4,808	250,016
Sub tot		**-**	**4,808**	**-**	**-**	**-**	**-**	**-**	**4,808**	**250,016**
Total		**31,374**	**41,977**	**5,840**	**1,500**	**322**	**442**	**58**	**81,513**	**4,238,676**

Given the above, the share capital issued by YOOX S.p.A. at December 31, 2012 is Euro 573,127.88, divided into 57,312,788 ordinary shares with no par value.

As stated in the important events after the end of the period, on January 16, 2013 and February 14, 2013, 117,312 YOOX S.p.A. ordinary shares were granted, following the exercising of options relating to the stock option plans at the strike prices listed in the table below:

Stock option plans	Grant date	Strike price (in Euro)				Total options	Total shares post-split
		46.48	59.17	305.24	521.56		
2004 – 2006	Jan-16-13	307				307	15,964
2006 – 2008	Jan-16-13		25			25	1,300
2007 - 2012	Feb-14-13		1,443			1,443	75,036
2009 - 2014	Feb-14-13			160	321	481	25,012
Total		**307**	**1,468**	**160**	**321**	**2,256**	**117,312**

Given the above, the share capital issued by YOOX S.p.A. at the time of writing is Euro 574,301.00, divided into 57,430,100 ordinary shares with no indication of par value.

Stock option and share granting relating to the YOOX S.p.A. Company Incentive stock option plan

The Company's Board of Directors approved the 2009-2014 YOOX S.p.A. stock option plan:

- on February 8, 2012, the granting to 3 beneficiaries of 4,490 options valid for the subscription of 233,480 YOOX ordinary shares;
- on March 12, 2012, the granting to 273 beneficiaries of 8,058 options valid for the subscription of 419,016 YOOX ordinary shares.
- on August 3, 2012, the granting to 1 beneficiary of 321 options valid for the subscription of 16,692 YOOX ordinary shares.
- on September 21, 2012, the granting to 15 beneficiaries of 9,576 options valid for the subscription of 497,952 YOOX ordinary shares.

On August 6, 2012, the Company had paid over 31,338 ordinary shares relating to the company Incentive Plan to 18 beneficiaries.

Stock Grant Plan

On April 27, 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's 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 June 29, 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 four, 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's website www.yooxgroup.com under the section Corporate Governance – Company Documents.

On September 21, 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.

Treasury share acquisition

In their meeting held on April 27, 2012, 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 Legislative Decree 58/1998, in Resolution 16839 of March 19, 2009, in conformity with the operating conditions established for the aforesaid market practices, and by Regulation (EC) No 2273/2003 of December 22, 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.

The Shareholders' Meeting also 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 that 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 maximum limit established by the applicable regulation in force, 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.

At the same Shareholders' Meeting, 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 this 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; authorising it, 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 this 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 this 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 March 19, 2009 and Regulation (EC) No 2273/2003 of December 22, 2003, where applicable; the authorisation in this point is granted without a time limit.

Lastly, the Shareholders' Meeting, in compliance with the law, has arranged that the purchases concerned in this 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 125,861 treasury shares, equal to 0.220% of the current share capital (equal to Euro 574,301.00, or 57,430,100 ordinary shares).

Board of Directors: name and composition

The Board of the Issuer, in office at the date of this Report, comprises seven members appointed by the Ordinary Shareholders' Meeting held on April 27, 2012.

For the appointment of the Board, a single list was presented through shareholder Federico Marchetti. This list was approved with a vote of 35,445,248 shares in favour out of a total number of 39,679,811 voting shares.

Below is a list of the Directors currently in office until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ended at December 31, 2014:

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

Approval of the separate financial statements at December 31, 2011

The Shareholders' Meeting of April 27, 2012 convened at a second call, in an ordinary meeting, approved the separate financial statements at and for the year ended December 31, 2011, resolving to carry forward YOOX S.p.A.'s entire net profit for the year.

Modifications to the Company bylaws

At its Meeting of June 29, 2012, the Shareholders amended Article 5 of the Company bylaws.

In this meeting, the Shareholders resolved to increase the share capital by a maximum amount of Euro 15,000.00 through payment in cash in one or more tranches, pursuant to Article 2441, paragraph 4 of the Civil Code and therefore with exclusion of option rights in favour of shareholders, through the issuing of a maximum of 1,500,000 YOOX ordinary shares with no indication of par value, having the same characteristics as the outstanding shares.

The recipients of the capital increase have been identified as the beneficiaries of the 2012-2015 stock option plan approved by the Ordinary Shareholders' Meeting on the same date, reserved for executive directors of YOOX pursuant to Article 114-*bis* of Legislative Decree 58/1998 and to be implemented through the free granting of options valid for subscription to the newly issued YOOX ordinary shares.

The deadline for subscription to the capital increase has been set as December 31, 2017, 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.

Remuneration Committee

In light of the provisions of Article 2.2.3, paragraph 3, letter m) of the Stock Exchange Regulation, applicable to issuers with a STAR qualification and in accordance with the Code, the Issuer established a Remuneration Committee from among the members of its Board through a board resolution on April 27, 2012.

At the date of this Report, the Remuneration Committee is composed of three non-executive Directors, the majority of whom are independent, in the persons of (i) Elserino Mario Piol, as Chairman; (ii) Catherine Gérardin; and (iii) Massimo Giaconia.

During the year, the Remuneration Committee met on the following dates: February 8, March 12, May 25, August 3, September 21 and October 30, 2012; they gave a favourable opinion on the following proposals:

- proposal to grant stock options relating to the 2009-2014 stock option plan;
- proposal to sign a contract between the Company and the Chief Executive Officer;
- proposal to change the option contract signed with the Chief Executive Officer relating to the immediate exercising of the 2009-2014 stock option plan 2012 tranche;
- proposal for adopting the stock option plan reserved for company Executive directors;
- proposal to grant stock options relating to the 2012-2015 stock option plan to the Chief Executive Officer;
- proposal to award a payment to the Directors and Strategic Managers.

Control and Risk Committee

Following receipt of the version of the Code of Conduct updated in December 2011, at the Board Meeting held on April 27, 2012, the Company established a Control and Risk Committee which replaced the Internal Control Committee, established subject to the Start of Trading of ordinary shares on the MTA, through the Board resolution of September 3, 2009, pursuant to Article 2.2.3, paragraph 3, letter l) of the Stock Exchange Regulations.

At the date of this Report, the Control and Risk Committee comprised three Directors, all non-executive and independent, in the persons of: (i) Massimo Giaconia, as Chairman; (ii) Raffaello Napoleone, and (iii) Elserino Mario Piol.

During the year, the Control and Risk Committee met four times on March 5, 2012, May 7, 2012, July 31, 2012 and October 30, 2012.

The continuity of the activities already carried out, those being carried out and those that will be necessary in the future, and will be promptly shared, should be representative of the YOOX S.p.A. Internal Control and Risk Management System’s suitability, effectiveness and efficiency.

SUBSEQUENT EVENTS

Allocation of shares following the exercise of stock options

After the end of the period, on January 16, 2013 and February 14, 2013, 117,312 YOOX S.p.A. ordinary shares were granted, following the exercising of options relating to the stock option plans at the strike prices listed in the table below:

		Strike price (in Euro)					
Stock option plans	**Grant date**	**46.48**	**59.17**	**305.24**	**521.56**	**Total options**	**Total shares post-split**
2004 – 2006	Jan. 16, 2013	307				307	15,964
2006 – 2008	Jan. 16, 2013		25			25	1,300
2007 - 2012	Feb. 14, 2013		1,443			1,443	75,036
2009 - 2014	Feb. 14, 2013			160	321	481	25,012
Total		**307**	**1,468**	**160**	**321**	**2,256**	**117,312**

Given the above, the share capital issued by YOOX S.p.A. at the time of writing is Euro 574,301.00, divided into 57,430,100 ordinary shares with no indication of par value.

Delivery of shares relating to the YOOX S.p.A. 2009 - 2014 Incentive Plan

On January 10, 2013 the Company had paid over 4,801 ordinary shares relating to the company Incentive Plan to 4 beneficiaries.

Extension of bikkembergs.com

In February 2013 the bikkembergs.com Online Store was extended to the Japanese market.

Deactivation of zeishouse.com

From January 2013, the zeishouse.com Online Store, operational in Europe with the Bikkembergs brand and several other minor brands, owned and under licence, will be deactivated.

Deactivation of cpcompany.com

The agreement with FGF Industry S.p.A. relating to the management of the cpcompany.com Online Store in Europe, the US and Japan will not be renewed after it expires in February 2013.

Launch of missoni.com

The missoni.com Online Store will be launched during the first half of 2013 following a 6-year agreement, signed on June 12, 2012, by Missoni S.p.A. and YOOX S.p.A. missoni.com will mainly be active in Europe, the U.S. and Japan.

OUTLOOK

Based on the performance of the online retail market, the proven validity of the YOOX business model and its own leadership position in the fields of technology and logistics, it is reasonable to assume that in 2013 the YOOX Group can record further growth in sales and profits.
It is reasonable to expect that both business lines and all the main markets in which the Group operates will make a more balanced contribution to this result.
The Multi-brand business line in particular will benefit from the updated and more efficient yoox.com; it is also expected that thecorner.com, thanks also to the strengthening of its position, and shoescribe.com can achieve solid performances. The 31 Online Stores of the Mono-brand business line which are currently operating will also contribute to the growth, and by the end of 2013 all of the digital stores under the joint venture with PPR will be launched.
In 2013 YOOX is also aiming to further strengthen its position in Italy and in Europe, as well as take advantage of growth opportunities in North America, which will be the Group's main market, also by virtue of the efforts of the new managerial structure.

The investment policy related to the Group's logistics platform and technology and innovation will continue in 2013. These factors are increasingly critical for the success of YOOX. The goal will be to support the growth sustained by the Group in the future, improve operating efficiency further and guarantee the best service for customers and partners.

Lastly, internal initiatives aimed at improving efficiency and carefully managing costs will also continue.

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. at December 31, 2012, which report profit of Euro 8,194,009.36, together with the Directors' Report;
- to carry forward the entire amount of profit for the year of YOOX S.p.A totalling Euro 8,194,009.36;
- to acknowledge that the YOOX Group's consolidated financial statements at December 31, 2012 show a profit of Euro 10,183,192.83.

Zola Predosa (BO), March 5, 2013
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 2012:

Thousand Euro	Q4 2012	% Total	Q4 2011	% Total
Fulfilment costs	**(7,770)**		**(7,243)**	
of which Incentive Plans	*(23)*	*1.4%*	*(64)*	*6.3%*
Sales and marketing costs	**(12,201)**		**(9,421)**	
of which Incentive Plans	*(168)*	*9.7%*	*(325)*	*31.9%*
General & Administrative expenses	**(8,638)**		**(5,698)**	
of which Incentive Plans	*(1,532)*	*88.9%*	*(628)*	*61.8%*
Incentive Plans total	**(1,723)**	***100.0%***	**(1,017)**	***100.0%***

Impact of Incentive Plans in 2012:

Thousand Euro	Dec. 31, 2012	% Total	Dec. 31, 2011	% Total
Fulfilment costs	**(32,696)**		**(29,580)**	
of which Incentive Plans	*(361)*	*7.8%*	*(243)*	*5.8%*
Sales and marketing costs	**(42,108)**		**(31,549)**	
of which Incentive Plans	*(932)*	*20.2%*	*(1,370)*	*32.9%*
General & Administrative expenses	**(29,081)**		**(22,601)**	
of which Incentive Plans	*(3,317)*	*72.0%*	*(2,554)*	*61.3%*
Incentive Plans total	**(4,610)**	***100.0%***	**(4,167)**	***100.0%***

CONSOLIDATED FINANCIAL STATEMENTS YOOX GROUP

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CONSOLIDATED FINANCIAL STATEMENTS YOOX GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012, PREPARED IN ACCORDANCE WITH IFRS (1)

Consolidated income statement

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Net revenues	9.1	375,924	291,188
Cost of goods sold	9.2	(238,506)	(183,019)
Fulfilment costs	9.3	(36,679)	(31,738)
Sales and marketing costs	9.4	(42,124)	(31,580)
General expenses	9.5	(38,256)	(28,070)
Other income and expenses	9.6	(1,448)	(357)
Operating profit	**9.7**	**18,911**	**16,423**
Result of equity investments	9.8	(366)	-
Financial income	9.9	1,557	1,237
Financial expenses	9.9	(3,538)	(1,209)
Profit before tax		**16,564**	**16,450**
Taxes	9.10	(6,381)	(6,450)
Consolidated profit for the year		**10,183**	**10,000**
of which:			
Attributable to owners of the Parent		10,183	10,000
Attributable to Third Parties		-	-
Basic earnings per share	9.11	0.18	0.19
Diluted earnings per share	9.11	0.17	0.18

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006, are annexed to the notes to consolidated financial statements at December 31, 2012.

Consolidated statement of comprehensive income

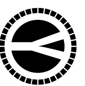
Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Consolidated profit for the year		10,183	10,000
Other components of comprehensive income, net of tax effects			
Foreign currency translation differences for foreign operations	9.21	(729)	650
Profit/(loss) from cash flow hedges	9.21	706	(883)
Total other comprehensive income		**(22)**	**(233)**
Total consolidated comprehensive income for the year		10,161	9,767
of which:			
Consolidated comprehensive income attributable to owners of the Parent		10,161	9,767
attributable to Third Parties		-	-

Consolidated statement of financial position

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Property, plant and equipment	9.12	29,023	19,315
Intangible assets with finite useful life	9.13	19,539	12,186
Equity interests in associates	9.14	59	-
Deferred tax assets	9.15	6,135	4,799
Other non-current financial assets	9.16	716	610
Total non-current assets		**55,472**	**36,911**
Current assets			
Inventories	9.17	138,216	101,862
Trade receivables	9.18	13,068	8,245
Other current assets	9.19	4,971	4,694
Cash and cash equivalents	9.20	35,775	22,743
Current financial assets	9.20	6,143	5,466
Total current assets		**198,173**	**143,010**
Total assets		**253,645**	**179,921**
Shareholders' Equity			
Share capital		573	531
Reserves		77,253	68,271
Retained earnings/(losses carried forward)		13,752	3,752
Consolidated profit for the year		10,183	10,000
Equity attributable to equity holders of the Parent	9.21	101,762	82,554
Equity attributable to Third Parties		-	-
Total consolidated equity		**101,762**	**82,554**
Non-current liabilities			
Medium-long term financial liabilities	9.23	15,099	11,522
Employee benefits	9.24	212	213
Provisions for risks and charges	9.26	-	-
Deferred tax liabilities	9.25	128	83
Total non-current liabilities		**15,439**	**11,819**
Bank loans and other current financial payables	9.23	12,007	2,527
Provisions for risks and charges	9.26	337	199
Trade payables	9.27	96,763	62,794
Tax liabilities	9.28	1,261	310
Other payables	9.29	26,077	19,719
Total current liabilities		**136,445**	**85,548**
Total consolidated equity and liabilities		**253,645**	**179,921**

Statement of changes in consolidated equity at December 31, 2012 and December 31, 2011- Note 9.21

Thousand Euro	*Share capital*	*Share premium reserve and other equity-related reserves*	*Legal reserve*	*Treasury shares purchase reserve*	*Hedging reserve*	*Stock option reserve*	*Translation reserve*	*Retained earnings or losses carried forward*	*Consolidated profit (loss)*	*Equity attributable to non-controlling interests*	***Total***
December 31, 2010	**518**	**56,325**	**193**	**(362)**	**-**	**7,957**	**313**	**(5,364)**	**9,117**	**-**	**68,697**
Share capital increases	13	1,003	-	-	-	-	-	-	-	-	**1,016**
Increases in reserves for share-based payments	-	-	-	-	-	4,028	-	-	-	-	**4,028**
Total consolidated comprehensive income	-	-	-	-	(883)	-	650	-	10,000	-	**9,767**
Other changes	-	-	-	(953)	-	-	-	9,117	(9,117)	-	**(953)**
December 31, 2011	**531**	**57,328**	**193**	**(1,315)**	**(883)**	**11,985**	**963**	**3,752**	**10,000**	**-**	**82,554**
Share capital increases	42	4,406	-	-	-	-	-	-	-	-	**4,448**
Increases in reserves for share-based payments	-	-	-	-	-	4,596	-	-	-	-	**4,596**
Total consolidated comprehensive income	-	-	-	-	706	-	(729)	-	10,183	-	**10,161**
Other changes	-	-	-	-	-	-	-	10,000	(10,000)	-	**-**
December 31, 2012	**573**	**61,734**	**193**	**(1,315)**	**(177)**	**16,581**	**236**	**13,752**	**10,183**	**-**	**101,762**



Consolidated statement of cash flows

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Consolidated profit for the year	9.30	10,183	10,000
Adjustments for:			
Taxes for the year	9.30	6,381	6,450
Financial expenses	9.31	3,538	1,209
Financial income	9.31	(1,557)	(1,237)
Share of earnings from associates	9.31	366	-
Depreciation, amortisation and impairment losses	9.21	13,174	7,659
Fair value measurement of stock options	9.22	4,610	4,167
Unrealised effect of changes in foreign exchange rates	9.31	(729)	650
(Gains)/losses on sale of non-current assets	9.31	(2)	(15)
Employee benefits	9.31	15	11
Provisions for risks and charges	9.31	287	203
Payment of employee benefits	9.31	(16)	(10)
Use of provisions for risks and charges	9.31	(149)	(997)
Changes in inventories	9.32	(36,354)	(25,551)
Changes in trade receivables	9.32	(4,824)	1,140
Changes in trade payables	9.32	33,969	13,600
Changes in other current assets and liabilities	9.33	6,787	5,491
Cash flow from (used in) operating activities		**35,680**	**22,771**
Income tax paid	9.30	(6,720)	(7,910)
Interest and other financial expenses paid	9.30	(3,538)	(1,209)
Interest and other financial income received	9.30	1,557	1,237
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**26,979**	**14,889**
Investing activities			
Acquisition of property, plant and equipment	9.34	(4,625)	(1,471)
Acquisition of intangible assets	9.35	(14,582)	(9,114)
Acquisition of investments	9.36	(425)	-
Acquisition of other non-current financial assets	9.35	(106)	(103)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(19,738)**	**(10,688)**
Financing activities			
New short-term liabilities	9.39	2,038	-
Repayment of short-term liabilities	9.39	-	(5,030)
New medium-long term financial liabilities	9.38	163	(155)
Repayment of medium-long term financial liabilities	9.38	(155)	-
Treasury share acquisition	9.36	-	(953)
Increase in share capital and share premium reserve	9.37	4,433	1,016
Investments in financial assets	9.20	(676)	(384)
Variation through difference between cash effect and action of incentive plans	9.20	(12)	(140)
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**5,792**	**(5,646)**
TOTAL CASH FLOW FOR THE PERIOD		**13,033**	**(1,445)**
Cash and cash equivalents at the beginning of the year	9.20	22,743	24,188
Cash and cash equivalents at the end of the year	9.20	35,775	22,743
TOTAL CASH FLOW FOR THE PERIOD		**13,033**	**(1,445)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Group structure and activities

The YOOX Group (hereinafter “the Group”) includes, as well as the Parent YOOX S.p.A. (hereinafter “the Company” or “the Parent “), the companies YOOX Corporation and Y Services, which are subject to US law and which manage sales activities in the 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 at December 31, 2012

The consolidated financial statements at December 31, 2012 were approved by the Board of Directors on March 5, 2013. 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 at December 31, 2012 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 at December 31, 2012 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 at December 31, 2012 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 July 27, 2006 and Communication DEM6064293 of July 28, 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 at December 31, 2012 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.

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 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 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 at December 31. 2012 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 on the basis of experience as well as past and anticipated market performance. 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 at December 31, 2012, and more specifically in carrying out the impairment tests for fixed and intangible assets, the Group has taken into consideration the forecast trends for 2013. 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 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

At December 31, 2012, the Group has deferred tax assets of Euro 6,135 thousand entirely recorded in the financial statements. At December 31, 2011, the Group had deferred tax assets of Euro 4,799 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 paragraph 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 December 31, and accounts are also prepared at June 30 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 in 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 January 1, 2007 onwards (the date of the YOOX Group’s transition to IFRS).

The following table shows the exchange rates used at December 31, 2012 and at December 31, 2011 for the translation of items in the income statement and statement of financial position denominated in foreign currencies (source: www.uic.it):

	Exchange rate at Dec. 31, 2012	Average exchange rate for 2012
USD	1.3194	1.2848
JPY	113.61	102.49
CNY	8.2207	8.1052
HKD	10.226	9.9663
GBP	0.8161	0.8108

	Exchange rate at Dec. 31, 2011	Average exchange rate for 2011
USD	1.2939	1.3920
JPY	100.20	110.96
CNY	8.1588	8.9960
HKD	10.051	10.836
GBP	0.8353	0.8679

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 associated companies

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 of 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 state 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 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.

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.

Actuarial gains and losses following January 1, 2007 (the date of the Company's transition to IFRS) are posted to the income statement on a straight-line basis according to the remaining service life of employees when their net cumulative value is 10% greater than the value of the total obligations under the defined benefit plans or the fair value of the plan assets, whichever is higher, at the reporting date of the previous year (the corridor method).

The Group has no significant pension plans in place at its foreign companies.

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 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 the year 2012.

Amendments and revised accounting standards applied by the Group for the first time

For the purpose of preparing the YOOX S.p.A. separate financial statements and consolidated financial statements the revised accounting principles and amendments have not been applied. We note that for the purpose of determining and evaluating the equity investment in associates the Group has applied IAS 28 accounting principle “*Investment in Associates and Joint Ventures*” for the first time.

Amendments and interpretations that came into effect from January 1, 2012 but that are not relevant for the Group

The principles involved and the modifications thereto are listed below.

IFRS 1 - First-time adoption of international accounting standards:

- the amendment introduced exemption for anyone adopting the international accounting standards for providing information about changes in accounting standards in the year of adoption for the first time;
- the amendment provided clarification about the use of fair value in replacement of cost.

IFRS 3 – Business combinations:

The improvement clarifies that the possibility of measuring all components of minority interests at fair value or in proportion to the share of the minority interest in identifiable net assets of the acquiree is only limited to those components representing instruments that currently give minority shareholders equivalent rights to ordinary shares and specifically pro-rata for net assets in the case of liquidation. All the other components relating to minority interests (such as, for example, privileged shares or warrants issued by the company acquired to minorities) must be valued at fair value unless the IFRS gives another evaluation criterion.
The improvement also provides a guide for accounting methods relating to the replacement of incentives recognised in payments based on shares of an acquiree with those of the buyer.

In addition, the updated version of IFRS 3 introduced changes regarding:

- the discipline of purchases for subsidiary stages;
- the right to evaluate minority interests purchased during a partial acquisition at fair value;
- the allocation of all costs connected to the business combination to the income statement;
- the recognition of liabilities for payments subject to conditions at the purchase date.

IFRIC 13 – Loyalty schemes:

- assessment at fair value has been introduced for reward points.

IAS 32 – Financial instruments, presentation in the financial statements:

- the amendment establishes that, in certain conditions, rights in foreign currency are classified as equity regardless of the currency in which the strike price is denominated.

IFRIC 19 – Termination of financial liabilities with capital instruments. The amendment has established that:

- the issue of capital instruments should be commensurate with the price paid;
- capital instruments are evaluated at the fair value at the termination date. If it cannot be reliably determined, the fair value of the terminated liability is adopted;
- the difference between the price paid and the book value of the terminated financial liability is recorded in the income statement;
- the principle cannot be applied to transactions under joint control or between shareholders and creditors;
- as far as partial reissues are concerned, the price paid should be allocated to the liabilities that remain in existence and to those which have been terminated, and the 10% test should be carried out to check the substantial modification of the liability whilst the transaction costs can only be deferred in the case of modifications that are not substantial.

New accounting principles and amendments not applicable in 2012 and not adopted in advance

The principles involved and the modifications thereto are listed below.

IAS 19 – Employee Benefits

The new principle, adopted by the European Union and applicable from January 1, 2013 (with early adoption possible as of January 1, 2012) eliminates the option of deferring recognition of actuarial gains and losses using the corridor method, 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. In addition, the return on assets recognised in net financial expenses must be calculated based on the discount rate of the liabilities and not on the expected return on these. Finally, the amendment requires new information to be included in the notes to the financial statements. The adoption of the standard is not expected to have any material impact.

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, associated companies 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.

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 May 12, 2011 the IASB published IFRS 12 *Disclosure of Interests in Other Entities*, along with IFRS 10 *Consolidated Financial Statements.*

IFRS 11 - *Joint Arrangements*

The Board has improved:

- the accounting of the joint venture agreements by 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 ventures. 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.

IFRS 13 - Fair value measurement

On May 12, 2011, the IASB published IFRS 13 Fair Value Measurement in which the Board has:

- clarified the definition of fair value;

- established a single reference framework for the measurement of fair value;
- provided clarifications and operating guides for determining fair value (in illiquid or inactive market situations as well).

The entity must therefore provide information that allows the recipients of the financial statements to understand the evaluation methods and the inputs used to measure the fair value of an asset or a liability.

6. Scope of consolidation

The scope of consolidation as at December 31, 2012 comprises the following subsidiaries of 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;
- Y Services, formed in 2007 to manage the U.S. sales of the Online Stores for the following brands: Diesel, Marni, D&G, Dolce & Gabbana, Zegna and Moncler;
- 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.

At December 31, 2012, the scope of consolidation included the following companies:

Company	Registered offices	Share capital at Dec. 31, 2012 (Thousand Euro)	Percentage held at Dec. 31, 2012
YOOX	Via Nannetti, 1– 40069 Zola Predosa – Bologna, Italy	573	-
YOOX Corporation	15 East North Dover, Delaware 19901, United States of America	248	100%
Y Services	Delaware, 1220 Market St. Ste 806, Wilmington 19801, United States of America	125	100%
YOOX Japan	Grande Maison Daikanyama No. 1001 150 0022 Shibuya-ku, Tokyo, Japan	75	100%
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No 223 Xikang Road, Jing'an District 200050 SHANGHAI	4,000	100%
YOOX Asia Limited	Unit 2702 27/F The Centrium, 60 Wyndham Street Central, Hong Kong (CN)	91	100%

The scope of consolidation has not changed since December 31, 2011.

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 partners 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 envisage 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 at December 31, 2012, with a reconciliation of entries with the Group's income statement, are presented below:

Description	Multi-brand		Mono-brand		Corporate		Group total	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment net revenues	**262,011**	**212,791**	**113,913**	**78,397**			**375,924**	**291,188**
Segment operating profit	**39,956**	**32,217**	**22,658**	**14,823**			**62,615**	**47,039**
Reconciliation with Group results:								
General expenses					(38,256)	(28,070)	**(38,256)**	**(28,070)**
Other depreciation and amortisation not attributable to operating segments					(4,000)	(2,190)	**(4,000)**	**(2,190)**
Other income and expenses					(1,448)	(357)	**(1,448)**	**(357)**
Non-recurring expenses					-	-	**-**	**-**
Other items								
Group operating profit/(loss)	**39,956**	**32,217**	**22,658**	**14,823**	**(43,703)**	**(30,616)**	**18,911**	**16,423**
Result of Equity Investments					(366)	-	**(366)**	**-**
Financial income					1,557	1,237	**1,557**	**1,237**
Financial expenses					(3,538)	(1,209)	**(3,538)**	**(1,209)**
Profit before tax							**16,564**	**16,450**
Taxes					(6,381)	(6,450)	**(6,381)**	**(6,450)**
Profit for the year							**10,183**	**10,000**

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	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets (inventories)	138,216	101,862	-	-	-	-	**138,216**	**101,862**
Other current assets					59,958	41,148	**59,958**	**41,148**
Non-current assets					55,472	36,911	**55,472**	**36,911**
Total Group assets							**253,645**	**179,921**

Inventories as at December 31, 2012 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 at Dec. 31, 2012	Balance at Dec 31, 2011
Italy	59,049	57,677
Europe (excluding Italy)	180,180	141,572
North America	81,514	59,731
Japan	31,081	19,827
Other countries	14,593	6,089
Not country related	9,507	6,292
Total	**375,924**	**291,188**

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: only sales to online customers are included are allocated by country in the actual control model.

In 2012 and in 2011, 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 at Dec. 31, 2012	Balance at Dec. 31, 2011
Non-current assets – Italy	48,483	31,310
Non-current assets – U.S.	485	462
Non-current assets – Japan	76	103
Non-current assets- China	254	229
Non-current assets – Hong Kong	39	8
Total	**49,337**	**32,112**

9. Notes to the statement of financial position, income statement and statement of cash flows

Consolidated income statement

9.1 Net revenues

The Group’s net revenue from sales and the provision of services at December 31, 2012 and December 31, 2011 breaks down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Net revenues from sales	356,103	274,617	81,485
Revenue from the provision of services	19,821	16,570	3,251
Total	**375,924**	**291,188**	**84,736**

Net revenue increased by 30%, from Euro 274,617 thousand as at December 31, 2011 to Euro 356,103 thousand as at December 31, 2012. 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 2012 is mainly due to the uptrend in sales volumes. The growth in volumes is largely due to the rise in the number of orders and to the average order value.

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 126,648 thousand in 2012, or 26.3% of 2012 gross revenue (revenue from the sale of goods before customer returns in 2012) and Euro 96,070 thousand in 2011, or 25.9% of 2011 gross revenue (revenue from the sale of goods before customer returns in 2011). 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 20% from Euro 16,570 thousand in 2011 to Euro 19,821 thousand in 2012, 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 238,506 thousand (63.4% of net revenues) for the year ended December 31, 2012 compared with Euro 183,019 thousand (62.9% of net revenues) for 2011, an increase of Euro 55,487 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Change in inventories of goods	36,940	24,043	12,897
Purchase of goods	(242,977)	(179,612)	(63,364)
Cost of services	(29,471)	(25,226)	(4,245)
Other costs	(2,998)	(2,223)	(775)
Total	**(238,506)**	**(183,019)**	**(55,487)**

The cost of goods purchased increased by 35.3%, from Euro 179,612 thousand in 2011 to Euro 242,977 thousand in 2012. 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 16.8%, from Euro 25,226 thousand in 2011 to Euro 29,471 thousand in 2012. 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 34.8%, from Euro 2,223 thousand in 2011 to Euro 2,998 thousand in 2012. 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 Fulfilment costs

Fulfilment costs came in at Euro 36,679 thousand (9.8% of net revenue) in 2012, compared with Euro 31,738 thousand (10.9% of net revenue) in 2011, an increase of Euro 4,940 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 fulfilment costs:

Description	Balance at Dec. 31, 2012	Balance at Dec 31, 2011	Change
Service costs and other costs	(26,968)	(24,049)	(2,920)
Personnel expenses	(5,727)	(5,531)	(196)
Depreciation and amortisation	(3,983)	(2,159)	(1,825)
Total	**(36,679)**	**(31,738)**	**(4,940)**

Service costs and other costs increased by 12.1%, from Euro 24,049 thousand in 2011 to Euro 26,968 thousand in 2012. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses went from Euro 5,531 thousand in 2011 to Euro 5,727 thousand in 2012, an increase of 3.5% due both to an increase in the number of staff employed in this division, which went from 105 at December 31, 2011 to 120 at December 31, 2012, of which 13 members of staff at December 31, 2011 were located in offices overseas and this figure stood at 23 at December 31, 2012, and to the increase in the cost of Stock Option plans and the company incentive plan which went from Euro 243 thousand in 2011 to Euro 361 thousand in 2012. It should be noted that in addition to the cost of employees personnel expenses also include cost of interns, partners and consultants that comes under personnel expenses.

9.4 Sales and marketing costs

Sales and marketing costs increased by Euro 10,544 thousand in the year ended December 31, 2012 to Euro 42,124 thousand (11.2% of revenue), compared with Euro 31,580 thousand (10.8% of revenue) for 2011.

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, 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 levied on the import and export of goods sold.

The following table shows the breakdown of sales and marketing costs:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Cost of services	(27,999)	(20,622)	(7,377)
Personnel expenses	(11,910)	(9,240)	(2,669)
Depreciation and amortisation	(17)	(31)	14
Other costs	(2,199)	(1,687)	(512)
Total	**(42,124)**	**(31,580)**	**(10,544)**

Service costs increased by 35.8%, from Euro 20,622 thousand in 2011 to Euro 27,999 thousand in 2012. The main components of service costs incurred in 2012 are:

- Web marketing costs of Euro 8,508 thousand (Euro 7,088 thousand in 2011). 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 6,193 thousand (Euro 4,818 thousand in 2011).
- Import and export duties totalling Euro 9,214 thousand (Euro 6,128 thousand in 2011).

Personnel expenses went from Euro 9,240 thousand in 2011 to Euro 11,910 thousand in 2012, an increase of 28.9% due both to an increase in the number of staff employed in this division, which went from 167 at December 31, 2011 to 206 at December 31, 2012, of which 31 members of staff at December 31, 2012 were located in offices overseas (25 in 2011), and to the increase in the cost of Stock Option plans and the company incentive plan which went from Euro 1,370 thousand at December 31, 2011 to Euro 932 thousand at December 31, 2012. It should be noted that in addition to the cost of employees personnel expenses also include cost of interns, partners and consultants that comes under personnel expenses.

Other costs increased by 30.4%, from Euro 1,687 thousand in 2011 to Euro 2,199 thousand in 2012. This item mainly comprises costs incurred for fraud relating to online sales, which went from Euro 542 thousand in 2011 to Euro 817 thousand in 2012.

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 10,185 thousand in 2012, coming in at Euro 38,256 thousand compared with Euro 28,070 thousand in 2011.

General expenses can be broken down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Cost of services	(15,690)	(13,051)	(2,639)
Personnel expenses	(13,392)	(9,550)	(3,842)
Depreciation and amortisation	(9,174)	(5,469)	(3,705)
Total	**(38,256)**	**(28,070)**	**(10,185)**

Service costs increased by 20.2%, from Euro 13,051 thousand in 2011 to Euro 15,690 thousand in 2012.

Personnel expenses rose from Euro 9,550 thousand in 2011 to Euro 13,392 thousand in 2012, representing an increase of 40.2%, resulting from the overall impact of the rise in the number of personnel employed in this area. This number increased from 197 as at December 31, 2011 to 268 as at December 31, 2012, of which 19 members of staff were located in offices overseas (11 in 2011). The increase in the cost of stock option plans and the company incentive plan which went from Euro 2,554 thousand in 2011 to Euro 3,317 thousand in 2012. 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 67.7%, from Euro 5,469 thousand in 2011 to Euro 9,174 thousand in 2012.

9.6 Other income and expenses

Other income and expenses increased by Euro 1,091 thousand, to a total negative figure of Euro 1,448 thousand for the year ended at December 31, 2012 compared with a negative figure of Euro 357 thousand for 2011.

Other income and expenses can be broken down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Extraordinary income/liabilities	(155)	402	(556)
Theft and losses	(846)	(543)	(302)
Other tax charges	(535)	(212)	(323)
Other income/expenses	65	19	46
Provisions for sundry risks	(172)	(88)	(84)
Reimbursements	194	66	128
Total	**(1,448)**	**(357)**	**1,091**

Prior year income increased from Euro 420 thousand (income) in 2011 to Euro 155 thousand (liabilities) in 2012. 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 increased by more than 100%, from Euro 212 thousand in 2011 to Euro 535 thousand in 2012.

Provisions for sundry risks in 2012 relate to estimated expense incurred due to theft and loss of goods not identified as missing as at 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Net revenues	375,924	291,188	84,736
Change in inventories	36,940	24,043	12,897
Purchase of goods	(242,977)	(179,612)	(63,364)
Services	(100,128)	(82,948)	(17,180)
Personnel expenses	(31,028)	(24,322)	(6,707)
Amortisations and depreciations	(13,174)	(7,659)	(5,515)
Other costs and revenues	(6,645)	(4,267)	(2,378)
Operating profit	**18,911**	**16,423**	**2,488**

Operating profit increased from Euro 16,423 thousand in 2011 to Euro 18,911 thousand in 2012. The operating margin went from 5.6% in 2011 to 5.0% in 2012.

It should be noted that the difference of Euro 586 thousand between the amount for the item “change in inventories of goods” (equal to Euro 36,940 thousand) and the amount equal to the differential of the item “Total net inventories” between December 31, 2012 and December 31, 2011 (equal to Euro 36,354 thousand) is due mainly to the consolidation currency effect and to the classification of the differential for the “packaging inventories” which are listed under “fulfilment costs” in the Group’s income statement.

Personnel expenses include all employment related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2012, 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 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.

At December 31, 2012, the Group headcount was 27% higher than in the same period of the previous year, corresponding to a net increase of 125 employees. The table below shows a breakdown of the headcount at December 31, 2012 compared with that at December 31, 2011[27].

Description	Dec. 31, 2012	Dec. 31, 2011
Managers	21	24
Junior managers	49	34
Employees and trainees	451	362
Abroad	**73**	**49**
Total	**594**	**469**

9.8 Result of equity investments

The result of equity investments at December 31, 2012 is equal to Euro 366 thousand and relates to the loss for 2012 for the share of the investment in the associate company. For more information, refer to paragraph 9.14.

[27] 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 went from Euro 1,237 thousand in 2011 to Euro 1,557 thousand in 2012.

The following table shows the breakdown of financial income:

Description	December 31, 2012	December 31, 2011	Change
Exchange rate gains	1,422	1,178	244
Other financial income	1	36	(35)
Interest income on current account	131	23	108
Interest income to associate	3	-	3
Total	**1,557**	**1,237**	**320**

Exchange rate gains increased from Euro 1,178 thousand in 2011 to Euro 1,422 thousand in 2012. They mainly relate to 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 36 thousand in 2011 to Euro 1 thousand in 2012, while current account interest income increased by Euro 108 thousand in line with cash management.

Financial expenses increased from Euro 1,209 thousand in 2011 to Euro 3,538 thousand in 2012.

The following table shows the breakdown of financial expenses:

Description	December 31, 2012	December 31, 2011	Change
Exchange rate losses	(2,635)	(644)	(1,991)
Other financial expenses	(349)	(242)	(107)
Interest expenses	(554)	(323)	(231)
Total	**(3,538)**	**(1,209)**	**(2,329)**

Exchange rate losses, realised and unrealised, rose from Euro 644 thousand in 2011 to Euro 2,635 thousand in 2012. They mainly relate to 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 242 thousand in 2011 to Euro 349 thousand in 2012. These expenses refer to the issue by credit institutions of guarantees 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 554 thousand at December 31, 2012 have increased by Euro 231 thousand, in line with borrowings during the year.

9.10 Taxes

Income tax for the year can be broken down as follows:

Description	December 31, 2012	December 31, 2011	Change
Current corporate income tax - Parent (1)	(4,335)	(3,035)	(1,300)
Current regional income tax - Parent (2)	(1,458)	(1,275)	(183)
Current income tax - foreign companies	(2,612)	(1,284)	(1,328)
Deferred taxes	2,023	(856)	2,879
Total taxes	**(6,381)**	**(6,450)**	**69**

(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 at December 31, 2011. Current taxes have increased from Euro 5,594 thousand to Euro 8,405 thousand.
IRAP taxes rose 14% for the Parent from Euro 1,275 thousand at December 31, 2011 to Euro 1,458 thousand at December 31, 2012. IRES taxes for the Parent amounted to Euro 4,335 thousand.

Taxes for Group overseas companies for the period to December 31, 2012 amounted to approximately Euro 2,612 thousand.

The Group also recognised deferred tax assets totalling Euro 5,200 thousand and deferred tax liabilities of Euro 75 thousand. Deferred tax assets of Euro 3,228 thousand and deferred tax liabilities of Euro 126 thousand that were recognised in 2011 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)	December 31, 2012	December 31, 2011
Profit before tax	16,564	16,450
Rate	27.50%	27.50%
Theoretical tax	4,555	4,524
Effective tax	6,381	6,450
Difference	**1,826**	**1,926**
Effects attributable to Parent		
IRAP	1,458	1,275
Permanent taxes	658	476
Deferred taxes	(617)	(397)
Total effects attributable to Parent	**1,499**	**1,354**
Effects attributable to foreign companies and differential with respect to the tax rate in effect in Italy	**327**	**572**
Total difference	**1,826**	**1,926**

9.11 Basic and diluted earnings per share

The following table shows the calculation of the basic earnings per share (basic EPS) and diluted earnings per share (diluted EPS) reported in the consolidated income statement.

Calculation of basic EPS	December 31, 2012	December 31, 2011
Basic earnings	10,183	10,000
Average number of ordinary shares	55,945,542	52,661,174
Basic EPS	**0.18**	**0.19**

Calculation of diluted EPS	December 31, 2012	December 31, 2011
Basic earnings	10,183	10,000
Average number of ordinary shares	55,945,542	52,661,174
Average number of shares granted without consideration	4,875,114	1,510,949
Total	60,820,656	54,172,123
Diluted EPS	**0.17**	**0.18**

The average number of shares granted without consideration at December 31, 2012 and December 31, 2011 and used to calculate diluted EPS relates to the effect of granting shares under existing stock option plans which, as stated in IFRS 2, can be converted on the basis of vesting conditions in the respective years.

In calculating the basic earnings per share (basic EPS) and the diluted per share (diluted EPS) given in the table above, the repurchase of 162,000 treasury shares which took place between July 2, 2010 and November

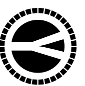
7, 2011 has been taken into account. Treasury shares repurchased led to a decrease in the calculation of the average number of existing ordinary shares net of the 31,338 shares, related to the company Incentive Plan, granted on August 6, 2012 to 18 beneficiaries.

Statement of financial position

9.12 Property, plant and equipment

At December 31, 2012 property, plant and equipment totalled Euro 29,023 thousand. The following is a summary of changes therein in 2012:

Description	Historical cost at Dec. 31, 2011	Increases	Decreases	Historical cost at Dec. 31, 2012	Acc. amortisation at Dec. 31, 2011	Amort.	Utilisation	Acc. amortisation at Dec. 31, 2012	Net carrying amount at Dec. 31, 2011	Net carrying amount at Dec. 31, 2012
Plant and equipment	**13,946**	**9,032**	**-**	**22,978**	**(2,443)**	**(3,224)**	**-**	**(5,667)**	**11,503**	**17,311**
Buildings	**4,240**	**469**	**(12)**	**4,697**	**(1,499)**	**(850)**	**3**	**(2,346)**	**2,741**	**2,351**
Leasehold improvements	4,240	469	(12)	4,697	(1,499)	(850)	3	(2,346)	2,741	2,351
Industrial & commercial equipment	**2,242**	**435**	**(1)**	**2,676**	**(1,014)**	**(341)**	**1**	**(1,354)**	**1,228**	**1,322**
Other assets	**7,442**	**3,263**	**(161)**	**10,544**	**(3,598)**	**(1,524)**	**137**	**(4,985)**	**3,844**	**5,559**
Furniture and furnishings	1,533	128	(19)	1,642	(842)	(199)	13	(1,028)	691	614
Electronic equipment	5,777	3,123	(141)	8,759	(2,643)	(1,317)	123	(3,837)	3,134	4,922
Other Tangible Assets	131	12	(1)	142	(113)	(8)	1	(120)	18	22
Assets under construction and payments on account	**-**	**2,480**	**-**	**2,480**	**-**	**-**	**-**	**-**	**-**	**2,480**
General Total	**27,870**	**15,679**	**(174)**	**43,375**	**(8,555)**	**(5,939)**	**141**	**(14,352)**	**19,315**	**29,023**



The overall increase in tangible assets in 2012 was equal to Euro 9,708 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 5,807 thousand as well as the item “electronic equipment” for a sum equal to Euro 1,788 thousand.

Under the scope of the project mentioned above, at December 31, 2012 the YOOX Group has existing commitments to purchase assets for a sum of Euro 7,289 thousand which will be sustained overall in the years 2012-2016.

The total increase in the category “Other assets” of Euro 3,263 thousand is due to investment in new servers, PCs and monitors held under finance leases and purchased during the year, for an increased value of Euro 3,123 thousand. The remaining increases equal to Euro 140 thousand mainly refer to new data archiving structures and costs incurred by the Group principally for furnishing the offices located in Bologna and Milan.

The charge for assets under construction, for a figure of Euro 2,480 thousand at December 31, 2012, is due to the completion of the techno-logistics platform, the date of which has not yet been set.

Amortisation in the period totalled Euro 5,939 thousand.

Note that at December 31, 2012 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 2012. 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 19,539 thousand at December 31, 2012.

The following is a summary of changes in intangible assets with finite useful life in 2012.

Description	Historical cost at Dec. 31, 2011	Increases	Decreases	Historical cost at Dec. 31, 2012	Acc. amortisation at Dec. 31, 2011	Amort.	Acc. amortisation at Dec. 31, 2012	Net carrying amount at Dec. 31, 2011	Net carrying amount at Dec. 31, 2012
Development costs	**17,393**	**12,394**	**-**	**29,787**	**(6,396)**	**(6,044)**	**(12,439)**	**10,997**	**17,348**
Software and licences	**3,554**	**1,977**	**-**	**5,531**	**(2,817)**	**(966)**	**(3,782)**	**737**	**1,749**
Brands and other rights	**349**	**27**	**-**	**376**	**(124)**	**(35)**	**(158)**	**225**	**218**
Trademarks and patents	349	27	-	376	(124)	(35)	(158)	225	218
Assets under development	**-**	**58**	**-**	**58**	**-**	**-**	**-**	**-**	**58**
Other	**1,713**	**126**	**-**	**1,839**	**(1,484)**	**(190)**	**(1,673)**	**229**	**166**
Other intangible assets	1,713	126	-	1,839	(1,484)	(190)	(1,673)	229	166
General Total	**23,008**	**14,582**	**-**	**37,592**	**(10,821)**	**(7,235)**	**(18,055)**	**12,186**	**19,539**

The principal changes in these items during the year are described below.

Development costs

This item increased by Euro 7,352 thousand in 2012. The Group made consistent long-term investments in development projects for a total amount of Euro 12,394 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 1,977 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.

Brands and other rights

The value of this item at December 31, 2012 stood at Euro 218 thousand, an increase of Euro 27 thousand during 2012.

It mainly comprises expenses incurred by the Company in acquiring and registering national and international trademarks.

Assets under development and payments on account

As at December 31, 2012, this item stood at Euro 58 thousand. All projects under development during 2012 were completed by December 31, 2012. The amount recorded refers to a payment on account for software licences.

The amortisation for intangible assets with a finite useful life stood at Euro 7,235 thousand.

9.14 Investments in associated companies

In 2012 the Company invested in the establishment of a newco owned by the PPR Group. The non-current item at December 31, 2012 stood at Euro 59 thousand.

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Investments in associated companies	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 366 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)	December 31	49%	59	(749)	(627)	(366)
Total			**59**	**(749)**	**(627)**	**(366)**

9.15 Deferred tax assets

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Deferred tax assets	6,135	4,799	1,336
Total	**6,135**	**4,799**	**1,336**

Changes in deferred tax assets during 2012 are shown in the following table:

Description	Balance at Dec 31, 2011	Increases	Utilisation	Exchange rate effect from consolidation	Balance at Dec. 31, 2012
Deferred tax assets	4,799	5,431	(4,033)	(62)	6,135
Total	**4,799**	**5,431**	**(4,033)**	**(62)**	**6,135**

The following table shows a breakdown of deferred tax assets as at December 31, 2012:

Description of taxable item	Balance at Dec. 31, 2012	2012 tax rate	Tax recorded in 2012
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	55	31.4%	17
Provisions	4,171	Various%	1,203
Unissued credit notes	1,140	31.4%	358
Expenses for Red Circle 2009 capital increase	20	27.5%	6
Unrealised exchange rate losses	104	27.5%	29
Unpaid remuneration of directors	809	27.5%	223
2009 IPO costs	1,258	27.5%	346
Fair value derivatives	589	27.5%	162
Associated losses	366	31.4%	115
Profit in stock	1,332	45.0%	599
Other items	7,028	Various%	3,022
Total	**17,072**		**6,135**

Deferred tax assets rose by 27.8%, from Euro 4,799 thousand at December 31, 2011 to Euro 6,135 thousand at December 31, 2012.

Deferred tax assets at December 31, 2012 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;
- expenditure on the share capital increase for entry of Red Circle S.r.l. Unipersonale as a Shareholder, which took place during 2009;
- unrealised exchange rate losses;
- unrealised exchange rate gains;
- IPO costs incurred in 2009 for the process of listing on the Mercato Telematico Azionario, which is organised and managed by Borsa Italiana S.p.A.;
- fair value derivatives at December 31, 2012;

- independent auditors' fees;
- profit in stock at December 31, 2012;
- others mainly comprising the royalties reinvoiced by the YOOX S.p.A. Parent to the YOOX Corp. subsidiary.

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 716 thousand as at December 31, 2012 (Euro 610 thousand as at December 31, 2011) and mainly relate to guarantee deposits, as broken down below:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Guarantee deposits	413	301	112
Deposit paid to Paymentech US	303	309	(6)
Total	**716**	**610**	**106**

Guarantee deposits as at December 31, 2012 relate to the signature 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. 2012 saw an increase of Euro 106 thousand (17%). Other non-current financial assets are due to be repaid in more than 5 years' time.

9.17 Inventories

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Inventories	138,216	101,862	36,354
Total	**138,216**	**101,862**	**36,354**

Inventories at December 31, 2012 and December 31, 2011 break down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Inventories of raw materials, consumables and supplies	1,331	1,058	273
Total	**1,331**	**1,058**	**273**
Finished products and goods	142,516	106,415	36,101
Provision for obsolete finished products and goods	(5,632)	(5,612)	(20)
Total	**136,884**	**100,803**	**36,081**
Total net inventories	**138,216**	**101,862**	**36,354**

Inventories rose by 35.7% from Euro 101,862 thousand at December 31, 2011 to Euro 138,216 thousand at December 31, 2012 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 2012. 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.

The amount of the provision in 2012 for obsolete inventories and changes in the provision are shown below:

Description	Balance at Dec. 31, 2011	Increases	Decreases	Final balance effect	Balance at Dec. 31, 2012
Provision for obsolete inventories	(5,612)	(117)	-	97	(5,632)
Total	**(5,612)**	**(117)**	**-**	**97**	**(5,632)**

The reserve for obsolete inventories reflected in the statement of financial position 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 at December 31, 2012 is as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due from customers	8,153	3,700	4,453
Other trade receivables	4,965	4,625	340
Allowance for impairment	(50)	(80)	30
Total	**13,068**	**8,245**	**4,823**

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 2012:

Description	Balance at Dec. 31, 2011	Increases	Decreases	Balance at Dec. 31, 2012
Allowance for impairment	(80)	(50)	80	(50)
Total	**(80)**	**(50)**	**80**	**(50)**

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. During 2012 the fund established at December 31, 2011 was entirely used and Euro 50 thousand was set aside to hedge 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Other current assets	4,971	4,694	277
Total	**4,971**	**4,694**	**277**

The following is a breakdown of other current assets at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Other receivables	743	1.629	(887)
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	2	114	(112)
Advances to employees	1,085	98	987
Prepayments and Accrued Income	2,140	1,283	857
Tax receivables	1,223	1,791	(569)
Total	**4,971**	**4,694**	**277**

“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 2013.

Accrued income mainly includes costs of future years whose financial manifestation has already taken place during 2012. 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 2011 is consistent with the increase in business volumes.

Tax receivables, which are fully recoverable by the end of the following year, mainly comprise VAT receivables.

9.20 Cash and cash equivalents and financial assets that are not fixed assets

The breakdown of the item Cash and cash equivalents at December 31, 2012 is as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Bank and postal accounts	35,766	22,734	13,032
Cash and cash equivalents on hand	9	8	1
Total	**35,775**	**22,743**	**13,033**

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 at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due from acquirers	6,019	5,466	552
Due from associate companies	124	-	124
Total	**6,143**	**5,466**	**676**

9.21 Equity attributable to equity holders of the Parent

The breakdown of changes in equity at December 31, 2012 is presented in a separate table.

The share capital of Euro 573 thousand at December 31, 2012 (Euro 531 thousand at December 31, 2011) increased over the course of 2012 following the exercise of Stock Options by the beneficiaries in question. With regard to this on January 26, 2012, 1,379,924 ordinary shares were granted following the exercise of 26,537

options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2007-2012 plans; on February 7, 2012, 645,580 ordinary shares were granted following the exercise of 12,415 options relating to the 2001-2003, 2003-2005, 2004-2006 and 2007-2012 plans; on March 15, 2012, 246,324 ordinary shares were granted following the exercise of 4,737 options relating to the 2001-2003, 2003-2005, 2006-2008 and 2007-2012 plans; on May 10, 2012, 5,200 ordinary shares were granted following the exercise of 100 options relating to the 2007-2012 plan; on May 24, 2012, 1,114,048 ordinary shares were granted following the exercise of 21,424 options relating to the 2004-2006, 2006-2008 and 2007-2012 plans; on June 15, 2012, 143,676 ordinary shares were granted following the exercise of 2,763 options relating to the 2003-2005, 2006-2008 and 2009-2014 plans, on July 24, 2012 445,536 ordinary shares were granted following the exercise of 8,568 options relating to the 2001-2003, 2003-2205, 2004-2006, 2006-2008 and 2009-2014 plans, on November 26, 2012 8,372 ordinary shares were granted following the exercise of 161 options relating to the 2009-2014 plan, on December 3, 2012 250,016 shares were granted following the exercise of 4,808 options relating to the 2007-2012 plan for a total effect equal to Euro 42 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 61,719 thousand at December 31, 2012 (Euro 57,152 thousand at December 31, 2011); this reserve increased in 2012 following the exercise of Stock Options by the beneficiaries in question. With regard to this on January 26, 2012, 1,379,924 ordinary shares were granted following the exercise of 26,537 options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2007-2012 plans; on February 7, 2012, 645,580 ordinary shares were granted following the exercise of 12,415 options relating to the 2001-2003, 2003-2005, 2004-2006 and 2007-2012 plans; on March 15, 2012, 246,324 ordinary shares were granted following the exercise of 4,737 options relating to the 2001-2003, 2003-2005, 2006-2008 and 2007-2012 plans; on May 10, 2012, 5,200 ordinary shares were granted following the exercise of 100 options relating to the 2007-2012 plan; on May 24, 2012, 1,114,048 ordinary shares were granted following the exercise of 21,424 options relating to the 2004-2006, 2006-2008 and 2007-2012 plans; on June 15, 2012, 143,676 ordinary shares were granted following the exercise of 2,763 options relating to the 2003-2005, 2006-2008 and 2009-2014 plans, on July 24, 2012 445,536 ordinary shares were granted following the exercise of 8,568 options relating to the 2001-2003, 2003-2205, 2004-2006, 2006-2008 and 2009-2014 plans, on November 26, 2012 8,372 ordinary shares were granted following the exercise of 161 options relating to the 2009-2014 plan, on December 3, 2012 250,016 shares were granted following the exercise of 4,808 options relating to the 2007-2012 plan for a total effect equal to Euro 4,567 thousand. The increase in the share premium reserve was recorded net of the release of the portion of deferred tax recognised in 2009 in compliance with the provisions of IAS 32, equal to Euro 134 thousand.

- legal reserve, which totalled Euro 193 thousand at December 31, 2012 (Euro 193 thousand at December 31, 2011), consists of accruals of 5% of Parent profits every year. This reserve did not increase in 2012 since it had reached the limit imposed by Article 2430 of the Italian Civil Code at December 31, 2010 and which remains at December 31, 2012;

- translation reserve, which had a positive balance of Euro 234 thousand at December 31, 2012 (compared with Euro 963 thousand at December 31, 2011), reflects exchange rate differences arising from the translation of financial statements denominated in foreign currency. There was a negative change of Euro 729 thousand in the reserve in 2012.

- reserve for future increases in share capital and share premium reserve, which amounted to Euro 16 thousand at December 31 (Euro 177 thousand at December 31, 2011), includes liabilities to individuals who had paid to exercise stock options at December 31, 2012, 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 1,136 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 October 7, 2009 and by the Board of Directors on July 1, 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 and its subsidiaries.

- other reserves, equal to Euro 16,404 thousand at December 31, 2012 (Euro 11,102 thousand at December 31, 2011) include the fair value reserve for stock options at Euro 16,581 at December 31, 2012 (Euro 11,984 thousand at December 31, 2011) and the cash flow hedge reserve equal to a negative figure of Euro 177 thousand (Euro 883 thousand at December 31, 2011);

- retained earnings (losses carried forward) amount to Euro 13,754 thousand at December 31, 2012 (Euro 13,754 thousand at December 31, 2011), an increase of Euro 10,000 thousand due to the allocation of profit for 2011.

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 on September 8, 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, at December 31, 2012 the Board of Directors had granted the following options, outlined in the table below:

Stock Option plans	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
2001 – 2003	80,575	31,560	44,515	4,500	0	0	4,500
2003 – 2005	36,760	3,000	30,414	3,346	0	0	3,346
2004 – 2006	32,319	12,650	17,201	2,468	0	0	2,468
2006 – 2008	31,303	200	20,895	10,208	0	0	10,208
2007 – 2012	102,600	3,650	57,621	41,329	0	0	41,329
2009 – 2014	94,448	10,562	1,183	82,703	28,695	0	54,008
Total	**378,005**	**61,622**	**171,829**	**144,554**	**28,695**	**0**	**115,859**

At December 31, 2012, 2,899 options may be granted under the above plans.

The table below shows the exact prices for the options assigned that have not expired or been exercised.

Strike price (in Euro)

	15.91	46.48	59.17	106.50	131.78	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	1,250	500		2,750													4,500	234,000
2003-2005		2,346		1,000													3,346	173,992
2004-2006		1,768		500	200												2,468	128,336
2006-2008			10,208														10,208	530,816
2007-2012			40,229	1,100													41,329	2,149,108
2009-2014						40,073	11,715	963	1,560	4,490	1,926	9,576	7,422	2,247	2,410	321	82,703	4,300,556
Total	**1,250**	**4,614**	**50,437**	**5,350**	**200**	**40,073**	**11,715**	**963**	**1,560**	**4,490**	**1,926**	**9,576**	**7,422**	**2,247**	**2,410**	**321**	**144,554**	**7,516,808**

The following should be noted with reference to the 2009-2014 stock option plan:

- on February 8, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 3 beneficiaries, of 4,490 options valid for underwriting 233,480 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 8.49 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) trading days prior to the option grant date;

- on March 12, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 273 beneficiaries, of 8,058 options valid for underwriting 419,016 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 9.85 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) trading days prior to the option grant date;

- on August 3, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 1 beneficiaries, of 321 options valid for underwriting 16,692 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 11.21 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) trading days prior to the option grant date;

- on September 21, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 15 beneficiaries, of 9,576 options valid for underwriting 497,952 YOOX ordinary shares (in the ratio of 52 new shares for each 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) trading days prior to the option grant date;

The Board of Directors also established that the exercising of the options would be subject to the EBITDA level forecast in the reference budget approved by the Company's Board of Directors being reached in the YOOX consolidated financial statements; the granting of the options was approved following the proposal of the remuneration committee, which also decided the number of options to be granted to each beneficiary.

With reference to the 2012-2015 stock option plan, approved by the Shareholders' Meeting on June 29, 2012, on September 21, 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) trading days prior to the option grant date.

The following option rights have been granted by the Board of Directors with the breakdown given in the table below:

Stock Grant Option	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	0	0	1,500,000	1,500,000	0	0
Total	**1,500,000**	**0**	**0**	**1,500,000**	**1,500,000**	**0**	**0**

The table below shows the exact prices for the options assigned that have not expired or been exercised.

	Strike price € 9.60	Total options	Total shares
2012-2015	1,500,000	1,500,000	1,500,000
Total	**1,500,000**	**1,500,000**	**1,500,000**

Granting of shares

On July 1, 2010, the Board of Directors of the Parent approved the 2009-2014 Incentive Plan in compliance with the approval of the Shareholders' Meeting on September 8, 2009.

A share purchase programme was set up for this purpose in order to comply with the decision of the Meeting on October 7, 2009 and the Board of Directors on July 1, 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 May 5, 2011, the YOOX S.p.A. Shareholders' Meeting granted authorisation to buy and sell treasury shares, pursuant to Articles 2357, 2357-*ter* c.c. 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 May 5, 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 July 2, 2010 to July 7, 2010, 62,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 5.836485 per share after commission, for a total value of Euro 361,862.06;
- in the period from August 5, 2011 to August 8, 2011, 60,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.594572 per share after commission, for a total value of Euro 575,674.30;
- on September 6, 2011, 5,000 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.5095 per share after commission, for a total value of Euro 47,547.50;
- on October 4, 2011, 27,331 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.500947 per share after commission, for a total value of Euro 259,670.39;
- on November 17, 2011, 7,669 YOOX S.p.A. ordinary shares, at an average unit price of Euro 9.276056 per share after commission, for a total value of Euro 71,138.08.

At December 31, 2012, the Company holds 130,662 treasury shares in its portfolio equal to 0.2280% of the share capital following the payment, on August 6, 2012, of 31,338 ordinary shares relating to the company Incentive Plan, to 18 beneficiaries.

At December 31, 2012, 15 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 53,094 ordinary shares.

Share capital increases to service stock option plans and company incentive plans

At a meeting on January 31, 2005, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of March 22, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,116,076 shares with an implicit unit price of Euro 0.01, a premium of Euro 0.2960 on each new share and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At the same meeting on January 31, 2005, the Board of Directors also took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of July 31, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,483,924 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on July 12, 2007, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of July 18, 2002 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of December 2, 2005, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,755,520 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights, reserved for the Company's employees and directors. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at July 31, 2017, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on December 1, 2008, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of December 10, 2003 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of December 2, 2005, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,022,788 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights, reserved for the Company's employees and directors. Pursuant to Article 2439, paragraph 2 of the Italian Civil

Code, the deadline for subscription was set at December 1, 2018, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on September 3, 2009, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of December 2, 2005 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of July 12, 2007, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plan via the issue of up to 1,627,756 new shares with an implicit unit price of Euro 0.01, a premium of Euro 1.1279 on each new share and the same dividend rights as the other shares outstanding at the time of their subscription. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at September 3, 2019, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At the same meeting of September 3, 2009, the Board of Directors also took partial advantage of the power conferred by the Extraordinary Shareholders' Meeting of May 16, 2007, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital - excluding voting rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code - to service the stock option plan via the issue of 5,176,600 new ordinary shares with the same characteristics as those outstanding and an implicit unit price of Euro 0.01. The price of the shares is Euro 1.1379 for each share up to 4,784,000 new shares and Euro 2.0481 for each share up to 392,600 new shares.
Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at September 3, 2019, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

The Extraordinary Shareholders' Meeting of September 8, 2009 resolved on a share capital increase through payment in cash in one or more tranches, subject to commencement of trading in shares of the Company on the STAR segment of the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., excluding voting rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, this being the increase to service the incentive plan approved at the Ordinary Shareholders' Meeting for directors, employees and consultants. The increase will take place via the issue of a total maximum number of 4,732,000 new ordinary shares (after implementation of the share-split as resolved at the same meeting) for a total nominal amount of Euro 47,320 in capital and with a unit price of Euro 0.01. The new shares will carry the same dividend rights as the other shares outstanding at the time of their subscription. The issue prices of the shares will be calculated using the weighted average market price of shares of the Company in the 30 trading days before the options are granted, without prejudice to any minimum prices established by law or the unit price as determined above. If it is not fully subscribed by the deadline of December 31, 2014, the capital increase will proceed according to the subscriptions received by that date.

On June 29, 2012, the YOOX S.p.A. Shareholders' Meeting took place at first call, with both ordinary and extraordinary sessions.
In its ordinary session, 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 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).
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 four, 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.

Establishment of the stock option plans and Company incentive plans and subsequent changes

On April 27, 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 June 29, 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 includes the allocation of a total of 1,500,000 YOOX ordinary shares.

On September 21, 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).

9.23 Medium-long term financial liabilities – bank loans and other current financial payables

Bank loans and other financial liabilities stood at Euro 27,106 thousand, an increase of Euro 13,057 thousand compared with December 31, 2011 (Euro 14,049 thousand).

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Medium-long term financial liabilities	15,099	11,522	3,577
Bank loans and other current financial payables	12,007	2,527	9,480
Total	**27,106**	**14,049**	**13,057**

The following table shows the breakdown of debt as at December 31, 2012:

Lending institution	Remaining amount	Nature of facility	Rate	Short-term portion	Medium-long-term portion
BNL - BNP Paribas Group	13,000		Euribor + 1.20%	4,000	9,000
Banca Sella	5,000		Euribor + 2.3%	-	5,000
UniCredit	5,000		Euribor + 2.2%	5,000	-
DDL	286		Fixed	123	163
Simest	77	Subsidised loan Law 394/81	Fixed	77	-
Financial leases	1,809			871	938
Accrued liabilities	*60*			*60*	-
Total	**27,106**			**12,007**	**15,099**

The summarised details of loan agreements and lines of credit stipulated in 2012 are given below:

<u>De Lage Landen loan</u>
On March 2, 2012 a loan agreement was signed with the credit institution De Lage Landen International BV ("the Bank") for an amount equal to Euro 375 thousand.

YOOX S.p.A. is bound to pay the "Bank" an annual nominal interest rate on the loan of 3.99%.

With regard to the above, YOOX S.p.A. is obliged to pay the "Bank" 12 quarterly instalments, made up of the share capital, as well as the interest calculated at the rate determined. The loan does not include financial covenants.

At the closing date of December 31, 2012 the residual loan stood at Euro 286 thousand and will be extinguished on February 28, 2015.

<u>Banca Sella Unsecured Loan</u>
On July 20, 2012 an unsecured loan was subscribed from Banca Sella ("the Bank") for an amount of Euro 5,000 thousand over 5 years.

YOOX S.p.A. is obliged to pay the "Bank" interest on the loan, calculated according to the effective number of days, quarterly, in arrears, with 365 as the divider, at the nominal annual rate equal to the interbank rate for the three month Euribor. The above rate will be increased with an annual 2.30 point spread in favour of the "Bank".

The repayment schedule includes a two-year initial repayment holiday, with the principal repaid in equal quarterly instalments over three years from January 20, 2015 until July 20, 2017. The loan agreement does not contain any financial covenants.

UniCredit Loan (Line of Credit)
On October 17, 2012 a loan agreement was stipulated in the form of a stand-by facility, expiring on April 16, 2014, with UniCredit Corporate & Investment Banking (“the Bank”) for Euro 5,000 thousand, to support YOOX S.p.A. planned investments for the period 2012-2014.

YOOX S.p.A. is obliged to pay the “Bank” interest on the loan, calculated according to the effective number of days, quarterly, in arrears, with 360 as the divider, at the nominal annual rate equal to the interbank rate for the three-month Euribor. The above rate will be increased with an annual 2.20 point spread in favour of the “Bank”.
Starting with the discovery made in the consolidated financial statements at December 31, 2011 and, specifically, the discovery of financial covenants, YOOX S.p.A. is obliged to comply with the following statement of financial position ratios (a) net financial debt/EBITDA < 2.5 (b) net financial debt/Shareholders’ equity< 1.0. Failure to comply will result in the forfeiture of the term benefits.

YOOX S.p.A. is obliged to pay the Bank an agency commission equal to 50 (fifty) basis points (in other words 0.50%) agreed on the maximum total agreed amount of the loan. This commission will accrue to the Financing Bank annually and should be paid, in advance, on a quarterly basis, starting from the date that the agreement is signed.

If substantial changes or exemptions are granted in relation to the loan documents, including changes or exemptions involving financial covenants, YOOX S.p.A. will be obliged to pay the Bank a waiver fee, equal to 0.20% of the maximum total agreed amount of the loan.

Commitments of a financial nature (covenants)

The Company, also for the purposes of Article 1461 of the Italian 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 contract if the financial situation recorded in the consolidated financial statements does not comply with the same parameters, or even with only one of them.

Below are the financial parameters for the loan agreed with Banca Nazionale del Lavoro:

1) the ratio between the Net Financial Position and the EBITDA excluding the incentive plans should not be more than 2.5 times the total loan repayment;
2) the ratio between the Net Financial Position and the Shareholders’ Equity should not be more than once the total loan repayment.

YOOX S.p.A. will communicate the above financial parameters to the “Bank” every half-year, on 30 June and 31 December of every year up until maturity.
If even only one of the above parameters is not complied with, YOOX S.p.A. stops the right of the “Bank” to terminate the contract, is committed 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 financing agreed with Banca Nazionale del Lavoro, it should be noted that at December 31, 2012, like at December 31, 2011, the above-mentioned financial parameters were complied with by the Group.

In addition, it should be noted that at December 31, 2012, the stand-by revolving credit line granted by a pool of banks on March 16, 2008 due on June 15, 2013 stands at Euro 1,875 thousand.

As far as the terms of the contract in force until December 31, 2009 are concerned, please refer to the notes to the consolidated financial statements at December 31, 2010 and 2011.

We note that during the course of the year, because of a new loan granted by UniCredit Corporate & Investment Banking (“the Bank”), YOOX S.p.A. has made a commitment, for the entire duration of the loan and until it is totally extinguished, to set up management instruments and take appropriate measures so that the following

statement of financial position indices/parameters with reference to the Group's consolidated financial statements, starting from the financial statements for the year ended December 31, 2011, are complied with:

1) net financial debt/EBITDA < 2.5;
2) net financial debt/equity < 1.0.

The financial covenants will be calculated on an annual basis, on the basis of the consolidated financial statements (certified by the major independent auditors). Failure to comply will result in the forfeiture of the term benefits.
If substantial changes or exemptions are granted in relation to the loan documents, including changes or exemptions involving financial covenants, YOOX S.p.A. will be obliged to pay the Bank a waiver fee, equal to 0.20% of the maximum total agreed amount of the loan.

At December 31, 2012 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 at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Cash and cash equivalents	35,775	22,743	13,033
Current financial assets	6,143	5,466	676
Other current financial assets	347	-	347
Bank loans and other current financial payables	(12,007)	(2,527)	(9,480)
Other current financial liabilities	(591)	(1,218)	628
Net short-term financial position	**29,667**	**24,463**	**5,204**
Medium-long term financial liabilities	(15,099)	(11,522)	(3,576)
Net financial position[28]	**14,569**	**12,941**	**1,628**

During 2012 the Group's net financial position improved by Euro 1,628 thousand, going from Euro 12,941 thousand at December 31, 2011 to Euro 14,569 thousand at December 31, 2012.

9.24 Employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2012 are summarised below:

Description	Balance at Dec. 31, 2011	Provisions	Utilisation	Balance at Dec. 31, 2012
Employee benefits	213	15	(16)	212

[28] Net debt (or net financial position) is the sum of cash or 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 financial debt (or net financial positions), 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".

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits as at December 31, 2012 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2002
Annual probability of death other than by death in service	5%
Probability of requests for advances	3.30%
Age for retirement suitably modified taking into consideration latest legislation	
Actualisation rate	2.69% corresponding to the rate of return of Euro zone corporate bonds with AA rating and with 10+ maturity (iBoxx € Corporates AA 10+)
Maximum % of accrued staff post-employment benefits in advance	70%
Annual increase in the cost of living	2%

9.25 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities as at December 31, 2012:

Description	Balance at Dec. 31, 2011	Increases	Utilisation	Balance at Dec 31, 2012
Deferred tax liabilities	83	171	(126)	128
Total	**83**	**171**	**(126)**	**128**

Description of taxable item	Balance at Dec. 31, 2012	2012 tax rate	Tax recorded in 2012
Unrealised exchange rate gains 2012	118	27.5%	33
Positive fair value of cash flow hedge derivatives	347	27.5%	95
Total	**465**		**128**

9.26 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2012, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2012:

Description	Balance at Dec. 31, 2011	Increases	Adjustments	Utilisation	Balance at Dec. 31, 2012
Provision for theft and loss	85	91	-	(59)	117
Provision for fraud	114	196	-	(90)	220
Total provisions for current risks and charges	**199**	**287**	**-**	**(149)**	**337**

During the year, Euro 59 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 91 thousand, following a new estimate.

During the year, Euro 90 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 196 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 at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due to suppliers	76,486	47,024	29,462
Credit notes to be received from suppliers	(2,782)	(3,006)	224
Invoices to be received from suppliers	23,055	18,757	4,297
Due to credit card operators	4	18	(14)
Total	**96,763**	**62,794**	**33,969**

Trade payables increased by 54.1%, from Euro 62,794 thousand as at December 31, 2011 to Euro 96,763 thousand as at December 31, 2012.

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 payables

Current tax liabilities relate exclusively to the current income tax liability of the Parent and its foreign subsidiaries, net of payments on account.

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Current income taxes	1,261	310	951
Total	**1,261**	**310**	**951**

It increased during the course of 2012 by Euro 951 thousand going from Euro 310 thousand at December 31, 2011 to Euro 1,261 thousand at December 31, 2012 through the effect of the increased tax for the Parent.

9.29 Other payables

The following table shows a breakdown of payables at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due to social security institutions	1,854	1,470	384
Credit notes to be issued to customers	7,191	6,828	363
Due to directors	458	29	429
Due to employees	2,200	1,249	950
Due to fiscal representatives	5,073	4,220	853
Other payables	8,643	4,551	4,093
Accrued expenses and deferred income	657	1,372	(715)
Total	**26,077**	**19,719**	**6,358**

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 relates to certain payables for returns on sales made in 2012. The increase in this item is related to the increase in sales volumes in 2012 compared with the previous period.

The item "Due to tax representatives" reflects indirect tax liabilities. Sales carried out in European countries during 2012 and 2011 exceeded the threshold set in Article 41 paragraph 1 b) of Legislative Decree 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 2012 of Euro 6,381 thousand (Euro 6,450 thousand in 2011), tax payments amounting to Euro 6,380 thousand were made (Euro 7,910 thousand in 2011) 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 366 thousand was hedged.

9.37 Acquisition of and proceeds from disposal of other non-current financial assets

Other non-current financial assets at December 31, 2012 stood at a total of Euro 716 thousand (Euro 610 thousand at December 31, 2011):
Guarantee deposits as at December 31, 2011 relate to the signature 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. 2012 saw an increase of Euro 106 thousand (17%). 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 (Equity attributable to owners of the Parent).

9.39 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 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 of January 1, 2007.

In accordance with the requirements of IFRS 7, the notes to financial statements at December 31, 2009 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.

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 at December 31, 2012, 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, YOOX S.p.A. Since the YOOX Group is essentially an exporter, the main risk exposure consists in depreciation of foreign currencies against the Euro. The Group is principally exposed towards the US dollar, the Japanese yen and the UK pound. During 2012, the incidence of gains and losses on currency was negative by Euro 1,210 thousand of which Euro 392 thousand was for retained earnings adjustment of revenues and Euro 818 thousand for financial expenses under the currency losses item.

Currency transaction risks were hedged in 2012 by forward sales contracts arranged with the leading domestic and international banks used by YOOX on a daily basis. Outstanding contracts and those negotiated during the year only hedge receivables denominated in US dollars, for the equivalent of Euro 4,494 thousand as at December 31, 2012 (Euro 12,495 thousand as at December 31, 2011) and in Japanese yen, for the equivalent of Euro 1,991 thousand (Euro 2,892 thousand as at December 31, 2011). No speculative derivative contracts were concluded in 2012.

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 at December, 31 2012 was negative in the amount of Euro 729 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 at December 31, 2012 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 at December 31, 2012

Thousand Euro	December 31, 2012				
	USD	**JPY**	**GBP**	**CNY**	**CAD**
Receivables	342	97	366	65	-
Payables	(687)	(1,900)	(1,985)	-	(173)
Cash	53	30	708	4	
Gross exposure in the statement of financial position	**(292)**	**(1,773)**	**(911)**	**69**	**(173)**
Hedging contracts	(4,494)	(1,991)	-	-	-
Net exposure	**(4,786)**	**(3,764)**	**(911)**	**69**	**(173)**

b) the sensitivity analysis at December 31, 2012, 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	(31)	38	(16)	18
Payables	62	(76)	33	(36)
Cash	(5)	6	(3)	3
USD	26	(32)	14	(15)

2nd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(9)	11	(5)	5
Payables	173	(211)	90	(100)
Cash	(3)	3	(1)	2
JPY	161	197	84	(93)

3rd currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(33)	41	(17)	19
Payables	180	(221)	95	(104)
Cash	(64)	79	(34)	37
GBP	83	(101)	44	(48)

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(6)	7	(3)	3
Payables	-	-	-	-
Cash	-	-	-	-
CNY	(6)	7	(3)	3

5th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	16	(19)	8	(5)
Cash	-	-	-	-
CAD	16	(19)	8	(5)

c) The effects of the sensitivity analysis on the income statement and equity

Appreciation of the Euro by 10%

Thousand Euro

December 31, 2012	Equity	Profit or loss
USD	-	26
JPY	-	161
GBP	-	83
CAD	-	16
CNY	-	(6)
Hedging contracts	-	-
USD	498	-
JPY	391	-
Total	**889**	**280**

Depreciation of the Euro by 10%

Thousand Euro

December 31, 2012	Equity	Profit or loss
USD	-	(32)
JPY	-	(197)
GBP	-	(101)
CAD	-	(19)
CNY	-	8
Hedging contracts	-	-
USD	(390)	-
JPY	35	-
Total	**(355)**	**(342)**

Appreciation of the Euro by 5%

Thousand Euro

December 31, 2012	Equity	Profit or loss
USD	-	14
JPY	-	84
GBP	-	43
CAD	-	8
CNY	-	(3)
Hedging contracts	-	-
USD	308	-
JPY	315	-
Total	**623**	**147**

Depreciation of the Euro by 5%

Thousand Euro

December 31, 2012	Equity	Profit or loss
USD	-	(15)
JPY	-	(93)
GBP	-	(48)
CAD	-	(9)
CNY	-	4
Hedging contracts	-	-
USD	(133)	-
JPY	138	-
Total	**5**	**(162)**

The financial instruments in place as at December 31, 2012 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 2012, 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 2012 came to Euro 520 thousand, an increase compared with 2011 following greater use of credit lines. The interest cost of the majority of the Group's bank borrowing is roughly equal to Euribor plus a spread of about 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 at December 31, 2012

Thousand Euro	**December 31, 2012**
Financial receivables	6,143
Financial payables	(27,106)
Gross exposure in the statement of financial position	**(20,963)**
Hedging contracts	15,660
Net exposure	**(5,303)**

b) the sensitivity analysis at December 31, 2012, 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 **December 31, 2012**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	4
Hedging contracts	(564)	-
Total	**(564)**	**4**

Depreciation in the 3-month Euribor of 10%

Thousand Euro **December 31, 2012**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	(4)
Hedging contracts	(617)	-
Total	**(617)**	**(4)**

Appreciation in the 3-month Euribor of 5%

Thousand Euro **December 31, 2012**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	2
Hedging contracts	(577)	-
Total	**(577)**	**2**

Depreciation in the 3-month Euribor of 5%

Thousand Euro **December 31, 2012**	**Equity**	**Profit or loss**
Financial receivables	-	-
Financial payables	-	2
Hedging contracts	(604)	-
Total	**(604)**	**2**

The financial instruments in place as at December 31, 2012 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 2012 with a positive net financial position of Euro 14,569 thousand of which Euro 35,775 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 12,007 thousand have to be repaid.

Thousand Euro	Currency	Nominal interest rate	Expiry year	Nominal value Dec. 31, 2012	Use at Dec. 31, 2012
Guaranteed loans					
Syndicated bank loan	Euro	Euribor + 1.50%	2013	1,875	1,875
Simest	Euro	1.3753%	2013	77	77
BNL bank loan	Euro	Euribor + 1.20%	2016	13,000	13,000
DDL	Euro	Fixed (3.99%)	2017	286	286
Banca Sella	Euro	Euribor + 2.3%	2017	5,000	5,000
UniCredit	Euro	Euribor + 2.2%	2014	5,000	5,000
Finance lease liabilities	Euro	Euribor + 2%	2016	1,809	1,809
Total loans	**Euro**			**27,047**	**27,047**

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 two US companies, YOOX Corporation and Y Services, principally use 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 at December 31, 2012 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 2012 the Group set up cash flow hedging related to a highly probable planned operation.

The financial instruments in place as at December 31, 2012 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.

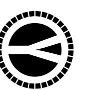
Financial instruments measured at fair value at December 31, 2012 are calculated using the methods in level 2. There were no level transfers in 2012.

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 at Dec. 31, 2012	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	716	-	-	-	-	-	716	716
Trade receivables	13,068	-	-	-	-	-	13,068	13,068
Other current assets	4,624	-	-	-	-	347	4,971	4,971
Cash and cash equivalents	35,775	-	-	-	-	-	35,775	35,775
Medium-long term financial liabilities	(12,007)	-	-	-	-	-	(12,007)	(12,007)
Bank loans and other current financial payables	(15,099)	-	-	-	-	-	(15,099)	(15,099)
Other current financial liabilities	(25,486)	-	-	-	-	(591)	(26,077)	(26,077)
TOTAL	**1,591**	**-**	**-**	**-**	**-**	**(244)**	**1,347**	**1,347**

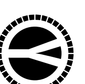
Statement of financial position items at Dec. 31, 2011	Loans and receivables	Financial assets at fair value through profit or loss		Available-for-sale financial assets	Held-to-maturity investments	Hedging financial assets	Total carrying amount	Total fair value
		Financial assets designated at fair value on initial recognition	Held-for-trading financial assets					
Other non-current financial assets	610	-	-	-	-	-	610	610
Trade receivables	8,245	-	-	-	-	-	8,245	8,245
Other current assets	4,694	-	-	-	-	-	4,694	4,694
Cash and cash equivalents	22,743	-	-	-	-	-	22,743	22,743
TOTAL	**36,292**	**-**	**-**	**-**	**-**	**-**	**36,292**	**36,292**



Financial derivative instruments outstanding at year end

The following table shows transactions outstanding as at December 31, 2012 and December 31, 2011 and the related fair values:

FINANCIAL INSTRUMENT	Nature of hedged risk	Notional Value		Fair value derivatives		Current financial assets		Other Financial Payables	
		Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Hedging									
Forward sales	Currencies	6,486	15,386	347	(754)	347	-	-	(754)
IRS	rate	15,660	12,300	(591)	(464)	-	-	(591)	(464)
Total		**22,146**	**27,686**	**(244)**	**(1,218)**	**347**	**-**	**(591)**	**(1,218)**



11. Information pursuant to IAS 24 on management remuneration and on related parties

Transactions with related parties, as defined under IAS 24, at December 31, 2012 and at December 31, 2011 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 responsibility 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 at December 31, 2012 and December 31, 2011.

The main relationships between the Parent and Group companies are chiefly commercial in nature and can be summarised as follows:

1. the Parent supplies the Group companies with products for sale in the US, Japanese, Asian-Pacific and Chinese Online Stores;

2. the Parent provides the Group companies with website maintenance, support services and updates.

3. the Parent provides the Group companies with administrative, financial and legal services.

4. the Parent 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 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 at December 31, 2012 and at December 31, 2011. 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.

December 31, 2012

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
YOOX S.p.A.	16,740	5,513	24	5,572	74,122	332
YOOX Corporation	21	-	7,389	3,809	17	45,132
Y Services Ltd.	-	2,292	626	-	18	1,883
YOOX Japan	54	1,762	4,336	-	60	19,947
YOOX Mishang Trading (Shanghai)	-	-	3,184	1,704	290	2,719
YOOX Asia Ltd.	-	1,518	1,257	-	2	4,497
Total subsidiaries	**16,816**	**11,085**	**16,816**	**11,085**	**74,509**	**74,509**

December 31, 2011

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenues	Costs
YOOX S.p.A.	11,633	2,790	24	1,932	44,736	-
YOOX Corporation	24	-	8,194	1,932	-	29,112
Y Services Ltd.	-	1,932	621	-	-	1,507
YOOX Japan	23	-	1,806	-	21	12,191
YOOX Mishang Trading (Shanghai)	-	-	538	858	-	506
YOOX Asia Ltd.	-	-	497	-	-	1,440
Total subsidiaries	**11,680**	**4,722**	**11,680**	**4,722**	**44,756**	**44,756**

11.2 Remuneration of senior managers and other key persons within the Group

Senior management and key persons with strategic responsibility 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.

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:

December 31, 2012

Description	Current benefits	Long-term benefits	Stock option plans and incentive plans
Directors	1,427	369	2,610
Statutory Auditors	77	-	-
Management personnel with strategic responsibilities	651	42	357
Total	**2,155**	**411**	**2,967**

December 31, 2011

Description	Current benefits	Long-term benefits	Stock option plans and incentive plans
Directors	721	-	1,600
Statutory Auditors	74	-	-
Management personnel with strategic responsibilities	1,334	83	953
Total	**2,129**	**83**	**2,553**

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, at December 31, 2012 as well as December 31, 2011, 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.

December 31, 2012

Description	Trade receivables	Trade payables	Revenues	Costs
Studio legale associato d'Urso Gatti e Bianchi	-	355	-	741
Tarter Krinsky and Drogin LLP	-	25	-	117
Hari K. Samaroo, P.C.	-	-	-	-
Studio Holly Brubach LLC	-	-	-	-
KK TPI	-	20	-	101
Bizmatica Sistemi S.p.A.	-	74	-	167
Nagamine Accounting Office	-	8	-	30
Total other related parties	**-**	**481**	**-**	**1,156**

December 31, 2011

Description	Trade receivables	Trade payables	Revenues	Costs
Studio legale associato d'Urso Gatti e Bianchi	-	18	-	419
Tarter Krinsky and Drogin LLP	-	36	-	96
Hari K. Samaroo, P.C.	-	1	-	1
Studio Holly Brubach LLC	-	10	-	107
KK TPI	-	8	-	68
Bizmatica Sistemi S.p.A.	-	-	-	49
Nagamine Accounting Office	-	-	-	7
Total other related parties	**-**	**72**	**-**	**749**

The above entities are regarded as related parties of the Group for the following reasons:

- Studio legale D'Urso Gatti e Associati, since a partner of that law firm is a director of the Parent.
- 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);
- Hari K. Samaroo P.C., since the owner of that law firm is the legal representative/chairman of Y Services.
- Studio Holly Brubach LLC since the partner of that law firm is a director of 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.).

None of the transactions that took place with related parties in 2012 and 2011 were significant (except as mentioned above), atypical and/or unusual.

12. Other information

Commitments and guarantees

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011
Third-party assets held by the Group	95,777	81,094
Sureties given to others	2,812	2,660
Commitments under hedging contracts (nominal value)	22,146	27,686

The warehouses of Group companies hold goods worth Euro 95,777 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 2012, as well as an expansion of procurement on a sale-or-return basis during 2011 in the Multi-brand business line.

The sureties, all given by the Parent, relate to the following contracts:

- The contract agreed by the Parent with SINV, with effect from November 2, 2010, for a period of six years, for the rental of office premises in Via Morimondo 17, Milan. The surety amounts to Euro 120,000 and will expire on January 31, 2017;
- The contract concluded with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 924,760 (Euro 700,894) with effect from February 8, 2012 and expiring on December 31, 2012;
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from April 01, 2007, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 47,500 expiring on March 31, 2013;
- The contract agreed with SIMEST to guarantee the loan amounting to Euro 14,200 with effect from September 28, 2006 and expiring on March 16, 2014;
- The contract agreed with SIMEST to guarantee the loan amounting to Euro 63,011 with effect from January 17, 2008 and expiring on March 16, 2014;
- The contract agreed by the Company with New Winds Group to guarantee compliance with obligations under a rental contract for office premises in Madrid, with effect from August 1, 2008. The surety amounts to Euro 19,909 and expires on August 31, 2013;
- The contract agreed 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 August 1, 2008. The surety amounts to Euro 52,000 and expires on July 31, 2014;
- The contract agreed by the Company with Oslavia, with effect from July 1, 2008 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 19,200 and expires on July 31, 2014;
- The contract concluded 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 April 30, 2013;
- The contract agreed with Logistica Bentivoglio S.r.l. with effect from December 28, 2010 and expiring on December 31, 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto for Euro 512,775;
- The surety agreed for Arangino Giovanni to guarantee the costs of restoring the external wall of the building in Via Lombardini, Milan, for a sum of Euro 4,000, with effect from August 19, 2010 and expiring on July 31, 2014.
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from April 14, 2010, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 58,500 expiring on February 1, 2016.

The hedging contracts relate to:

- forward sales set up by the Parent to cover the currency risk connected to intra-Group sales in US Dollar and Japanese Yen. The nominal amount of these commitments, translated to Euro at the exchange rate in effect at the reporting date, is Euro 6,486 thousand.
- interest rate swaps signed by the Parent 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 15,660 thousand.

13. Significant events after December 31, 2012

Allocation of shares following the exercise of stock options

After the end of the period, on January 16, 2013 and February 14, 2013, 117,312 YOOX S.p.A. ordinary shares were granted, following the exercising of options relating to the stock option plans at the strike prices listed in the table below:

Stock option plans	Grant date	Strike price (in Euro)				Total options	Total shares post-split
		46,48	59,17	305,24	521,56		
2004 – 2006	Jan.16, 2013	307				307	15,964
2006 – 2008	Jan. 16, 2013		25			25	1,300
2007 – 2012	Feb. 14, 2013		1,443			1,443	75,036
2009 – 2014	Feb. 14, 2013			160	321	481	25,012
Total		**307**	**1,468**	**160**	**321**	**2,256**	**117,312**

Given the above, the share capital issued by YOOX S.p.A. at the time of writing is Euro 574,301.00, divided into 57,430,100 ordinary shares with no indication of par value.

Allocation of shares relating to the YOOX S.p.A. 2009 - 2014 Incentive Plan

On January 10, 2013 the Company had paid over 4,801 ordinary shares relating to the Company Incentive Plan to 4 beneficiaries.

Extension of bikkembergs.com

In February 2013 the bikkembergs.com Online Store was extended to the Japanese market.

Deactivation of zeishouse.com

From January 2013, the zeishouse.com Online Store, currently only present in Europe with the Bikkembergs brand and several other minor brands, owned and under licence, will be deactivated.

Deactivation of cpcompany.com

YOOX Group announced that the agreement with FGF Industry S.p.A. relating to the management of the cpcompany.com Online Store in Europe, the US and Japan will not be renewed after it expires in February 2013.

Launch of missoni.com

The missoni.com Online Store will be launched during the first half of 2013 following a 6-year agreement, signed on June 12, 2012, by Missoni S.p.A. and YOOX S.p.A. missoni.com will mainly be active in Europe, the U.S. and Japan.

Annex 1

Consolidated income statement at December 31, 2012 prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2012			December 31, 2011		
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	375,924			291,188		
Cost of goods sold	(238,506)			(183,019)		
Fulfilment costs	(36,679)	(406)	1.1%	(31,738)	(547)	1.7%
Sales and marketing costs	(42,124)	(317)	0.8%	(31,580)	(1,198)	3.8%
General expenses	(38,256)	(5,966)	15.6%	(28,070)	(3,768)	13.4%
Other income and expenses	(1,448)			(357)		
Non-recurring expenses						
Operating profit	**18,911**			**16,423**		
Result of equity investments	(366)			-		
Financial income	1,557			1,237		
Financial expenses	(3,538)			(1,209)		
Profit before tax	**16,564**			**16,450**		
Taxes	(6,381)			(6,450)		
Consolidated profit for the year	**10,183**			**10,000**		
Of which:						
Attributable to owners of the Parent	10,183			10,000		
Attributable to Third Parties	-			-		

Annex 2

Consolidated statement of financial position at December 31, 2012, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2012			December 31, 2011		
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	29,023			19,315		
Intangible assets with finite useful life	19,539			12,186		
Investment in associated companies	59					
Deferred tax assets	6,135			4,799		
Other non-current financial assets	716			610		
Total non-current assets	**55,472**			**36,911**		
Current assets						
Inventories	138,216			101,862		
Trade receivables	13,068			8,245		
Other current assets	4,971			4,694		
Cash and cash equivalents	35,775			22,743		
Current financial assets	6,143			5,466		
Total current assets	**198,173**			**143,010**		
Total assets	**253,645**			**179,921**		

Consolidated statement of financial position	December 31, 2012 Balances	of which with related parties	% Weighting	December 31, 2011 Balances	of which with related parties	% Weighting
Shareholders' equity						
Share capital	573			531		
Reserves	77,253			68,271		
Retained earnings/(losses carried forward)	13,752			3,752		
Consolidated profit for the year	10,183			10,000		
Equity attributable to equity holders of the Parent	101,762			82,554		
Equity attributable to Third Parties						
Total consolidated equity	**101,762**			**82,554**		
Non-current liabilities						
Medium-long term financial liabilities	15,099			11,522		
Employee benefits	212			213		
Provisions for risks and charges	-			-		
Deferred tax liabilities	128			83		
Total non-current liabilities	**15,439**			**11,819**		
Bank loans and other current financial payables	12,007			2,527		
Provisions for risks and charges	337			199		
Trade payables	96,763	481	0.5%	62,794	72	0.0%
Tax liabilities	1,261			310		
Other payables	26,077			19,719		
Total current liabilities	**136,445**			**85,548**		
Total consolidated equity and liabilities	**253,645**			**179,921**		

Annex 3

Consolidated statement of cash flows at December 31, 2012, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2012			December 31, 2011		
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	10,183			10,000		
Adjustments for:						
Taxes for the year	6,381			6,450		
Financial expenses	3,538			1,209		
Financial income	(1,557)			(1,237)		
Interests of associated companies	366					
Depreciation, amortisation and impairment losses	13,174			7,659		
Fair value measurement of stock option plans	4,610			4,167		
Unrealised effect of changes in foreign exchange rates	(729)			650		
Capital gains/(losses) on sale of non-current assets	(2)			(15)		
Employee benefits	15			11		
Provisions for risks and charges	287			203		
Payment of employee benefits	(16)			(10)		
Use of provisions for risks and charges	(149)			(997)		
Changes in inventories	(36,354)			(25,551)		
Changes in trade receivables	(4,824)			1,140		
Changes in trade payables	33,969	409	1.2%	13,600	(5,130)	(37.7%)
Changes in other current assets and liabilities	6,787			5,491		
Cash flow from (used in) operating activities	**35,680**			**22,771**		
Income tax paid	(6,720)			(7,910)		
Interest and other financial expenses paid	(3,538)			(1,209)		
Interest and other financial income received	1,557			1,237		
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**26,979**			**14,889**		

Consolidated statement of cash flows	December 31, 2012 Balances	of which with related parties	% Weighting	December 31, 2011 Balances	of which with related parties	% Weighting
Investing activities						
Acquisition of property, plant and equipment	(4,625)			(1,471)		
Acquisition of intangible assets	(14,582)			(9,114)		
Acquisition of stakes in equity investments	(425)					
Acquisition of other non-current financial assets	(106)			(103)		
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(19,738)**			**(10,688)**		
Financing activities						
New short-term liabilities	2,038			-		
Repayment of short-term liabilities	-			(5,030)		
New medium-long term financial liabilities	163			(155)		
Repayment of medium-long term financial liabilities	(154)			-		
Treasury shares acquisition	-			(953)		
Increase in share capital and share premium reserve	4,433			1,016		
Investments in financial assets	(676)			(384)		
Variation through difference between cash effect and action of incentive plans	(12)			(140)		
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**5,792**			**(5,646)**		
TOTAL CASH FLOW FOR THE PERIOD	**13,032**			**(1,445)**		
Cash and cash equivalents at the beginning of the year	22,743			24,188		
Cash and cash equivalents at the end of the year	35,775			22,743		
TOTAL CASH FLOW FOR THE PERIOD	**13,032**			**(1,445)**		

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 May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent	210
Auditing	KPMG S.p.A.	Subsidiaries	52
Certification services	KPMG S.p.A.	Parent	102
Other services*	KPMG network	Parent	60
Total			**424**

* Checks on operational effectiveness of IT controls

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF MAY 14, 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 2012.

They further certify that:
the consolidated financial statements at December 31, 2012:

- 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	Director in charge of preparing corporate accounting documents
Federico Marchetti (signed on the original)	Francesco Guidotti (signed on the original)

REPORT OF THE AUDITORS

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Revisione e organizzazione contabile
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40134 BOLOGNA BO

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PEC kpmgspa@pec.kpmg.it

(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 2012, 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 13 March 2012 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 2012 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 2012, 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 S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia Cagliari
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Udine Varese Verona

Società per azioni
Capitale sociale
Euro 8.128.900,00 i.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512867
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

YOOX Group
Report of the auditors
31 December 2012

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 2012.

Bologna, 13 March 2013

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

SEPARATE FINANCIAL STATEMENTS
YOOX S.p.A.

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SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012, PREPARED IN ACCORDANCE WITH IFRS [(1)]

Separate financial statements

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Net revenue	**6.1**	314,367	249,201
Cost of goods sold	6.2	(219,485)	(167,935)
Fulfilment costs	6.3	(29,205)	(26,593)
Sales and marketing costs	6.4	(23,950)	(19,179)
General expenses	6.5	(25,452)	(21,928)
Other income and expenses	6.6	(1,292)	(185)
Operating profit	**6.7**	**14,984**	**13,381**
Result of equity investments	6.8	(366)	-
Financial income	6.9	1,547	622
Financial expenses	6.9	(2,794)	(1,018)
Profit before tax		**13,371**	**12,984**
Taxes	6.10	(5,177)	(4,925)
Profit for the year		**8,194**	**8,059**
Basic earnings per share*	6.11	0.18	0.19
Diluted earnings per share*	6.11	0.17	0.18

(1) The financial statements, which were prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006, are annexed to the notes to the separate financial statements at December 31, 2012.

* Earnings per share is calculated on the basis of the consolidated profit for the year.

Statement of comprehensive income

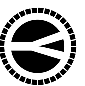
Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Profit for the year		8,194	8,059
Other components of comprehensive income, net of tax effects			
Profit/(loss) from cash flow hedges	6.20	706	(883)
Total other comprehensive income		706	(883)
Total comprehensive income for the year		**8,900**	**7,176**

Statement of financial position

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Non-current assets			
Property, plant and equipment	6.12	28,826	19,067
Intangible assets with finite useful life	6.13	19,522	12,168
Investments in subsidiaries	6.14	4,538	2,538
Investments in associated companies	6.15	59	-
Deferred tax assets	6.16	2,514	2,525
Other non-current financial assets	6.17	76	74
Total non-current assets		**55,536**	**36,373**
Current assets			
Inventories	6.18	115,375	84,137
Trade receivables	6.19	23,851	17,873
Other current assets	6.20	9,305	6,873
Cash and cash equivalents	6.21	26,327	13,002
Current financial assets	6.21	2,020	2,269
Total current assets		**176,877**	**124,153**
Total assets		**232,413**	**160,526**
Shareholders' equity			
Share capital		573	531
Reserves		77,018	67,306
Retained earnings/(losses carried forward)		7,287	(770)
Profit for the year		8,194	8,059
Total equity	**6.22**	**93,072**	**75,126**
Non-current liabilities			
Medium-long term financial liabilities	6.24	15,098	11,522
Employee benefits	6.25	212	213
Provisions for risks and charges	6.27	-	-
Deferred tax liabilities	6.26	128	83
Total non-current liabilities		**15,438**	**11,819**
Bank loans and other current financial payables	6.24	12,007	2,527
Provisions for risks and charges	6.27	200	84
Trade payables	6.28	84,474	53,356
Tax liabilities	6.29	1,792	391
Other payables	6.30	25,430	17,224
Total current liabilities		**123,902**	**73,581**
Total equity and liabilities		**232,413**	**160,526**

Statement of changes in equity at December 31, 2012 and December 31, 2011 – 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*	*Stock option reserve*	*Retained earnings or losses carried forward*	*Net profit*	*Total*
December 31, 2010	**518**	**56,325**	**193**	**(362)**	**-**	**7,957**	**(6,829)**	**6,059**	**63,861**
Share capital increases	13	1,003	-	-	-	-	-	-	**1,016**
Increases in reserves for share-based payments	-	-	-	-	-	4,026	-	-	**4,026**
Total comprehensive income	-	-	-	-	(883)	-	-	8,059	**7,176**
Other changes	-	-	-	(953)	-	-	6,059	(6,059)	**(953)**
December 31, 2011	**531**	**57,328**	**193**	**(1,315)**	**(883)**	**11,985**	**(770)**	**8,059**	**75,126**
Share capital increases	42	4,406	-	-	-	-	-	-	**4,448**
Increases in reserves for share-based payments	-	-	-	-	-	4,596	-	-	**4,596**
Total comprehensive income	-	-	-	-	706	-	-	8,194	**8,900**
Other changes	-	-	-	-	-	-	8,059	(8,059)	**-**
December 31, 2012	**573**	**61,734**	**193**	**(1,315)**	**(177)**	**16,581**	**7,289**	**8,194**	**93,072**



Statement of cash flows

Thousand Euro:	Notes	Dec. 31, 2012	Dec. 31, 2011
Profit for the year	6.31	8,194	8,059
Adjustments for:			
Taxes for the year	6.31	5,177	4,925
Financial expenses	6.32	2,794	1,018
Financial income	6.32	(1,547)	(622)
Interests of associated companies	6.32	366	
Depreciation, amortisation and impairment losses	6.32	13,044	7,558
Fair value measurement of stock options	6.32	4,610	4,167
Capital gains/(losses) on sale of non-current assets	6.32	(2)	-
Employee benefits	6.32	15	11
Provisions for risks and charges	6.32	200	84
Payment of employee benefits	6.32	(16)	(10)
Use of provisions for risks and charges	6.32	(84)	(646)
Changes in inventories	6.33	(31,238)	(19,358)
Changes in trade receivables	6.33	(5,978)	(1,921)
Changes in trade payables	6.33	31,118	10,142
Changes in other current assets and liabilities	6.34	6,481	1,587
Cash flow from (used in) operating activities		**33,132**	**14,994**
Income tax paid	6.31	(3,721)	(4,342)
Interest and other financial expenses paid	6.32	(2,794)	(1,018)
Interest and other financial income received	6.32	1,547	622
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**28,165**	**10,255**
Investing activities			
Acquisition of property, plant and equipment	6.36	(4,557)	(1,306)
Acquisition of intangible assets	6.36	(14,575)	(9,095)
Acquisition of stakes in subsidiaries	6.37	(2,000)	(991)
Acquisition of stakes in associated companies	6.37	(425)	
Acquisition of other non-current financial assets	6.38	(1)	(8)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(21,558)**	**(11,399)**
Financing activities			
New short-term liabilities	6.41	2,038	-
Repayment of short-term liabilities	6.41	-	(5,030)
New medium-long term financial liabilities	6.40	163	(155)
Repayment of medium-long term financial liabilities	6.40	(154)	-
Treasury share acquisition		-	(953)
Capital injection for share capital increase and share premium reserve	6.39	4,433	1,016
Investments in other financial assets	6.21	249	2,813
Variation through difference between cash effect and action of incentive plans	6.23	(12)	(140)
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES		**6,718**	**(2,449)**
TOTAL CASH FLOW FOR THE PERIOD		**13,325**	**(3,593)**
Cash and cash equivalents at the beginning of the year	6.21	13,002	16,595
Cash and cash equivalents at the end of the year	6.21	26,327	13,002
TOTAL CASH FLOW FOR THE PERIOD		**13,325**	**(3,593)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2012

1. Company structure and activities

YOOX S.p.A. (hereinafter “the Company” or “the Parent”) is the parent 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 December 31, 2012

The separate financial statements as at December 31, 2012 were approved by the Board of Directors on March 5, 2013. 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 at December 31, 2012 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 at December 31, 2012 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 at December 31, 2012 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 July 27, 2006 and Communication DEM/6064293 of July 28, 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 at December 31, 2012 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 at December 31, 2012 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'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 on the basis of experience as well as past and anticipated market performance. 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 at December 31, 2012, and more specifically in carrying out the impairment tests for fixed and intangible assets, the Company has taken into consideration the forecast trends for 2013. 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 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 in 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 at December 31, 2012 and December 31, 2011 for the translation of items in the statement of financial position denominated in foreign currencies (source: www.uic.it).

	Exchange rate at Dec. 31, 2012	Average exchange rate for 2012
USD	1.3194	1.2848
JPY	113.61	102.49
CNY	8.2207	8.1052
HKD	10.226	9.9663
GBP	0.8161	0.8108

	Exchange rate at Dec. 31, 2011	Average exchange rate for 2011
USD	1.2939	1.3920
JPY	100.20	110.96
CNY	8.1588	8.9960
GBP	0.8353	0.8679
HKD	10.051	10.836

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 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 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, 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.

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.

Actuarial gains and losses following January 1, 2008 (the date of the Company's transition to IFRS) are posted to the income statement on a straight-line basis according to the remaining service life of employees when their net cumulative value is 10% greater than the value of the total obligations under the defined benefit plans or the fair value of the plan assets, whichever is higher, at the reporting date of the previous year (the corridor method).

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.

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 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 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 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 2012.

Amendments and revised accounting standards applied by the Group for the first time

For the purpose of preparing the YOOX S.p.A. separate financial statements and consolidated financial statements, amendments and revised accounting standards were not applied. We note that for the purpose of determining and evaluating the equity investment in associates the Group applied accounting standard IAS 28 “Investment in Associates and Joint Ventures” for the first time.

Amendments and interpretations that came into effect from January 1, 2012 but that are not relevant for the Group

The principles involved and the modifications thereto are listed below.

IFRS 1 - *First-time adoption of international accounting standards*:

- the amendment introduced exemption for anyone adopting the international accounting standards for providing information about changes in accounting standards in the year of adoption for the first time;
- the amendment provided clarification about the use of fair value in replacement of cost.

IFRS 3 – *Business combinations*:

The improvement clarifies that the possibility of measuring all components of minority interests at fair value or in proportion to the share of the minority interest in identifiable net assets of the acquiree is only limited to those components representing instruments that currently give minority shareholders equivalent rights to ordinary shares and specifically pro-rata for net assets in the case of liquidation. All the other components relating to minority interests (such as, for example, privileged shares or warrants issued by the company acquired for minorities) must be valued at fair value unless the IFRS gives another evaluation criterion.
The improvement also provides a guide for accounting methods relating to the replacement of incentives recognised in payments based on shares of an acquiree with those of the buyer.

In addition, the updated version of IFRS 3 introduced changes regarding:

- the discipline of purchases for subsidiary stages;
- the right to evaluate minority interests purchased during a partial acquisition at fair value;
- the allocation of all costs connected to the business combination to the income statement;
- the recognition of liabilities for payments subject to conditions at the purchase date.

IFRIC 13 – *Loyalty schemes*:

- assessment at fair value has been introduced for reward points.

IAS 32 – *Financial instruments, presentation in the financial statements*:

- the amendment establishes that, in certain conditions, rights in foreign currency are classified as equity regardless of the currency in which the strike price is denominated.

IFRIC 19 – *Termination of financial liabilities with capital instruments*. The amendment has established that:

- the issue of capital instruments should be commensurate with the price paid;
- capital instruments are evaluated at the fair value at the termination date. If it cannot be reliably determined, the fair value of the terminated liability is adopted;
- the difference between the price paid and the book value of the terminated financial liability is recorded in the income statement;
- the principle cannot be applied to transactions under joint control or between shareholders and creditors;
- as far as partial reissues are concerned, the price paid should be allocated to the liabilities that remain in existence and to those which have been terminated, and the 10% test should be carried out to check the substantial modification of the liability whilst the transaction costs can only be deferred in the case of modifications that are not substantial.

New accounting principles and amendments not applicable in 2012 and not adopted in advance

The principles involved and the modifications thereto are listed below.

IAS 19 – Employee Benefits

The new principle, adopted by the European Union and applicable from January 1, 2013 (with early adoption possible as of January 1, 2012) eliminates the option of deferring recognition of actuarial gains and losses using the corridor method, 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”. In addition, the return on assets recognised in net financial expenses must be calculated based on the discount rate of the liabilities and not on the expected return on these. Finally, the amendment requires new information to be included in the notes to the financial statements. The adoption of the standard is not expected to have any material impact.

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, associated companies 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.

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 May 12, 2011 the IASB published IFRS 12 *Disclosure of Interests in Other Entities*, along with IFRS 10 *Consolidated Financial Statements.*

IFRS 11 - *Joint Arrangements*

The Board has improved:

- the accounting of the joint venture agreements by 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 ventures. 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 revenue (or a share of the related costs and revenue) 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.

IFRS 13 - *Fair value measurement*

On May 12, 2011, the IASB published IFRS 13 *Fair Value Measurement* in which the Board has:

- clarified the definition of fair value;
- established a single reference framework for the measurement of fair value;
- provided clarifications and operating guides for determining fair value (in illiquid or inactive market situations as well).

The entity must therefore provide information that allows the recipients of the financial statements to understand the evaluation methods and the inputs used to measure the fair value of an asset or a liability.

6. Notes to the statement of financial position, income statement and statement of cash flows

Income statement

6.1 Net revenue

The Parent's net revenue from sales and the provision of services at December 31, 2012 and at December 31, 2011 breaks down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Net revenue from sales	298,367	235,449	62,918
Revenue from the provision of services	16,000	13,752	2,248
Total	**314,367**	**249,201**	**65,166**

Net revenue increased by 26.7%, from Euro 235,449 thousand as at December 31, 2011 to Euro 298,367 thousand as at December 31, 2012. 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 2012 is essentially attributable to the positive trend in sales volumes linked to the increase in the number of orders and the average order value.

Revenue from the sale of goods is presented net of sales returns, amounting to Euro 76,047 thousand in 2012, or 24.4% of 2012 gross revenue (revenue from the sale of goods before customer returns in 2012), and Euro 61,025 thousand in 2011, or equal to 20.6% of 2011 gross revenue (revenue from the sale of goods before customer returns in 2011). 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 rose by 16.3% from Euro 13,752 thousand in 2011 to Euro 16,000 thousand in 2012, 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 219,485 thousand (69.8% of net revenue) for the year ended December 31, 2012, compared with Euro 167,935 thousand (67.4% of net revenue) for 2011, representing an increase of Euro 51,549 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Change in inventories of goods	30,919	19,018	11,901
Purchase of goods	(225,384)	(164,121)	(61,262)
Cost of services	(22,477)	(20,641)	(1,836)
Other costs	(2,543)	(2,191)	(352)
Total	**(219,485)**	**(167,935)**	**(51,549)**

The cost of goods purchased increased by 37.3%, from Euro 164,121 thousand in 2011 to Euro 225,384 thousand in 2012. 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 8.9%, from Euro 20,641 thousand in 2011 to Euro 22,477 thousand in 2012. 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 16.1%, from Euro 2,191 thousand in 2011 to Euro 2,543 thousand in 2012. 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 Fulfilment costs

Fulfilment costs came in at Euro 29,205 thousand (9.3% of net revenue) in 2012 compared with Euro 26,593 thousand (10.7% of net revenue) in 2011, an increase of Euro 2,612 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 fulfilment costs:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Service costs and other costs	(20,216)	(19,435)	(781)
Personnel expenses	(5,023)	(5,012)	(11)
Depreciation and amortisation	(3,967)	(2,147)	(1,820)
Total	**(29,205)**	**(26,593)**	**(2,612)**

Service costs and other costs increased by 4.0%, from Euro 19,435 thousand in 2011 to Euro 20,216 thousand in 2012. They mainly comprise service costs for handling and packaging goods and costs relating to outsourced production processes.

Personnel expenses increased by 0.2%, from Euro 5,012 thousand in 2011 to Euro 5,023 thousand in 2012, as a result of the increase in the number of employees in this area. The item includes Euro 361 thousand (Euro 243 thousand in 2011) relating to the granting of stock option plans and the Company incentive plan. It should be noted that in addition to the cost of employees, the staffing costs also include personnel such as interns, associates and consultants which come under personnel expenses.

6.4 Sales and marketing costs

Sales and marketing costs increased by Euro 4,771 thousand in the year ended December 31, 2012, to Euro 23,950 thousand (7.6% of revenue), compared with Euro 19,179 thousand (7.7% of revenue) for 2011.

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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Service costs and other costs	(13,553)	(10,832)	(2,722)
Personnel expenses	(10,382)	(8,318)	(2,064)
Depreciation and amortisation	(15)	(29)	14
Total	**(23,950)**	**(19,179)**	**(4,771)**

Service costs and other costs increased by 25.1%, from Euro 10,832 thousand in 2011 to Euro 13,553 thousand in 2012. The main components of service costs incurred in 2012 are:

- Web marketing costs of Euro 5,735 thousand (Euro 4,967 thousand in 2011). These costs relate to the purchasing of online advertising, the negotiation and implementation of marketing agreements, 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 3,437 thousand (Euro 2,806 thousand in 2011).

The “Other costs” item mainly comprises costs incurred for fraud relating to online sales, which went from Euro 272 thousand in 2011 to Euro 388 thousand in 2012.

Personnel expenses went from Euro 8,318 thousand in 2011 to Euro 10,382 thousand in 2012, an increase of 24.8% due both to an increase in the number of staff employed in this division, which went from 146 at December 31, 2011 to 180 at December 31, 2012, and to the decrease in the cost of stock option plans and the Company incentive plan which went from Euro 1,370 thousand in 2011 to Euro 932 thousand in 2012. It should be noted that in addition to the cost of employees, personnel expenses also include the cost of associates and consultants that comes under personnel expenses.

6.5 General expenses

General expenses include all the overhead costs of the Parent’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 3,524 thousand in 2012, coming in at Euro 25,452 thousand in 2012 compared with Euro 21,928 thousand in 2011.

General expenses can be broken down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Cost of services	(3,679)	(7,453)	3,773
Personnel expenses	(12,710)	(9,093)	(3,617)
Depreciation and amortisation	(9,062)	(5,382)	(3,680)
Total	**(25,452)**	**(21,928)**	**(3,524)**

Service costs decreased by 50.6%, from Euro 7,453 thousand in 2011 to Euro 3,679 thousand in 2012.

Personnel expenses went from Euro 9,093 thousand in 2011 to Euro 12,710 thousand in 2012, an increase of 39.8%. The number of staff employed in this division went from 188 at December 31, 2011 to 251 at December 31, 2012, and costs relating to stock option plans and the Company incentive plan went from Euro 2,554 thousand in 2011 to Euro 3,317 thousand in 2012. In addition to the cost of employees, personnel expenses also include the cost of interns, associates and consultants that comes under personnel expenses.

Depreciation and amortisation increased by 68.4%, from Euro 5,382 thousand in 2011 to Euro 9,062 thousand in 2012.

6.6 Other income and expenses

Other income and expenses increased by Euro 1,106 thousand, to a total negative figure of Euro 1,292 thousand for year ended at December 31, 2012 compared with a total negative figure of Euro 185 thousand for 2011.

Other income and expenses can be broken down as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Extraordinary income/liabilities	(318)	275	(593)
Theft and losses	(629)	(347)	(282)
Other tax charges	(497)	(178)	(319)
Other income/expenses	101	51	50
Provisions for sundry risks	(129)	(29)	(100)
Reimbursements	180	42	138
Total	**(1,292)**	**(185)**	**(1,106)**

Extraordinary liabilities came to Euro 318 thousand (income of Euro 275 thousand at December 31, 2011). The item includes income and expenses 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 increased by more than 100%, from Euro 178 thousand in 2011 to Euro 497 thousand in 2012.

Provisions for sundry risks in 2012 relate to estimated expense incurred due to theft and loss of goods not identified as missing as at the reporting date.

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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Net revenue	314,367	249,201	65,166
Change in inventories	30,919	19,018	11,901
Purchase of goods	(225,384)	(164,121)	(61,262)
Services	(59,614)	(57,656)	(1,959)
Personnel expenses	(28,115)	(22,423)	(5,692)
Depreciation, amortisation and impairment loss	(13,044)	(7,558)	(5,486)
Other costs and revenue	(4,145)	(3,080)	(1,065)
Operating profit	**14,984**	**13,381**	**1,603**

Operating profit increased from Euro 13,381 thousand in 2011 to Euro 14,984 thousand in 2012. The operating margin went from 5.4% in 2011 to 4.8% in 2012.

Personnel expenses include all employment-related expenses, such as merit pay rises, promotions, cost-of-living adjustments, variable remuneration for 2012, 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 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 528 as at December 31, 2012 (426 as at December 31, 2011). The table below shows the breakdown of the headcount at year end[29]:

Description	Dec. 31, 2012	Dec. 31, 2011
Managers	21	24
Junior managers	49	34
Office workers	458	368
Total	**528**	**426**

A 24% increase in headcount was therefore registered at the end of 2012 by comparison with the previous year.

6.8 Result of equity investments

The result of equity investments at December 31, 2012 is equal to Euro 366 thousand and refers to the write-down of financial credit granted to the associate. This waiver can be attributed to hedging the losses of the equity investment. For more information, refer to paragraph 6.15.

6.9 Financial income and expenses

Financial income increased from Euro 622 thousand in 2011 to Euro 1,547 thousand in 2012.

The following table shows the breakdown of financial income:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Exchange rate gains	1,334	569	765
Interest income on current account	130	36	94
Other financial income	83	16	67
Total	**1,547**	**622**	**925**

Exchange rate gains increased from Euro 569 thousand in 2011 to Euro 1,334 thousand in 2012. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Other financial income increased from Euro 16 thousand in 2011 to Euro 83 thousand in 2012.

Financial expenses increased from Euro 1,018 thousand in 2011 to Euro 2,794 thousand in 2012.

The following table shows the breakdown of financial expenses:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Exchange rate losses	(1,935)	(496)	(1,439)
Interest expenses	(561)	(234)	(327)
Other financial expenses	(298)	(288)	(10)
Total	**(2,794)**	**(1,018)**	**(1,776)**

Exchange rate losses, realised and unrealised, rose from Euro 496 thousand in 2011 to Euro 1,935 thousand in 2012. They mainly relate to translation of items to US dollars and Japanese yen and are strictly connected to the ordinary sale and purchase of goods.

Interest expenses increased by more than 100%, from Euro 234 thousand in 2011 to Euro 561 thousand in 2012.

[29] The headcount does not include the Chief Executive Officer of YOOX S.p.A., interns or associates not employed by the Parent.

Other financial expenses went from Euro 288 thousand in 2011 to Euro 298 thousand in 2012. These expenses refer to the issue by credit institutions of guarantees 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Current corporate income tax (IRES) (1)	(4,335)	(3,035)	(1,300)
Current regional income tax (IRAP) (2)	(1,458)	(1,275)	(183)
Deferred taxes	616	(615)	1,231
Total	**(5,177)**	**(4,925)**	**(252)**

(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 has incurred a greater tax burden in absolute terms compared with the situation at December 31, 2011. Current taxes have increased from Euro 4,310 thousand to Euro 5,793 thousand.
IRAP taxes rose 14% for the Parent from Euro 1,275 thousand at December 31, 2011 to Euro 1,458 thousand at December 31, 2012. IRES taxes for the Parent amounted to Euro 4,335 thousand.

The Parent also recognised deferred tax assets totalling Euro 2,217 thousand and deferred tax liabilities of Euro 75 thousand. Deferred tax assets of Euro 1,652 thousand and deferred tax liabilities of Euro 126 thousand that were recognised in 2011 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)	December 31, 2012	December 31, 2011
Profit before tax	13,371	12,984
Rate	27.50%	27.50%
Theoretical tax	3,677	3,571
Effective tax	5,176	4,925
Difference	**1,499**	**1,354**
IRAP	1,458	1,275
Permanent taxes	658	476
Use of tax losses carried forward	-	-
Deferred taxes	(617)	(397)
Total difference	**1,499**	**1,354**

6.11 Basic and diluted earnings per share

Earnings per share are calculated on the basis of the Parent'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

At December 31, 2012 property, plant and equipment totalled Euro 28,826 thousand. The following is a summary of changes therein in 2012:

Description	Historical cost at Dec. 31, 2011	Increases	Decreases	Historical cost at Dec. 31, 2012	Acc. amortisation at Dec. 31, 2011	Amort.	Utilisation	Acc. amortisation at Dec. 31, 2012	Net carrying amount at Dec. 31, 2011	Net carrying amount at Dec. 31, 2012
Plant and equipment	**13,937**	**9,031**	**-**	**22,968**	**(2,441)**	**(3,223)**	**-**	**(5,664)**	**11,496**	**17,304**
Buildings	**4,184**	**469**	**(12)**	**4,641**	**(1,477)**	**(829)**	**3**	**(2,303)**	**2,707**	**2,338**
Leasehold improvements	4,184	469	(12)	4,641	(1,477)	(829)	3	(2,303)	2,707	2,338
Industrial and commercial equipment	**2,224**	**427**	**(1)**	**2,650**	**(1,005)**	**(332)**	**1**	**(1,336)**	**1,219**	**1,314**
Other assets	**7,076**	**3,203**	**(156)**	**10,123**	**(3,431)**	**(1,439)**	**137**	**(4,733)**	**3,645**	**5,390**
Furniture and furnishings	1,433	126	(19)	1,540	(807)	(180)	13	(974)	626	566
Electronic equipment	5,513	3,064	(136)	8,441	(2,511)	(1,251)	123	(3,639)	3,002	4,802
Other tangible assets	130	13	(1)	142	(113)	(8)	1	(120)	17	22
Assets under construction and payments on account	**-**	**2,480**	**-**	**2,480**	**-**	**-**	**-**	**-**	**-**	**2,480**
General Total	**27,421**	**15,610**	**(169)**	**42,862**	**(8,354)**	**(5,823)**	**141**	**(14,036)**	**19,067**	**28,826**

The overall increase in intangible assets in 2012 was equal to Euro 9,759 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 5,808 thousand as well as the item “Industrial and commercial equipment” for a sum equal to Euro 95 thousand.

Under the scope of the project mentioned above, at December 31, 2012, the YOOX Group has existing commitments to purchase tangible assets for a sum of Euro 7,289 thousand which will be sustained overall in the years 2013 - 2016.

The overall increase in the “Other Assets” category, equal to Euro 1,745 thousand, is attributable to the combined effect from investment in new servers, PCs and monitors, through lease agreements, for a capital value of Euro 1,800 thousand and lesser investments made in furniture, furnishings and other related assets which have a lower residual value given the effect of amortisation and depreciation for the period.

The charge for assets under construction, for a figure of Euro 2,480 thousand at December 31, 2012, is due to the completion of the techno-logistics platform, the date of which has not yet been set.

Depreciation and amortisation in the period totalled Euro 5,823 thousand.

At December 31, 2012, 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 2012. 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 19,522 thousand at December 31, 2012.

The following is a summary of changes in intangible assets with finite useful life in 2012.

Description	Historical cost at Dec. 31, 2011	Increases	Decreases	Historical cost at Dec. 31, 2012	Acc. amortisation at Dec. 31, 2011	Amort.	Acc. amortisation at Dec. 31, 2012	Net carrying amount at Dec. 31, 2011	Net carrying amount at Dec. 31, 2012
Development costs	**17,393**	**12,394**	**-**	**29,787**	**(6,396)**	**(6,044)**	**(12,440)**	**10,997**	**17,347**
Software and licences	**3,532**	**1,969**	**-**	**5,501**	**(2,814)**	**(951)**	**(3,765)**	**718**	**1,736**
Brands and other rights	**349**	**27**	**-**	**376**	**(124)**	**(35)**	**(159)**	**225**	**217**
Trademarks and patents	349	27	-	376	(124)	(35)	(159)	225	217
Assets under development	**-**	**58**	**-**	**58**	**-**	**-**	**-**	**-**	**58**
Other	**1,713**	**126**	**-**	**1,839**	**(1,484)**	**(190)**	**(1,674)**	**229**	**165**
Other intangible assets	1,713	126	-	1,839	(1,484)	(190)	(1,674)	229	165
General Total	**22,987**	**14,574**	**-**	**37,561**	**(10,818)**	**(7,220)**	**(18,038)**	**12,168**	**19,522**

The principal changes in these items during the year are described below.

Development costs

This item increased by Euro 6,350 thousand in 2012. The Group made consistent long-term investments in development projects for a total amount of Euro 12,394 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 1,969 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.

Brands and other rights

The value of this item at December 31, 2012 stood at Euro 217 thousand, a decrease of Euro 8 thousand during 2012.

It mainly comprises expenses incurred by the Company in acquiring and registering national and international trademarks.

Assets under development and payments on account

As at December 31, 2012, this item stood at Euro 58 thousand. All projects under development during 2012 were completed by December 31, 2012. The amount recorded refers to a payment on account for software licences.

The amortisation for intangible assets with an indefinite useful life stood at Euro 7,220 thousand.

6.14 Investments in subsidiaries

The list of subsidiaries at December 31, 2012 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;
- Y Services, formed in 2007 to manage the US sales of the Online Stores for the following brands: Diesel, Marni, D&G, Dolce & Gabbana, Moncler and Zegna;
- 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 at Dec. 31, 2012	Share capital at Dec. 31, 2012	Percentage held at Dec. 31, 2012	Equity at Dec. 31, 2012 and measurement using the equity method	2012 net income
YOOX Corporation	15 East North Dover, Delaware 19901, United States of America	248	248	100%	6,169	1,480
Y Services	Delaware, 1220 Market St. Ste 806, Wilmington 19801, United States of America	125	125	100%	1,546	502
YOOX Japan	Grande Maison Daikanyama No 1001 150 0022 Shibuya-ku, Tokyo, Japan	75	75	100%	3,375	724
Mishang Trading (Shanghai) Co. Ltd	Floor 6, Donglong Building No 223 Xikang Road, Jing'an District 200050 SHANGHAI	4,000	4,000	100%	1,633	(1,205)
YOOX Asia Limited	Unit 2702 27/F, The Centrium, 60 Wyndham Street Central, Hong Kong (CN)	91	91	100%	1,237	784
Total carrying amount of investments		4,539	4,539			

The scope of consolidation has not changed since June 30, 2012 and December 31, 2011.

6.15 Investments in associated companies

In 2012 the Company invested in the establishment of a newco owned by the PPR Group. The non-current item at December 31, 2012 stood at Euro 59 thousand.

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Investments in associated companies	59	-	59
Total	**59**	**-**	**59**

The portion of the loss in the Group investment during the course of the year is equal to Euro 366 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)	December 31	49%	59	(749)	(627)	(366)
Total			**59**	**(749)**	**(627)**	**(366)**

6.16 Deferred tax assets

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Deferred tax assets	2,514	2,525	(11)
Total	**2,514**	**2,525**	**(11)**

Changes in deferred tax assets during 2012 are shown in the following table:

Description	Balance at Dec. 31, 2011	Increases	Utilisation	Balance at Dec. 31, 2012
Deferred tax assets	2,525	2,514	(2,525)	2,514
Total	**2,525**	**2,514**	**(2,525)**	**2,514**

The following table shows a breakdown of deferred tax assets as at December 31, 2012.

Description of taxable item	Balance at Dec. 31, 2012	2012 tax rate	Tax recorded in 2012
Taxed allowance for impairment	200	27.5%	55
Independent auditors' fees	55	31.4%	17
Provisions	4,171	Various%	1,203
Unissued credit notes	1,140	31.4%	358
Expenses for Red Circle 2009 capital increase	20	27.5%	6
Unrealised exchange rate losses	104	27.5%	29
Unpaid remuneration of directors	809	27.5%	223
2009 IPO costs	1,258	27.5%	346
Fair value derivatives	589	27.5%	162
Associated losses	366	31.4%	115
Total	**8,712**		**2,514**

Deferred tax assets went from Euro 2,525 thousand at December 31, 2011 to Euro 2,514 thousand at December 31, 2012, with a percentage decrease of close to zero.

Deferred tax assets at December 31, 2012 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;
- expenditure on the share capital increase for the entry of Red Circle S.r.l. Unipersonale as a Shareholder, which took place during 2009;
- unrealised exchange rate losses;
- IPO costs incurred in 2009 for the process of listing on the Mercato Telematico Azionario, which is organised and managed by Borsa Italiana S.p.A.;
- fair value derivatives at December 31, 2012;
- independent auditors' fees.

6.17 Other non-current financial assets

Other non-current financial assets at December 31, 2012 stood at a total of Euro 76 thousand (Euro 74 thousand at December 31, 2011):

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Guarantee deposits	76	74	2
Total	**76**	**74**	**2**

Guarantee deposits at December 31, 2012 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 at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Inventories	115,375	84,137	31,238
Total	**115,375**	**84,137**	**31,238**

The following is a breakdown of inventories as at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Inventories of raw materials, consumables and supplies	957	771	186
Total	**957**	**771**	**186**
Finished products and goods	118,389	87,152	31,237
Provision for obsolete finished products and goods	(3,971)	(3,786)	(185)
Total	**114,418**	**83,366**	**31,052**
Total net inventories	**115,375**	**84,137**	**31,238**

Inventories rose by 37.1% from Euro 84,137 thousand at December 31, 2011 to Euro 115,375 thousand at December 31, 2012, and relate to goods that have been purchased for subsequent resale online.

The increase that can be observed is physiologically only partly connected to the growth in sales in 2012. The Parent'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.

The amount of the provision in 2012 for obsolete inventories and changes in the provision are shown below:

Description	Balance at Dec. 31, 2011	Increases	Decreases	Balance at Dec. 31, 2012
Provision for obsolete inventories	(3,786)	(185)	-	(3,971)
Total	**(3,786)**	**(185)**	**-**	**(3,971)**

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 at December 31, 2012 and December 31, 2011 is as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due from customers	3,928	2,207	1,721
Other trade receivables	3,234	4,112	(878)
Due from foreign subsidiaries	16,741	11,637	5,104
Allowance for impairment	(50)	(80)	30
Total	**23,852**	**17,873**	**5,979**

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 2012:

Description	Balance at Dec. 31, 2011	Increases	Decreases	Balance at Dec. 31, 2012
Allowance for impairment	(80)	(50)	80	(50)
Total	**(80)**	**(50)**	**80**	**(50)**

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 during 2012 for the allowance for impairment of Euro 50 thousand given the use of the fund at December 31, 2011.

6.20 Other current assets

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Other current assets	9,306	6,873	2,433
Total	**9,306**	**6,873**	**2,433**

The following is a breakdown of other current assets at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Other receivables	611	1,481	(870)
Allowance for impairment – receivables from others	(221)	(221)	-
Advances to suppliers	2	102	(100)
Advances to employees	1,083	98	985
Due from acquirers	(1)	-	(1)
Prepayments and accrued income	2,146	1,173	973
Tax receivables	255	1,450	(1,195)
Financial receivables from YOOX Corporation	3,790	1,932	1,858
Financial receivables from Mishang Trading Co Ltd	1,642	858	784
Total	**9,306**	**6,873**	**2,433**

“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’s tax representative in Greece and fully impaired.

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 2013.

The item advances to suppliers shows the advances made to suppliers for services acquired in 2012 and for which the suppliers have yet to provide the service.

The item “Accrued income” mainly includes costs of future years whose financial manifestation has already taken place during 2012. It mainly involves software licence fees, insurance costs, leasing costs, accrued income for royalties paid for using brands and accrued income for professional consultations; the increase compared with 2011 is consistent with the increase in business volumes.

Tax receivables, which are fully recoverable by the end of the following year, mainly comprise VAT receivables.

6.21 Cash and cash equivalents and current financial assets

The breakdown of the item "Cash and cash equivalents" at December 31, 2012 is as follows:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Bank and postal accounts	26,320	12,995	13,325
Cash and cash equivalents on hand	7	7	0
Total	**26,327**	**13,002**	**13,325**

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 at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due from acquirers	1,896	2,269	(373)
Due from associate companies	124	-	124
Total	**2,020**	**2,269**	**(249)**

6.22 Equity

The breakdown of changes in equity at December 31, 2012 is presented in a separate table.

The share capital of Euro 573 thousand at December 31, 2012 (Euro 531 thousand at December 31, 2011) increased over the course of 2012 following the exercise of stock options by the beneficiaries in question. In this regard, on January 26, 2012, 1,379,924 ordinary shares were granted following the exercise of 26,537 options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2007-2012 plans; on February 7, 2012, 645,580 ordinary shares were granted following the exercise of 12,415 options relating to the 2001-2003, 2003-2005, 2004-2006 and 2007-2012 plans; on March 15, 2012, 246,324 ordinary shares were granted following the exercise of 4,737 options relating to the 2001-2003, 2003-2005, 2006-2008 and 2007-2012 plans; on May 10, 2012, 5,200 ordinary shares were granted following the exercise of 100 options relating to the 2007-2012 plan; on May 24, 2012, 1,114,048 ordinary shares were granted following the exercise of 21,424 options relating to the 2004-2006, 2006-2008 and 2007-2012 plans; on June 15, 2012, 143,676 ordinary shares were granted following the exercise of 2,763 options relating to the 2003-2005, 2006-2008 and 2009-2014 plans; on July 24, 2012, 445,536 ordinary shares were granted following the exercise of 8,568 options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2009-2014 plans; on November 26, 2012, 8,372 ordinary shares were granted following the exercise of 161 options relating to the 2009-2014 plan; on December 3, 2012, 250,016 ordinary shares were granted following the exercise of 4,808 options relating to the 2007-2012 plan for a total effect equal to Euro 42 thousand.

The reserves are composed as follows:

- the share premium reserve was Euro 61,719 thousand at December 31, 2012 (Euro 57,152 thousand at December 31, 2011); this reserve increased in 2012 following the exercise of stock options by the beneficiaries in question. In this regard, on January 26, 2012, 1,379,924 ordinary shares were granted following the exercise of 26,537 options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2007-2012 plans; on February 7, 2012, 645,580 ordinary shares were granted following the exercise of 12,415 options relating to the 2001-2003, 2003-2005, 2004-2006 and 2007-2012 plans; on March 15, 2012, 246,324 ordinary shares were granted following the exercise of 4,737 options relating to the 2001-2003, 2003-2005, 2006-2008 and 2007-2012 plans; on May 10, 2012, 5,200 ordinary shares were granted following the exercise of 100 options relating to the 2007-2012 plan; on May 24, 2012, 1,114,048 ordinary shares were granted following the exercise of 21,424 options relating to the 2004-2006, 2006-2008 and 2007-2012 plans; on June 15, 2012, 143,676 ordinary shares were granted following the exercise of 2,763 options relating to the 2003-2005, 2006-2008 and 2009-2014 plans; on July 24, 2012, 445,536 ordinary shares were granted following the exercise of 8,568 options relating to the 2001-2003, 2003-2005, 2004-2006, 2006-2008 and 2009-2014 plans; on November 26, 2012, 8,372 ordinary shares were granted following the exercise of 161 options relating to the 2009-2014 plan; on December 3, 2012, 250,016 ordinary shares were granted following the exercise of 4,808 options relating to the 2007-2012 plan for a total effect equal to Euro 4,567 thousand. The increase in the share

premium reserve was recognised net of Euro 134 thousand in deferred tax assets accrued in 2009 and since released pursuant to IAS 32.

- legal reserve, which totalled Euro 193 thousand at December 31, 2012 (Euro 193 thousand at December 31, 2011), consists of accruals of 5% of Parent profits every year. This reserve did not increase in 2012 since it had reached the limit imposed by Article 2430 of the Italian Civil Code at December 31, 2010 and which remains at December 31, 2012;

- reserve for future increases in share capital and share premium reserve, which amounted to Euro 16 thousand at December 31, 2012 (Euro 177 thousand at December 31, 2011), includes liabilities to individuals who had paid to exercise stock options at December 31, 2012, 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 1,136 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 October 7, 2009 and by the Board of Directors on July 1, 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 and its subsidiaries.

- other reserves, equal to Euro 16,404 thousand at December 31, 2012 (Euro 11,102 thousand at December 31, 2011) include the fair value reserve for stock options at Euro 16,581 at December 31, 2012 (Euro 11,985 thousand at December 31, 2011) and the cash flow hedge reserve equal to a negative figure of Euro 177 thousand (a negative Euro 883 thousand at December 31, 2011);

- retained earnings (losses carried forward) amount to Euro 7,289 thousand at December 31, 2011 (a loss of Euro 770 thousand at December 31, 2011), an increase of Euro 8,059 thousand due to the allocation of profit for 2011.

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 on September 8, 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, at December 31, 2012 the Board of Directors had granted the following options, outlined in the table below:

Stock Option plans	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
2001 – 2003	80,575	31,560	44,515	4,500	0	0	4,500
2003 – 2005	36,760	3,000	30,414	3,346	0	0	3,346
2004 – 2006	32,319	12,650	17,201	2,468	0	0	2,468
2006 – 2008	31,303	200	20,895	10,208	0	0	10,208
2007 – 2012	102,600	3,650	57,621	41,329	0	0	41,329
2009 – 2014	94,448	10,562	1,183	82,703	28,695	0	54,008
Total	**378,005**	**61,622**	**171,829**	**144,554**	**28,695**	**0**	**115,859**

At December 31, 2012, 2,899 options may be granted under the above plans.

The table below shows the exact prices for the options assigned that have not expired or been exercised.

	Strike price (in Euro)																	
	15.91	**46.48**	**59.17**	**106.50**	**131.78**	**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	1,250	500		2,750													4,500	234,000
2003-2005		2,346		1,000													3,346	173,992
2004-2006		1,768		500	200												2,468	128,336
2006-2008			10,208														10,208	530,816
2007-2012			40,229	1,100													41,329	2,149,108
2009-2014						40,073	11,715	963	1,560	4,490	1,926	9,576	7,422	2,247	2,410	321	82,703	4,300,556
Total	**1,250**	**4,614**	**50,437**	**5,350**	**200**	**40,073**	**11,715**	**963**	**1,560**	**4,490**	**1,926**	**9,576**	**7,422**	**2,247**	**2,410**	**321**	**144,554**	**7,516,808**

The following should be noted with reference to the 2009-2014 stock option plan:

- on February 8, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to three beneficiaries, of 4,490 options valid for underwriting 233,480 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 8.49 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) trading days prior to the option grant date;

- on March 12, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 273 beneficiaries, of 8,058 options valid for underwriting 419,016 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 9.85 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) trading days prior to the option grant date;

- on August 3, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to one beneficiary, of 321 options valid for underwriting 16,692 YOOX ordinary shares (in the ratio of 52 new shares for each option exercised), at a subscription price for each single share of Euro 11.21 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) trading days prior to the option grant date;

- on September 21, 2012 the Parent Board of Directors approved the allocation on a three-year basis, to 15 beneficiaries, of 9,576 options valid for underwriting 497,952 YOOX ordinary shares (in the ratio of 52 new shares for each 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) trading days prior to the option grant date;

The Board of Directors also established that the exercising of the options would be subject to the EBITDA level forecast in the reference budget approved by the Company's Board of Directors being reached in the YOOX consolidated financial statements; the granting of the options was approved following the proposal of the Remuneration Committee, which also decided the number of options to be granted to each beneficiary.

With reference to the 2012-2015 stock option plan, approved by the Shareholders' Meeting on June 29, 2012, on September 21, 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 one new ordinary share for every one 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) trading days prior to the option grant date.

The following option rights have been granted by the Board of Directors with the breakdown given in the table below:

Stock Grant Option	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	0	0	1,500,000	1,500,000	0	0
Total	**1,500,000**	**0**	**0**	**1,500,000**	**1,500,000**	**0**	**0**

The table below shows the exact prices for the options assigned that have not expired or been exercised.

	Strike price		
	€ 9.60	**Total options**	**Total shares**
2012-2015	1,500,000	1,500,000	1,500,000
Total	**1,500,000**	**1,500,000**	**1,500,000**

Granting of shares

On July 1, 2010, the Board of Directors of the Parent approved the 2009-2014 incentive plan in compliance with the approval of the Ordinary Shareholders’ Meeting on September 8, 2009.

A treasury share purchase programme was set up for this purpose in order to comply with the decision of the Shareholders’ Meeting on October 7, 2009 and the meeting of the Board of Directors on July 1, 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 May 5, 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 Italian Civil Code and Article 132 of Legislative Decree 58/1998 and related implementation provisions.

Specifically and in compliance with the YOOX S.p.A. Ordinary Shareholders’ Meeting resolution of May 5, 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 July 2, 2010 to July 7, 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 August 5, 2011 to August 8, 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 September 6, 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 October 4, 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 November 17, 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.

At December 31, 2012, the Company holds 130,662 treasury shares in its portfolio equal to 0.2280% of the share capital following the payment, on August 6, 2012, of 31,338 ordinary shares relating to the Company incentive plan, to 18 beneficiaries.

At December 31, 2012, 15 of the 62 employees who were granted options lost this right as they resigned. This led to the forfeiture of 53,094 ordinary shares.

Share capital increases to service stock option plans and Company incentive plans

At a meeting on January 31, 2005, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders’ Meeting of March 22, 2000 and subsequent amendments, pursuant to Article 2443

of the Italian Civil Code, increasing the share capital to service the stock option plans through the issue of up to 1,116,076 shares with an implicit unit price of Euro 0.01, a premium of Euro 0.2960 on each new share and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At the same meeting on January 31, 2005, the Board of Directors also took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of July 31, 2000 and subsequent amendments, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plans through the issue of up to 1,483,924 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at January 31, 2015, with the provision that if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on July 12, 2007, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of July 18, 2002 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of December 2, 2005, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plans through the issue of up to 1,755,520 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights, reserved for the Company's employees or directors. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at July 31, 2017, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on December 1, 2008, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of December 10, 2003 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of December 2, 2005, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plans through the issue of up to 1,022,788 new shares with an implicit unit price of Euro 0.01, a premium of Euro 0.8839 on each new share and standard dividend rights, reserved for the Company's employees and directors. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at December 1, 2018, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At a meeting on September 3, 2009, the Board of Directors took full advantage of the powers conferred by the Extraordinary Shareholders' Meeting of December 2, 2005 and subsequently amended by resolution of the Extraordinary Shareholders' Meeting of July 12, 2007, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital to service the stock option plans through the issue of up to 1,627,756 new shares with an implicit unit price of Euro 0.01, a premium of Euro 1.1279 on each new share and the same dividend rights as the other shares outstanding at the time of their subscription. Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at September 3, 2019, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

At the same meeting of September 3, 2009, the Board of Directors also took partial advantage of the powers conferred by the Extraordinary Shareholders' Meeting of May 16, 2007, pursuant to Article 2443 of the Italian Civil Code, increasing the share capital – excluding voting rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code – to service the stock option plans through the issue of 5,176,600 new ordinary shares with the same characteristics as those outstanding and an implicit unit price of Euro 0.01. The price of the shares is Euro 1.1379 for each share up to 4,784,000 new shares and Euro 2.0481 for each share up to 392,600 new shares.
Pursuant to Article 2439, paragraph 2 of the Italian Civil Code, the deadline for subscription was set at September 3, 2019, with the provision that, if the capital increase is not fully subscribed by this date, the share capital shall be deemed to have been increased by an amount equal to the subscriptions received.

The Extraordinary Shareholders' Meeting of September 8, 2009 resolved on a share capital increase through payment in cash in one or more tranches, subject to commencement of trading in shares of the Company on the STAR segment of the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., excluding voting rights pursuant to Article 2441, paragraphs 5 and 8 of the Italian Civil Code, this being the increase to service the incentive plan approved at the Ordinary Shareholders' Meeting for directors, employees and consultants. The increase will take place through the issue of a total maximum number of 4,732,000 new

ordinary shares (after implementation of the share-split as resolved at the same meeting) for a total nominal amount of Euro 47,320 in capital and with a unit price of Euro 0.01. The new shares will carry the same dividend rights as the other shares outstanding at the time of their subscription. The issue prices of the shares will be calculated using the weighted average market prices of shares of the Company in the 30 trading days before the options are granted, without prejudice to any minimum prices established by law or the unit price as determined above. If it is not fully subscribed by the deadline of December 31, 2014, the capital increase will proceed according to the subscriptions received by that date.

On June 29, 2012, the YOOX S.p.A. Shareholders' Meeting took place at first call, with both ordinary and extraordinary sessions.
In its ordinary session, the 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 one ordinary share for every one 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, 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 one 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 prices recorded on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. in the thirty trading days prior to the option grant date.

Establishment of the stock option plans and Company incentive plans and subsequent changes

On April 27, 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 June 29, 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 one ordinary share for every one option exercised).
The 2012-2015 stock option plan includes the allocation of a total of 1,500,000 YOOX ordinary shares.

On September 21, 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 one new ordinary share for every one option exercised).

6.24 Medium-long term financial liabilities – bank loans and other current financial payables

Bank loans and other financial liabilities stood at Euro 27,106 thousand, an increase of Euro 13,057 thousand compared with December 31, 2011 (Euro 14,049 thousand).

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Medium-long term financial liabilities	15,099	11,522	3,577
Bank loans and other current financial payables	12,007	2,527	9,480
Total	**27,106**	**14,049**	**13,057**

The following table shows the breakdown of debt as at December 31, 2012:

Lending institution	Remaining amount	Nature of facility	Rate	Short-term portion	Medium-long-term portion
BNL - BNP Paribas Group	13,000		Euribor + 1.20%	4,000	9,000
Banca Sella	5,000		Euribor + 2.3%	-	5,000
UniCredit	5,000		Euribor + 2.2%	5,000	-
DDL	286		Fixed	123	163
Simest	77	Subsidised loan Law 394/81	Fixed	77	-
Financial leases	1,809			871	938
Accrued liabilities	*60*			*60*	-
Total	**27,106**			**12,007**	**15,099**

The summarised details of loan agreements and lines of credit stipulated in 2012 are given below:

De Lage Landen loan
On March 2, 2012 a loan agreement was signed with the credit institution De Lage Landen International BV ("the Bank") for an amount equal to Euro 375 thousand.

YOOX S.p.A. is bound to pay the "Bank" an annual nominal interest rate on the loan of 3.99%.

With regard to the above, YOOX S.p.A. is obliged to pay the "Bank" 12 quarterly instalments, made up of the share capital, as well as the interest calculated at the rate determined. The loan does not include financial covenants.

At the closing date of December 31, 2012 the residual loan stood at Euro 286 thousand and will be extinguished on February 28, 2015.

Banca Sella Unsecured Loan
On July 20, 2012 an unsecured loan was subscribed from Banca Sella ("the Bank") for an amount of Euro 5,000 thousand over five years.

YOOX S.p.A. is obliged to pay the "Bank" interest on the loan, calculated according to the effective number of days, quarterly, in arrears, with 365 as the divider, at the nominal annual rate equal to the interbank rate for the three-month Euribor. The above rate will be increased with an annual 2.30 point spread in favour of the "Bank".

The repayment schedule includes a two-year initial repayment holiday, with the principal repaid in equal quarterly instalments over three years from January 20, 2015 until July 20, 2017. The loan agreement does not contain any financial covenants.

UniCredit Loan (Line of Credit)
On October 17, 2012 a loan agreement was stipulated in the form of a stand-by facility, expiring on April 16, 2014, with UniCredit Corporate & Investment Banking ("the Bank") for Euro 5,000 thousand, destined to support YOOX S.p.A. investments planned for the period 2012-2014.

YOOX S.p.A. is obliged to pay the "Bank" interest on the loan, calculated according to the effective number of days, quarterly, in arrears, with 360 as the divider, at the nominal annual rate equal to the interbank rate for the three-month Euribor. The above rate will be increased with an annual 2.20 point spread in favour of the "Bank".

Starting with the discovery made in the consolidated financial statements at December 31, 2011 and, specifically, the discovery of financial covenants, YOOX S.p.A. is obliged to comply with the following statement of financial position ratios (a) Net financial debt/EBITDA < 2.5; (b) Net financial debt/Shareholders' equity < 1.0. Failure to comply will result in the forfeiture of the term benefits.

YOOX S.p.A. is obliged to pay the Bank an agency commission equal to 50 (fifty) basis points (in other words 0.50%) agreed on the maximum total agreed amount of the loan. This commission will accrue to the Financing Bank annually and should be paid, in advance, on a quarterly basis, starting from the date the agreement is signed.

If substantial changes or exemptions are granted in relation to the loan documents, including changes or exemptions involving financial covenants, YOOX S.p.A. will be obliged to pay the Bank a waiver fee, equal to 0.20% of the maximum total agreed amount of the loan.

Commitments of a financial nature (covenants)

The Company, also for the purposes of Article 1461 of the Italian 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 contract 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 financial parameters for the loan agreed with Banca Nazionale del Lavoro:

3) the ratio between the net financial position and EBITDA excluding the incentive plans should not be more than 2.5 times the total loan repayment;
4) the ratio between the net financial position and shareholders’ equity should not be more than one times the total loan repayment.

YOOX S.p.A. will communicate the above financial parameters to the “Bank” every half-year, on June 30 and December 31 of every year up until maturity.
If even only one of the above parameters is not complied with, YOOX S.p.A., stopping the right of the “Bank” to terminate the contract, commits to agreeing the financial and management operations with the “Bank” within 30 working days of the 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 financing agreed with Banca Nazionale del Lavoro, it should be noted that at December 31, 2012, as at December 31, 2011, the above-mentioned financial parameters were complied with by the Group.

In addition, it should be noted that at December 31, 2012, the stand-by revolving credit line granted by a pool of banks on March 16, 2008 due on June 15, 2013 stands at Euro 1,875 thousand.

As far as the terms of the contract in force until December 31, 2009 are concerned, please refer to the notes to the consolidated financial statements at December 31, 2010 and 2011.

We note that during the course of the year, because of a new loan granted by UniCredit Corporate & Investment Banking (“the Bank”), YOOX S.p.A. has made a commitment, for the entire duration of the loan and until it is totally extinguished, to set up management instruments and take appropriate measures so that the following statement of financial position indices/parameters with reference to the Group’s consolidated financial statements, starting from the financial statements for the year ended December 31, 2011, are complied with:

3) net financial debt/EBITDA < 2.5;
4) net financial debt/equity < 1.0.

The financial covenants will be calculated on an annual basis, on the basis of the consolidated financial statements (certified by the major independent auditors). Failure to comply will result in the forfeiture of the term benefits.
If substantial changes or exemptions are granted in relation to the loan documents, including changes or exemptions involving financial covenants, YOOX S.p.A. will be obliged to pay the Bank a waiver fee, equal to 0.20% of the maximum total agreed amount of the loan.

At December 31, 2012 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 at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Cash and cash equivalents	26,327	13,002	13,325
Current financial assets	2,020	2,269	(249)
Other current financial assets	347	-	347
Bank loans and other current financial payables	(12,007)	(2,527)	(9,480)
Other current financial liabilities	(591)	(1,218)	628
Net short-term financial position	**16,096**	**11,525**	**4,570**
Medium-long term financial liabilities	(15,098)	(11,522)	(3,576)
Net financial position [30]	**997**	**3**	**994**

During 2012 the Company's net financial position improved by Euro 994 thousand, going from Euro 3 thousand at December 31, 2011 to Euro 997 thousand at December 31, 2012.

6.25 Employee benefits

This item refers exclusively to the post-employment benefits recorded by the Parent in accordance with current legislation. Changes in defined benefit plans for employees in 2012 are summarised below:

Description	Balance at Dec. 31, 2011	Provisions	Utilisation	Balance at Dec. 31, 2012
Employee benefits	213	15	(16)	212

The main technical, demographic and economic parameters used in the actuarial calculation of the liability for employee benefits as at December 31, 2012 are summarised below:

Actuarial assumptions used for the calculations	
Annual probability of death in service	SIM and SIF demographic tables for 2002
Annual probability of death other than by death in service	5%
Probability of requests for advances of benefits	3.30%
Retirement age suitably modified taking into consideration latest legislative provisions.	
Actualisation rate	2.69% corresponding to the rate of return of Eurozone corporate bonds with AA rating (iBoxx € Corporates AA 10+)
Maximum % of accrued staff post-employment benefits in advance	70%
Annual increase in the cost of living	2%

6.26 Deferred tax liabilities

The following table shows the breakdown of, and changes in, deferred tax liabilities as at December 31, 2012:

Description	Balance at Dec. 31, 2011	Increases	Utilisation	Balance at Dec. 31, 2012
Deferred tax liabilities	83	171	(126)	128
Total	**83**	**171**	**(126)**	**128**

[30] 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 "Net financial position". "Other current financial assets" are not governed by the definition of net financial 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".

Description of taxable item	Balance at Dec. 31, 2012	2012 tax rate	Tax recorded in 2012
Unrealised exchange rate gains 2012	118	27.5%	33
Positive fair value (CFH) of derivatives	347	27.5%	95
Total	**465**		**128**

6.27 Provisions for current and non-current risks and charges

This item reflects provisions for estimated current liabilities at December 31, 2012, the timing and extent of which cannot be determined. The following table shows the breakdown of the item and changes in 2012:

Description	Balance at Dec. 31, 2011	Increases	Adjustments	Utilisation	Balance at Dec. 31, 2012
Provision for theft and loss	29	78	-	(29)	78
Provision for fraud	55	121	-	(55)	121
Total provisions for current risks and charges	**84**	**200**	**-**	**(84)**	**200**

During the year, Euro 29 thousand from the provision for theft and loss was used, and it was therefore deemed appropriate to proceed with a further accrual of Euro 78 thousand, following a new estimate.

During the year, Euro 55 thousand was utilised from the provision for fraud, and it was therefore deemed appropriate to proceed with a further accrual of Euro 121 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.

6.28 Trade payables

The following table shows a breakdown of trade payables at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due to suppliers	66,335	41,770	24,565
Credit notes to be received from suppliers	(1,875)	(2,666)	791
Invoices to be received from suppliers	20,009	14,234	5,775
Due to credit card operators	4	18	(14)
Total	**84,474**	**53,356**	**31,118**

Trade payables increased by 58.3%, from Euro 53,356 thousand as at December 31, 2011 to Euro 84,474 thousand as at December 31, 2012.

Trade payables are all payables relating 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 payables

Current tax liabilities make up the current income tax liability of YOOX S.p.A., net of payments on account.

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Current income tax liability	1,792	391	1,401
Total	**1,792**	**391**	**1,401**

Tax liabilities rose during 2012 by Euro 1,401 thousand, from Euro 391 thousand at December 31, 2011 to Euro 1,792 thousand at 31 December 2012.

6.30 Other payables

The following table shows a breakdown of payables at December 31, 2012:

Description	Balance at Dec. 31, 2012	Balance at Dec. 31, 2011	Change
Due to social security institutions	1,841	1,470	371
Credit notes to be issued to customers	5,371	4,406	965
Due to directors	458	29	429
Due to employees	2,144	1,242	902
Due to tax representatives	5,073	4,220	853
Other payables	4,343	2,632	1,711
Financial debts to YServices	2,274	1,932	342
Financial debts to Yasia	1,516	-	1,516
Financial debts to Yjapan	1,760	-	1,760
Accrued expenses and deferred income	649	1,293	(644)
Total	**25,430**	**17,224**	**8,206**

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 2012. This item increased in 2012 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 2012 and 2011 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.

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 2012 of Euro 5,177 thousand (Euro 4,925 thousand in 2011), tax payments amounting to Euro 3,721 thousand were made (Euro 4,342 thousand in 2011) 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 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 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.

6.36 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 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 Acquisition of stakes in subsidiaries and associated companies

The cash flow used in investment activities results from the capital increase in Mishang Trading (Shanghai) Co. Ltd, with offices in Shanghai equal to Euro 2,000 thousand.
The cash flow used by investment activities includes the payment of share capital equal to Euro 59 thousand, equal to 49% of the equity. In addition, at the end of the financial year the loss of the associated company for the year was covered by an amount equal to Euro 366 thousand.

6.38 Acquisition of and proceeds from disposals of other non-current financial assets

Other non-current financial assets at December 31, 2012 stood at a total of Euro 76 thousand (Euro 74 thousand at December 31, 2011).

Guarantee deposits at December 31, 2012 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 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 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. at December 31, 2012 is represented by the carrying amount of the financial assets reported in the financial statements, as well as by the nominal value of the guarantees issued 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 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 commitments and market conditions.

The Parent 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 payment collection flows, where this is economically expedient and complies with the various civil law, monetary and tax regulations of the countries in which the Parent 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 to meet its requirements arising from investment activities, the management of working capital and the repayment of debts upon maturity.

Currency risk

As at December 31, 2012, 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 derivative financial instruments.
The currency risk has been measured using a sensitivity analysis and the potential effects of exchange rate fluctuations on the consolidated financial statements at December 31, 2012 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 at December 31, 2012

Thousand Euro	December 31, 2012				
	USD	**JPY**	**GBP**	**CNY**	**CAD**
Receivables	342	97	366	65	-
Payables	(687)	(1,900)	(1,985)	-	(173)
Cash	53	30	708	4	
Gross exposure in the statement of financial position	**(292)**	**(1,773)**	**(911)**	**69**	**(173)**
Hedging contracts	(4,494)	(1,991)	-	-	-
Net exposure	**(4,786)**	**(3,764)**	**(911)**	**69**	**(173)**

b) the sensitivity analysis at December 31, 2012, 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	(31)	38	(16)	18
Payables	62	(76)	33	(36)
Cash	(5)	6	(3)	3
USD	26	(32)	14	(15)

2nd currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	(9)	11	(5)	5
Payables	173	(211)	90	(100)
Cash	(3)	3	(1)	2
JPY	161	197	84	(93)

3rd currency	**Impact on I.S.**			
	10%	**-10%**	**5%**	**-5%**
Receivables	(33)	41	(17)	19
Payables	180	(221)	95	(104)
Cash	(64)	79	(34)	37
GBP	83	(101)	44	(48)

4th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	(6)	7	(3)	3
Payables	-	-	-	-
Cash	-	-	-	-
CNY	(6)	7	(3)	3

5th currency	Impact on I.S.			
	10%	-10%	5%	-5%
Receivables	-	-	-	-
Payables	16	(19)	8	(5)
Cash	-	-	-	-
HKD	16	(19)	8	(5)

c) the effects of the sensitivity analysis on the income statement and equity

Appreciation of the Euro by 10%

Thousand Euro December 31, 2012	Equity	Profit or loss
USD	-	26
JPY	-	161
GBP	-	83
CAD	-	16
CNY	-	(6)
Hedging contracts	-	-
USD	498	-
JPY	391	-
Total	**889**	**280**

Depreciation of the Euro by 10%

Thousand Euro December 31, 2012	Equity	Profit or loss
USD	-	(32)
JPY	-	(197)
GBP	-	(101)
CAD	-	(19)
CNY	-	8
Hedging contracts	-	-
USD	(390)	-
JPY	35	-
Total	**(355)**	**(342)**

Appreciation of the Euro by 5%

Thousand Euro December 31, 2012	Equity	Profit or loss
USD	-	14
JPY	-	84
GBP	-	43
CAD	-	8
CNY	-	(3)
Hedging contracts	-	-
USD	308	-
JPY	315	-
Total	**623**	**147**

Depreciation of the Euro by 5%

Thousand Euro December 31, 2012	Equity	Profit or loss
USD	-	(15)
JPY	-	(93)
GBP	-	(48)
CAD	-	(9)
CNY	-	4
Hedging contracts	-	-
USD	(133)	-
JPY	138	-
Total	**5**	**(162)**

The financial instruments in place as at December 31, 2012 are forward contracts stated at fair value in the reserve assets, 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.
For more details, refer to the analysis in section 10 “Financial Risks” of the consolidated financial statements at December 31, 2012.

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 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 at December 31, 2012 are calculated using the Level 2 method. In 2012 there were no changes between levels.

9. Information pursuant to IAS 24 on management remuneration and on related parties

Transactions with related parties, as defined under IAS 24, at December 31, 2012 and at December 31, 2011 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 responsibility 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.

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 on 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.

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 at December 31, 2012 and at December 31, 2011. 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.

December 31, 2012

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	7,389	3,809	5	-	45,113	-
Y Services Ltd	626		-	2,292	1,882	-
YOOX Japan	4,336		19	1,762	19,947	20
YOOX Mishang Trading (Shanghai)	3,183	1,704	-	-	2,658	290
YOOX Asia Ltd	1,205		-	1,518	4,442	-
Total subsidiaries	**16,740**	**5,513**	**24**	**5,572**	**74,042**	**310**

December 31, 2011

	Trade receivables	Financial receivables	Trade payables	Financial payables	Revenue	Costs
YOOX Corporation	8,194	1,932	24	-	29,112	24
Y Services Ltd	621		0	1,932	1,509	-
YOOX Japan	1,806			-	12,191	-
YOOX Mishang Trading (Shanghai)	538	858	-	-	506	-
YOOX Asia Ltd	474		-	-	1,418	-
Total subsidiaries	**11,633**	**2,790**	**24**	**1,932**	**44,736**	**24**

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 December 31, 2012 and as at December 31, 2011, 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 interest of the Company.

December 31, 2012

Description	Trade receivables	Trade payables	Revenue	Costs
Studio legale associato d'Urso Gatti e Bianchi	-	355	-	741
Hari K. Samaroo, P.C.	-	-	-	-
Bizmatica Sistemi S.p.A.	-	74	-	167
Total other related parties	**-**	**428**	**-**	**908**

December 31, 2011

Description	Trade receivables	Trade payables	Revenue	Costs
D'Urso Gatti e Bianchi Studio Legale Associato	-	18	-	419
Hari K. Samaroo, P.C.	-	1	-	1
Bizmatica Sistemi S.p.A.	-	-	-	49
Total other related parties	**-**	**19**	**-**	**469**

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;
- Hari K. Samaroo P.C., since the owner of that law firm is the legal representative/Chairman of Y Services;
- Bizmatica Sistemi S.p.A., since the Chairman of that company is the son of a member of the Board of Directors of YOOX S.p.A.

None of the transactions that took place with related parties in 2012 and 2011 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 responsibility 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.

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:

December 31, 2012

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**

December 31, 2011

Description	Current benefits	Long-term benefits	Stock option plans and Company incentive plans
Directors	658	-	1,281
Statutory Auditors	74	-	-
Managers with strategic responsibilities	1,334	83	928
Total	**2,066**	**83**	**2,209**

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 at Dec. 31, 2012	Balance at Dec. 31, 2011
Third-party assets held by the Group	76,910	63,743
Sureties given to others	2,812	2,660
Commitments under hedging contracts (nominal value)	22,146	27,686

The warehouses of the companies hold goods worth Euro 76,910 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 2012, as well as an expansion of procurement on a sale-or-return basis during 2012 in the Multi-brand business line.

The sureties, all given by the Parent, relate to the following contracts:

- The contract agreed by the Parent with SINV, with effect from November 2, 2010, for a period of six years, for the rental of office premises in Via Morimondo 17, Milan. The surety amounts to Euro 120,000 and will expire on January 31, 2017;
- The contract concluded with Diesel to guarantee payments by the subsidiary Y Services amounting to USD 924,760 (Euro 700,894) with effect from February 8, 2012 and expiring on December 31, 2012;
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from April 1, 2007, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 47,500, expiring on March 31, 2013;
- The contract agreed with SIMEST to guarantee the loan amounting to Euro 14,200 with effect from September 28, 2006 and expiring on March 16, 2014;
- The contract agreed with SIMEST to guarantee the loan amounting to Euro 63,011 with effect from January 17, 2008 and expiring on March 16, 2014;
- The contract agreed by the Company with New Winds Group to guarantee compliance with obligations under a rental contract for office premises in Madrid, with effect from August 1, 2008. The surety amounts to Euro 19,909 and expires on August 31, 2013;
- The contract agreed 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 August 1, 2008. The surety amounts to Euro 52,000 and expires on July 31, 2014;
- The contract agreed by the Company with Oslavia, with effect from July 1, 2008 for a period of six years, for the rental of office premises in Via Lombardini, Milan. The surety amounts to Euro 19,200 and expires on July 31, 2014;
- The contract concluded 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 April 30, 2013;
- The contract agreed with Logistica Bentivoglio S.r.l. with effect from December 28, 2010 and expiring on December 31, 2017 to guarantee compliance with obligations under the rental agreement for the warehouse at the Bentivoglio Blocco 9.5 Interporto for Euro 512,775;
- The surety agreed for Arangino Giovanni to guarantee the costs of restoring the external wall of the building in Via Lombardini, Milan, for a sum of Euro 4,000, with effect from August 19, 2010 and expiring on July 31, 2014.
- The contract agreed by the Company with Despina S.p.A. to guarantee compliance with obligations under a rental contract with effect from April 14, 2010, for a period of six years, relating to office premises at Via Nannetti 1 in Zola Predosa. The amount of the surety is Euro 58,500, expiring on February 1, 2016.

The hedging contracts relate to:

- forward sales set up by the Parent 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 6,486 thousand.
- Interest rate swaps signed by the Parent 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 reporting date is Euro 15,660 thousand.

11. Significant events after December 31, 2012

Allocation of shares following the exercise of stock options

After the end of the period, on January 16, 2013 and February 14, 2013, 117,312 YOOX S.p.A. ordinary shares were granted following the exercise of the options relating to the stock option plans and at the strike prices described in the table below:

Stock option plans	Grant date	Strike prices (in Euro)				Total options	Total post-split shares
		46,48	59,17	305,24	521,56		
2004 – 2006	Jan. 16, 2013	307				307	15,964
2006 – 2008	Jan. 16, 2013		25			25	1,300
2007 - 2012	Feb. 14, 2013		1,443			1,443	75,036
2009 - 2014	Feb. 14, 2013			160	321	481	25,012
Total		**307**	**1,468**	**160**	**321**	**2,256**	**117,312**

Given the above, the share capital issued by YOOX S.p.A. at the time of writing is Euro 574,301.00, divided into 57,430,100 ordinary shares with no indication of par value.

Share granting relating to the YOOX S.p.A. 2009-2014 Company incentive plan

On January 10, 2013, the Company had paid 4,801 ordinary shares relating to the Company incentive plan to four beneficiaries.

Extension of bikkembergs.com

From February 2013 the bikkembergs.com Online Store was extended to Japan.

Deactivation of zeishouse.com

From January 2013, the zeishouse.com Online Store, currently only present in Europe with the Bikkembergs brand and several other minor brands, owned and under licence, was deactivated.

Deactivation of cpcompany.com

YOOX Group announced that the agreement with FGF Industry S.p.A. relating to the management of the cpcompany.com Online Store in Europe, the US and Japan will not be renewed after it expires in February 2013.

Launch of missoni.com

The missoni.com Online Store will be launched during the first half of 2013 following a six-year agreement, signed on June 12, 2012, between Missoni S.p.A. and YOOX S.p.A. missoni.com will mainly be active in Europe, the US and Japan.

Annex 1

Separate income statement for the year ended December 31, 2012, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2012			December 31, 2011		
Income statement	Balances	of which with related parties	% Weighting	Balances	of which with related parties	% Weighting
Thousand Euro:						
Net revenue	314,367			249,201		
Cost of goods sold	(219,485)			(167,935)		
Fulfilment costs	(29,205)	(406)	1.4%	(26,593)	(547)	2.1%
Sales and marketing costs	(23,950)	(317)	1.3%	(19,179)	(1,198)	6.2%
General expenses	(25,452)	(5,966)	23.4%	(21,928)	(3,180)	14.5%
Other income and expenses	(1,292)			(185)		
Non-recurring expenses						
Operating profit	**14,984**			**13,381**		
Income from investments	(366)					
Financial income	1,547			622		
Financial expenses	(2,794)			(1,018)		
Profit before tax	**13,371**			**12,984**		
Taxes	(5,177)			(4,925)		
Profit for the year	**8,194**			**8,059**		

Annex 2

Statement of financial position as at December 31, 2012, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

	December 31, 2012			December 31, 2011		
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	28,826			19,067		
Intangible assets with finite useful life	19,522			12,168		
Investments in subsidiaries	4,538			2,538		
Investments in associated companies	59					
Deferred tax assets	2,514			2,525		
Other non-current financial assets	76			74		
Total non-current assets	**55,536**			**36,373**		
Current assets						
Inventories	115,375			84,137		
Trade receivables	23,851			17,873		
Other current assets	9,305			6,873		
Cash and cash equivalents	26,327			13,002		
Current financial assets	2,020			2,269		
Total current assets	**176,877**			**124,153**		
Total assets	**232,413**			**160,526**		
Shareholders' equity						
Share capital	573			531		
Reserves	77,018			67,306		
Retained earnings/(losses carried forward)	7,287			(770)		
Profit for the year	8,194			8,059		
Total equity	**93,072**			**75,126**		

Statement of financial position	December 31, 2012 Balances	of which with related parties	% Weighting	December 31, 2011 Balances	of which with related parties	% Weighting
Non-current liabilities						
Medium-long term financial liabilities	15,098			11,522		
Employee benefits	212			213		
Provisions for risks and charges	-			-		
Deferred tax liabilities	128			83		
Total non-current liabilities	**15,438**			**11,819**		
Bank loans and other current financial payables	12,007			2,527		
Provisions for risks and charges	200			84		
Trade payables	84,474	481	0.6%	53,356	9	0.0%
Tax liabilities	1,792			391		
Other payables	25,430			17,224		
Total current liabilities	**123,902**			**73,581**		
Total equity and liabilities	**232,413**			**160,526**		

Annex 3

Statement of cash flows at December 31, 2012, prepared in accordance with CONSOB Resolution 15519 of July 27, 2006 and CONSOB Communication DEM/6064293 of July 28, 2006 (in thousands of Euro).

Statement of cash flows	December 31, 2012 Balances	December 31, 2012 of which with related parties	December 31, 2012 % Weighting	December 31, 2011 Balances	December 31, 2011 of which with related parties	December 31, 2011 % Weighting
Profit for the year	8,194			8,059		
Adjustments for:						
Taxes for the year	5,177			4,925		
Financial expenses	2,794			1,018		
Financial income	(1,547)			(622)		
Interests of associated companies	366					
Depreciation, amortisation and impairment losses	13,044			7,558		
Fair value measurement of stock option plans	4,610			4,167		
Capital gains/(losses) on sale of non-current assets	(2)			-		
Employee benefits	15			11		
Provisions for risks and charges	200			84		
Payment of employee benefits	(16)			(10)		
Use of provisions for risks and charges	(84)			(646)		
Changes in inventories	(31,238)			(19,358)		
Changes in trade receivables	(5,978)			(1,921)		
Changes in trade payables	31,118	472	1.5%	10,142	(3,744)	(36.9%)
Changes in other current assets and liabilities	6,481			1,587		
Cash flow from (used in) operating activities	**33,132**			**14,994**		
Income tax paid	(3,721)			(4,342)		
Interest and other financial expenses paid	(2,794)			(1,018)		
Interest and other financial income received	1,547			622		
NET CASH FLOW FROM (USED IN) OPERATING ACTIVITIES	**28,165**			**10,255**		

Statement of cash flows	December 31, 2012 Balances	of which with related parties	% Weighting	December 31, 2011 Balances	of which with related parties	% Weighting
Acquisition of property, plant and equipment	(4,557)			(1,306)		
Acquisition of intangible assets	(14,575)			(9,095)		
Acquisition of stakes in subsidiaries	(2,000)			(991)		
Acquisition of stakes in associated companies	(425)					
Acquisition of other non-current financial assets	(1)			(8)		
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	**(21,558)**			**(11,399)**		
Financing activities						
New short-term liabilities	2,038			-		
Repayment of short-term liabilities	-			(5,030)		
New medium-long term financial liabilities	163			(155)		
Repayment of medium-long term financial liabilities	(154)			-		
Treasury share acquisition	-			(953)		
Capital injection for share capital increase and share premium reserve	4,433			1,016		
Investments in other financial assets	249			2,813		
Variation through difference between cash effect and action of incentive plans	(12)			(140)		
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**6,718**			**(2,449)**		
TOTAL CASH FLOW FOR THE PERIOD	**13,325**			**(3,593)**		
Cash and cash equivalents at the beginning of the year	13,002			16,595		
Cash and cash equivalents at the end of the year	26,327			13,002		
TOTAL CASH FLOW FOR THE PERIOD	**13,325**			**(3,593)**		

Annex 4

A summary of fees paid during the year for services provided to the Parent by the independent auditors and the entities within the independent auditors' network, prepared in accordance with Article 149-*duodecies* of Issuer Regulation 11971 of May 13, 1999 and subsequent amendments.

Type of service	Party providing the service	Recipient	Fee (thousand Euro)
Auditing	KPMG S.p.A.	Parent	210
Certification services	KPMG S.p.A.	Parent	102
Other services*	KPMG network	Parent	60
Total			**372**

* 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	573	B		
Capital injection for future share capital increase	15	A,B		
Equity-related reserves:				
Share premium reserve (1)	61,719	A,B,C	61,719	61,719
Treasury shares purchase reserve	(1,136)			
Reserve for capital contributions	-			
Merger reserve	-			
Income-related earnings:				
Legal reserve	193	B	193	
Statutory reserves	-			
Stock option reserves	16,402	A,B	16,402	
Cash flow hedging reserves	(177)		(177)	
Retained earnings	7,289			
Total share capital and reserves	**84,877**			
Profit/loss for the year	8,194			
Total equity	**93,071**			

Key:

A: For share capital increase

B: to hedge losses

C: dividends

NB:
(1) Pursuant to Article 2431 of the Italian Civil Code, this reserve can only be distributed if the legal reserve has reached the limit specified in Article 2430 of the Italian Civil Code.
The distribution possibilities for the share premium are determined by removing the retained earnings, the operating result and the percentage of treasury shares purchased times the excess amount of the par value of the latter, which is already tied in under the actual terms under which the share capital is bound (Euro 1,315 thousand net of Euro 1,620 of share capital figuratively repurchased).

STATEMENT ON THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2012 PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION 11971 OF MAY 14, 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 2012.

They further certify that:
the separate financial statements at December 31, 2012:

- 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	Director in charge of preparing corporate accounting documents
Federico Marchetti (signed on the original)	Francesco Guidotti (signed on the original)

REPORT OF THE AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via Andrea Costa, 160
40134 BOLOGNA BO

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Telefax +39 051 4392599
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(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 2012, 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 13 March 2012 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 2012 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 2012, 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 S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia Cagliari
Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Udine Varese Verona

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Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA

YOOX S.p.A.
Report of the auditors
31 December 2012

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 2012.

Bologna, 13 March 2013

KPMG S.p.A.

(signed on the original)

Gianluca Geminiani
Director of Audit

2

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONCERNING THE FINANCIAL STATEMENTS AT DECEMBER 31, 2012 AND CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012 *(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 574,301.00, fully paid up

http://www.yooxgroup.com

Report of the Board of Statutory Auditors to the Shareholders' Meeting

Separate Financial Statements at December 31, 2012 – Consolidated Financial Statements at December 31, 2012

(*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 December 31, 2012 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 April 6, 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.

The functions of the Supervisory Body were not assigned as resolved at the meeting of the Board of Directors on April 27, 2012.

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.

With reference to the regulatory simplification process adopted by CONSOB, the Company has decided to comply with the simplification scheme set out in Article 70, paragraph 8 and Article 71, paragraph 1-*bis* of the Regulation adopted by CONSOB through Resolution 11971 of May 14, 1999 and subsequent amendments, making use therefore of the right of exemption from the obligation to publish information documents set out in Annex 3B of the above-mentioned CONSOB

Regulation on the occasion of significant merger, demerger and capital increase operations through the contribution of goods in kind, acquisitions and sales.

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.

During the year, ten 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 (formerly the Internal Control Committee) were held, at which at least two members of the Board of Statutory Auditors took part; six meetings of the Remuneration Committee and one meeting of the Related Parties Committee were also held. Note that no meetings of the Directors' Appointments Committee were held in 2012.

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 representatives of the Independent Auditors; no matters arose in the course of these encounters requiring mention in this report.
During the 2012, the Company did not give the Independent Auditors any additional tasks other than the legally required task of auditing the accounts, with the exception of producing two reports with reference to the share capital increase without option rights pursuant to Article 2441, paragraph four, second period of the Italian Civil Code and Article 158, paragraph three of the TUF; in 2012 the Company appointed KPMG Advisory S.p.A. (part of the KPMG "network") to conduct audit activities into the operational effectiveness of the IT controls in the Payment and Human Resources areas. After the end of the financial year the Company appointed KPMG S.p.A. to carry out a limited audit of the "2012 Sustainability Report". Also, still after the end of the financial year, the Company appointed KPMG Advisory S.p.A. (part of the KPMG "network") to provide methodological assistance with the definition of the Strategic Risk Management model.

To the best of our knowledge, we monitored observance of the law and of the Articles of Incorporation, and we have no particular observations to report in this regard.
During the course of 2012 we met seven times in order to carry out legal inspections and exchange information, where necessary, with representatives of KPMG 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.

The functions of the Supervisory Body were not assigned as resolved at the meeting of the Board of Directors on April 27, 2012.

We highlighted ***(i)*** the report on the “fundamental questions” issued by the Independent Auditors pursuant to Article 19, paragraph 3 of Legislative Decree 39/2010; ***(ii)*** the annual confirmation of the independence of the latter pursuant to Article 17, paragraph 9, letter a) of Legislative Decree 39/2012; and we analysed the risks relating to the independence of the independent auditors and the measures they adopted to limit this from happening. 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 Articles of Association, do not conflict with resolutions passed by the Shareholders' Meeting and are based on managerial best practice. In the Report on Operations for 2012, 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.

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.

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 pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of CONSOB Regulation 11971 of May 14, 1999 and subsequent amendments and additions (“Issuer Regulation”), and we have no particular observations to report.
We took note 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 2012 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 December 31, 2012, submitted for your approval, closed with a profit of Euro 8,194 thousand, while the consolidated financial statements show profit attributable to the Group of Euro 10,183 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 December 31, 2012, as well as the total fees due. Regarding notification of fees for the provision of auditing services, see the information provided by the Company in the annexes to the separate and consolidated financial statements to December 31, 2012, in accordance with Article 149-*duodecies* of the Issuer Regulation. It should be remembered that on March 5, 2012, the Board of Statutory Auditors formulated a reasoned proposal for the adjustment, during the auditing appointment, of the above-mentioned fees in the light of the request by KPMG S.p.A. with regard to the time spent, given the increased size of the Company, for the actual task.

In the “Risk factors” section of the Report on Operations, the directors describe the main risks and uncertainties to which the Company is exposed, identifying both operational and financial risks (foreign exchange, country, interest rate, price, credit and liquidity) as well as general risks.

The directors state that relationships between the Company, Group companies and/or related parties cannot be classed as atypical or unusual, that they form part of the ordinary course of business and that they were carried out under market conditions. 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 Articles of Association, 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, the Company carried out transactions with treasury shares by virtue of the authorisation granted by the meeting on this subject on April 27, 2012.

***

Our regular supervisory activities were carried out throughout the financial year ended December 31, 2012. 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 “2012 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 2 of the TUF.

***

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, March 13, 2013

The Board of Statutory Auditors

____

Filippo Tonolo – Chairman

(signed on the original)

____

David Reali – Standing Auditor

(signed on the original)

____

Patrizia Arienti - Standing Auditor

(signed on the original)

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